



**MAKATI FINANCE**  
**CORPORATION**  
MORE THAN JUST FINANCING

April 18, 2022

**Corporate Governance and Finance Department**  
**SECURITIES AND EXCHANGE COMMISSION**

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

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

**The Disclosure Department**  
**THE PHILIPPINE STOCK EXCHANGE, INC.**

3<sup>rd</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

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


Gentlemen:

We are sending herewith a copy of Makati Finance Corporation SEC Form 17-A for the year ended December 31, 2021.

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) 7751-8132  
Website: [www.makatifinance.ph](http://www.makatifinance.ph)

# COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

|                         |
|-------------------------|
| <b>MARCOS E. LAROSA</b> |
|-------------------------|

Contact Person

|                       |
|-----------------------|
| <b>(02) 7751-8132</b> |
|-----------------------|

Company Telephone Number

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Month Day

Fiscal Year

**2021**

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| <b>SEC Form 17-A</b> |
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FORM TYPE

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Month Day

Annual Meeting

**Every last  
Thursday of July**

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| <b>Financing</b> |
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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

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| Total Amount of Borrowings |         |
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| Domestic                   | Foreign |

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To be accomplished by SEC Personnel concerned

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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, 2021
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  (SEC Use Only)  
Province, Country or other jurisdiction of      Industry Classification Code:  
incorporation or organization
7. 3F Mazda Makati Bldg., 2301 Chino Roces Ave., Brgy.Magallanes      1231  
Address of principal office      Postal Code
8. (0632) 7751-8132 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<br>Outstanding and Amount of Debt Outstanding |
|---------------------|--|
| <b>Common Stock</b> | <b>267,828,098</b>   |

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 [   ]

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC form 17-A into which the documents is incorporated:
- (a) Any annual reports to security holders  
NA
  - (b) Any information statement filed pursuant to SRC Rule 20  
NA
  - (c) Any prospectus filed pursuant to SRC Rule 8.1  
NA

## 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. However, in 2019, the Company, upon the approval of its stockholders has declared a Special Stock Dividends amounting 12.9549278928% of the outstanding capital stock equivalent to a maximum of 30,000,000 shares of stocks, and was released out of its un-issued capital stock to stockholders of record as of 22 August 2019 with a payment date not later than 18 September 2019.

The Company’s has expanded its product lines from its traditional Rx Cashline, MFC Factors (receivables financing) Business Loans; Motorcycle (MC) Financing to include new financial products lines recently introduced by the company namely: corporate salary loans; personal loans; micro business loans; pension loans; car loans and leisure bikes financing. These loans are offered domestically, hence there are no foreign sales. Also, no government approval is needed to offer these products. The management continues to implement measures to ensure costs and expenses are managed accordingly and impose higher standards of credit evaluation to ensure quality of accounts and maintain high collection efficiency of loan repayments. MFC has also been innovating in order to be able to adapt to positive changes in the current business environment that will impact its operations.

#### 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 continued to foster a good business relationship with its motorcycle dealer partners as the Company sees Motorcycle Financing to continue to be one of the main product lines of MFC, while it carried on its efforts to diversify product lines by growing the collateral based Business loans, Rx Cashline (Doctors loans), and introducing new product lines which aims to significantly improved its loan portfolio balance and further improve its operations and profitability. Among the new products that were introduced are Personal Loans in 2016, Car loans and Corporate salary loans in 2017, and in 2018, MFC had successfully launched as planned its Micro Business loans, Pension loans and Leisure bikes financing.

The on-going diversification and strategic positioning of existing partner dealers for the past three years expectedly reduced the share of Motorcycle Financing from 43% in 2018 to 33% in 2021, but still holds the biggest chunk of the total loan portfolio of MFC. Other existing products maintained its share as follows; Rx Cashline – 11%, MFC Factors – 6%, Business Loans – 32%, Car Loans & Leisure Bikes – 10% and Other products – 8%.

For the Year 2021, the Company released a total loans of P732 million, 23% lower or about P224 million versus P956 million in 2020, this is mainly due to the impact of COVID 19 pandemic as the Company became more stricter in credit evaluation especially on new accounts, while we continue to support in servicing our existing good customers. On the other hand, total collections amounted to P981 million, a decrease of 11% or about P118 million versus P1.1 billion in 2020. The net income of the Company amounted to P9.7 million, or about 8% lower versus P10.8 million in 2020, mainly due to the impact of CREATE law, correcting prior years deferred tax assets in the amount of Php 9.54 million. Without the income tax correction, the Company's Net income in 2021 should have been P19.24 million, 78% higher versus 2020.

## **Operating Departments and Units**

The Company has an Operations Group which comprises of several operating units that complements to each other's operating functions. The following is a brief description of each:

### **Sales Group**

This team is composed of various teams who were tasked in sourcing loan applications for various loan products of MFC, such as the Rx Cashline (Doctor's loans); Business Loans; Receivable Factoring; Motorcycle financing; Pension loans; Corporate salary loans; Personal loans; Micro business loans; pension loan; Car loans & Leisure Bike financing. Thoroughly evaluates each loan application and recommend/endorse the loan application to the Credit Committee for review and approval. Each team who handles each product is expected to produce quality accounts with the aim of achieving the pre-set targets and objectives for the year.

### **Marketing Team**

This Team is tasked to uplift or build up the company's image and provide support to the Sales Group by providing marketing materials and paraphernalia, implement marketing plans and strategies, provide promotional support for the various sales activities for each loan product. The effort of the Marketing team is expected to help the Sales Group realize its goals and objective for the year 2021 and the coming years.

### **Credit & Verification Team**

The team is tasked to conduct online credit verification through NFIS/Loandex and CMAP facilities and other applicable credit agencies. A thorough credit and background verification is likewise being conducted through phone validation of all information contained in the loan applications submitted by clients. Further, to ensure veracity of the credit findings, actual field validation/personal visit, residence and neighborhood checking are being conducted by the team's field personnel to guarantee all data and information gathered are double checked and are valid, satisfactorily within the acceptable credit standard of the company..

Complete and adequate evaluation and stringent screening process for all loan applications to ensure quality account and repayment is the main objective of this team.

### **Loan Collections Team**

Monitoring the repayment of loan accounts is the responsibility of the Sales team for each of the loan products and collection sales representative (CSR) in the case of Motorcycle Financing. The subsidiary ledger of their respective approved clients contains the schedule of the loan amortization payments which are readily available given their authorized access to the Loans Management System (LMS) of the Company. Hence, the account officer (AO) for each loan products is well advised of the status of each account. AOs are expected to always be updated on client's repayments. Most clients repayment are covered by postdated checks, an authority to debit bank account or by way of assigned payroll ATM.

Clients, whose checks have bounced and or has missed their respective due dates are immediately advised by the AOs 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 Motorcycle Financing customers. Some customers prefer to pay directly to the branch office.



## **Remedial Team**

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 and are referred to the remedial team for follow up collection. Past due client who responded positively to the collection effort by the Remedial team are offered repayment schemes that will allow them to re-structure their accounts. For those who continuously refused to heed the collection demand of the Remedial team are endorsed to our accredited collection agencies. The last recourse, if all remedial measure fails is the endorsement of the account for Legal action or foreclosure of collateral as these accounts are already classified as delinquent. Motorcycle units are repossessed by MFC from loan accounts which are over 90 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, 2021, the Company accounted for a total of 184 employees, distributed as follows:

| <u>Rank</u>            | 2021<br><u>No. of Employees</u> | Projected 2022<br><u>No. of Employees</u> |
|------------------------|---------------------------------|---|
| Officers               | 2                               | 3   |
| Managerial/Supervisory | 29                              | 34  |
| Rank and File          | 153                             | 195                                       |
| <b>Total</b>           | <b>184</b>                      | <b>232</b>                                |

| <u>Employment Status</u> | <u>No. of Employees</u> |
|--------------------------|-------------------------|
| Regular                  | 166                     |
| Probationary             | 18                      |
| <b>Total</b>             | <b>184</b>              |

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:

| <b>List of Foreclosed Properties as of December 31, 2021</b>   |                   |                    |
|--|-------------------|--------------------|
| <b>Location</b>  | <b>Size(s.qm)</b> | <b>Description</b> |
| (Farm Land) Santan St., Cityland Cityview II Farm Lot Subdivision, Barangay De Ocampo, Trece Martires City(Cavite) | 1,410             | Transferred        |
| (House and Lot) Blk 23, Lot 1, Montevista Hts., Subd.,Brgy. Dolores, Taytay, Rizal                                 | 181               | Transferred        |
| (House and Lot) Blk 23, Lot 2, Montevista Hts., Subd.,Brgy. Dolores, Taytay, Rizal                                 | 198               | Transferred        |
| (House and Lot-2storey )Lot 1-B, Blk 17, No. 26 Sardinia St., San Francisco Village, Barangay Muzon, Taytay, Rizal | 157               | Transferred        |
| (House and Lot ) Lot 9, Blk 1, Victoria Ave. Brookside Hills Subd., San Isidro, Cainta, Rizal                      | 279               | Transferred        |
| (Lot) Lot 15-F, Iruhin Central R1, Tagaytay City   | 2,231             | Transferred        |
| (Lot) Bo. of Labit West, Urdaneta, Pangasinan  | 6,374             | Transferred        |
| Residential House, Guiguinto, Bulacan (43.20sq.m.)   | 43.20             | Transferred        |
| <b>TOTAL</b>   | <b>10,873.20</b>  |                    |

## 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 2021.

## 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 ₱267,828,098, divided into 267,828,098 shares are issued and outstanding as at December 31, 2021.

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 26, 2018, the BOD and stockholders approved the declaration of 3.65% stock dividends in the amount of ₱8,159,810 to stockholders of record as of August 23, 2018 with distribution date not later than September 18, 2018. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱8,159,871. Fractional shares related to this declaration were settled in cash amounting to ₱61.00.

On July 25, 2019, the BOD and stockholders approved the declaration of 13.55% stock dividends in the amount of ₱31,376,132 to stockholders of record as of August 22, 2019 with distribution date not later than September 18, 2019. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱31,376,174. Fractional shares related to this declaration were settled in cash amounting to ₱42.40.

On July 30, 2020, the BOD and stockholders approved the declaration of 1.23% stock dividends in the amount of ₱3,255,804 to stockholders of record as of August 27, 2020 with distribution date not later than September 22, 2020. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱3,255,891. Fractional shares related to this declaration were settled in cash amounting to ₱43.35.

On July 29, 2021, the BOD and stockholders approved the declaration of 0.61% stock dividends in the amount of ₱1,624,051 to stockholders of record as of August 26, 2021 with distribution date not later than September 21, 2021. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1,624,095. Fractional shares related to this declaration were settled in cash amounting to ₱44.45.

The movements in the number of shares and capital stock amount for the years ended December 31, 2021, 2020 and 2019 as follow:

|                              | 2021             |              | 2020             |              | 2019             |              |
|------------------------------|------------------|--------------|------------------|--------------|------------------|--------------|
|                              | Number of Shares | Amount       | Number of Shares | Amount       | Number of Shares | Amount       |
| Balance at beginning of year | 266,204,047      | ₱266,204,047 | 262,948,243      | ₱262,948,243 | 231,572,111      | ₱231,572,111 |
| Stock dividends              | 1,624,051        | 1,624,051    | 3,255,804        | 3,255,804    | 31,376,132       | 31,376,132   |
| Balance at end of year       | 267,828,098      | ₱267,828,098 | 266,204,047      | ₱266,204,047 | 262,948,243      | ₱262,948,243 |

## 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 ₱2.50 per share as of December 31, 2021. The Company has not gone into a business combination nor any reorganization for the year 2021.

**Share Prices:**

The latest available price information on Makati Finance's stock price is ₱2.16 per share as of April 11, 2022.

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

| <b>Quarter Ending</b> | <b>Market Prices</b> |            |
|-----------------------|----------------------|------------|
|                       | <b>High</b>          | <b>Low</b> |
| March 2022            | 2.20                 | 2.20       |
| December 2021         | 2.50                 | 2.50       |
| September 2021        | 2.40                 | 2.40       |
| June 2021             | 2.72                 | 2.72       |
| March 2021            | 2.53                 | 2.53       |
| December 2020         | 2.70                 | 2.70       |
| September 2020        | 2.09                 | 2.09       |
| June 2020             | 1.90                 | 1.90       |
| March 2020            | 2.00                 | 2.00       |
| December 2019         | 2.48                 | 2.48       |
| September 2019        | 3.09                 | 3.09       |
| June 2019             | 3.03                 | 3.03       |

**HOLDERS OF COMMON STOCK as of April 13, 2022**  
**TOP 20 Stockholders**

**There are a total of 111 stockholders as of April 13, 2022**

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

Currently the Company is compliant in the PSE continuing listing requirement rule on minimum public ownership. The rule requires a 10% minimum public float. MFC has 15.57% public float.

**DIVIDENDS**

As approved by the BOD and upon concurrence by the stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year.

For the year 2019, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱1,376,174. Fractional shares were paid in cash.

For the year 2020, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱3,255,847. Fractional shares were paid in cash.

For the year 2021, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱1,624,095. Fractional shares were paid in cash.

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

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

## **EXEMPTION FROM REGISTRATION CLAIMED**

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

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

### **Plans and Prospects for 2022**

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

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

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

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

With the Plans and Prospects in the past two years being held temporarily by uncertainties during the global pandemic, this year 2022, MFC shall continue to position itself as among the top players and the financing company of choice in the market we serve. MFC will be capitalizing on its 56 years of existence and its vast experience in prudent lending activities shall emerge even stronger in these trying times and shall continuously adapt and raise the quality of the services it provide to all its clients.

## *Discussion of Past Financial Performance*

### **As of December 31, 2021**

#### **Results of Operation**

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

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

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

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

#### **Financial Condition and Capital Resources**

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

#### **Interest Income**

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

#### **Net Interest Income**

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

#### **Other Income**

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

#### **Income Before Income Tax**

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



## **Funds Generation**

We currently have a ₱50 million facility with Amalgamated Investment Bancorporation (AIB) and ₱350 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2022.

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

## **As of December 31, 2020**

### **Results of Operation**

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

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

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

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

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

### **Financial Condition and Capital Resources**

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

### **Interest Income**

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

### **Net Interest Income**

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

**Other Income**

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

**Income Before Income Tax**

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

**Funds Generation**

We currently have a ₱339 million facility with Amalgamated Investment Bancorporation (AIB) and ₱347 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2021.

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

**As of December 31, 2019****Results of Operation**

The Company released a total loans of ₱1.05 billion in 2019, 40% higher or about ₱296 million versus ₱758 million in 2018. On the other hand, total collections amounted to P962 million, an increase of 36% or about P253 million versus P709 million in 2018, which resulted to a net income of P21.7 million, or about 137% higher versus P9.2 million in 2018 as reflected in its audited financial statements.

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

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

As of December 31, 2019, Earnings Per Share ended at ₱0.09 from ₱0.04 in 2018.

**Financial Condition and Capital Resources**

Total assets as of December 31, 2019 ended at ₱1,333.56 million, higher versus ₱1,018.44 million in 2018 mainly due to increase in loans receivables by ₱281.6 million from ₱738.59 million in 2018 to ₱1,020.2 million in 2019. On the other hand, total liabilities also grew by ₱299.52 million, from ₱509.15 million in 2018 to ₱808.67 million in 2019 mainly due to net loan availments amounting to ₱244.57 million during the year.

**Interest Income**

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

### **Net Interest Income**

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

### **Other Income**

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

### **Income Before Income Tax**

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

### **Funds Generation**

We currently have a ₱385 million facility with Amalgamated Investment Bancorporation (AIB) and ₱324 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2020.

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

### **As of December 31, 2018**

#### **Results of Operation**

Net Income after Tax for the year ending December 31, 2018, as reflected in the audited financial statements ended at ₱9.2 million, though lower versus ₱54.4 million a year ago mainly due to a onetime gain on sale of investment in an associate amounting to ₱102 million in 2017. However, the Company's Income after taking out the gain on sale of investment significantly improved from a loss of ₱50.65 million in 2017 to an income of ₱9.2 million in 2018, mainly driven by reduction in the Company's operating expenses from ₱223.25 million in 2017 to just ₱117.4 million in 2018.

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

Interest income in 2018 amounted to ₱133.93 million; major breakdown of which is ₱23.65 million from Rx, ₱43.29 million from MFC Factors and Business Loans and ₱61.64 million from MC Financing.

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

#### **Financial Condition and Capital Resources**

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

**Interest Income**

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

**Net Interest Income**

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

**Other Income**

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

**Income Before Income Tax**

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

**As of December 31, 2017****Results of Operation**

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

**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%.

## KEY PERFORMANCE INDICATORS:

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

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

Computation for the Ratios:

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

#### **TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON LIQUIDITY**

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

#### **EVENTS THAT WILL TRIGGER DIRECT OR CONTINGENT FINANCIAL OBLIGATION**

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

#### **MATERIAL OFF-BALANCE SHEET TRANSACTIONS, ARRANGEMENT OR OBLIGATION**

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

#### **CAPITAL EXPENDITURES**

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 Roxas Cruz Tagle & Co. is the incumbent external auditor of the Company for the calendar year 2021. The Company has complied with SRC Rule 68 (3)(b)(iv), regarding rotation of external auditors or engagement partners every five years. Mr. Clark Joseph C. Babor, the partner in charge, is the lead auditor, and Mr. Jarred D. Pereña, as the signing Partner, of the Company. It is expected that Roxas Cruz Tagle & Co. will be reappointed as the Company's external auditor for year 2022.

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

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

Audit Committee is comprised of the following – Mr. Asterio L. Favis, Jr. as Chairman and Mr. Alan Michael R. Cruz and Mr. Max O. Borromeo as members.

## **INFORMATION ON EXTERNAL AUDITOR**

There had been no disagreements with Roxas Cruz Tagle & Co. with regard to accounting policies and financial disclosures of the Company. Mr. Clark Joseph C. Babor, the engagement partner, and Mr. Jarred D. Pereña, the signing partner, are the newly appointed auditors of the Company for the Calendar Year ending December 31, 2021, and has not yet completed the five-year cap requirement of SEC.

For the annual statutory and regulatory engagements including out-of-pocket expenses, MFC has engaged Roxas Cruz Tagle & Co. for a service fee of ₱375,771 for 2021 audit period. The Company has not engaged Roxas Cruz Tagle & Co. for any tax-related service or any other professional services. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the BOD. Recommendations by the audit committee are then deliberated during the Board meetings.



## 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:

**Ms. Teresita B. Benitez**, 87, *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**, 59, *Filipino*, is the Company's *Chairman* and has been a director since 1996. Prior to assuming his role as Chairman, Mr. Benitez has served in various board and senior executive capacities in various private and public corporations, domestically and overseas. He is also Chairman of Amalgamated Investment Bancorporation, and Vice Chairman of the Dearborn Motors Group of car dealerships. To help the start up ecosystem, he recently co-founded the Manila Angel Investors Network. Mr. Benitez graduated with a dual major in Business Economics and Organizational Studies from Pitzer College of the Claremont Colleges, and has a master's degree in International and Development Economics from Yale University in New Haven, CT.

**Mr. Max O. Borromeo**, 72, *Filipino*, is the Company's *Vice Chairman*. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo is currently a Director in the following companies: Honda Motor World, Inc., HMW Lending Investors, Dearborn Motors Co., Inc, Astron Gestus, Inc., Visayas Auto Ventures, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Cebu Parkland, Inc., and Salud Borromeo Foundation, Inc. and Amalgamated Investment Bancorporation. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

**Mr. Joel S. Ferrer**, 68, *Filipino*, is the Company's *Treasurer*. He has been a Director since 1998. Mr. Ferrer is currently the President of PARMAN Inc., a staffing company serving local and international clients. At the same time he also manages interests in real estate and agribusiness. Previous to this, he had worked for ERECSA, Inc. where he was the Executive Vice President. His other work experience includes being an investment executive at the Summa International Bank of Indonesia and a Lending Officer at the Bank of America. He obtained his Masters Degree in Business Management from the Asian Institute of Management and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

**Mr. Eric B. Benitez**, 54, *Filipino*, has served as a Director since 2011. Mr. Benitez was formerly a Director in Credit Risk Management at Eurohypo AG (wholly-owned subsidiary of Commerzbank AG) in New York. Prior to Eurohypo, Mr. Benitez was a senior consultant within the Real Estate Business Advisory Services Group at the New York office of PricewaterhouseCoopers, LLP. He began his career in 1988 as an analyst in the trust department at Sanwa Bank (now part of The Bank of Tokyo-Mitsubishi UFJ) in San Francisco, CA. Previously, Mr. Benitez was formerly a Board Member of the Philippine Finance Association. He earned his BA in Applied Mathematics from the University of California, Berkeley and his MS in Real Estate from Columbia University in New York.

**Mr. Maxcy Francisco Jose R. Borromeo**, 48, *Filipino*, is the Company's President and Chief Operating Officer of Makati Finance Corporation. He joined the company in 2014 and was elected Director in 2016. Outside of Makati Finance Corporation, he is also the President of HMW Lending

Investors, Inc. and MAPI Lending Investors, Inc. He also serves as Director of Honda Motor World, Inc., Motor Ace Philippines, Inc., Astron Gestus, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Borromeo Brother's Estate, Inc. and Mizukawa Motors Corporation. He is also a member of the Board of Trustees of Salud Borromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Political Science from the Ateneo de Manila University. He obtained his Master's degree in Applied Finance with a focus on banking from the University of Wollongong, Australia.

**Mr. Jose Daniel R. Borromeo**, 50 Filipino, He was elected as Director last July 28, 2016. He is the President and General Manager of Honda Motor World, Inc., Motor Ace Philippines, Inc., and Dream Honda, Inc. He is also the Managing Director of Borromeo Brothers Estate, Inc., Margarita Agro Industrial Corp., Tolar Development Corp. and , MC Bros. Development Corp. He is the President of Astron Gestus, Inc., Sakura Autoworld Inc., Cebu Maxi Management Corp., and Maxi Agricultural Corporation. He's the Corporate Planning Officer of Dearborn Motors, Inc. He graduated in Business Management degree major in Marketing from Hampshire College, New Hampshire, USA and completed his MBA in the University of Wollongong, Wollongong, Australia.

**Mr. Alan Michael R. Cruz**, 59, Filipino, he was elected as Independent Director last July 27, 2017. He was the President and General Manager of Northpine Land, Inc. from June 2011 to December 2016. He was also the Real Estate Development Manager of San Miguel Properties, Inc. from March 2007 to June 2011. He also served as Vice President and Division Head of United Coconut Planters Bank (UCPB) from 2004-2007 and Vice President and OIC – Asset Management Division from 2000-2003. He graduated in 1985 from University of the Philippines with the degree of B.S. Architecture. He was also 10th placer in 1985 board examination.

**Mr. Robert Charles “Bob” M. Lehmann**, 66, Filipino, he was elected as Director last October 20, 2017. He is currently the President and CEO of Amalgamated Investment Bancorporation (AIB). Also, Mr. Lehmann is concurrently a Director of Philippine Eagle Foundation. He has served 24 years in the banking industry in various senior positions here and abroad. His last position being the Executive Vice President of Security Bank. Prior to that, he was with Standard Chartered Bank in the region for many years, after several Philippine Country Manager positions with American and U.K. banks. A graduate of Ateneo High School, he has an undergraduate degree in B.S. International Business and a Masters in Business Administration from the University of San Francisco.

**Mr. Asterio L. Favis, Jr.**, 69, Filipino, he was elected as Director of Makati Finance Corporation. He is currently working as consultant of Amalgamated Investment Bancorporation (AIB) and Ateneo-BAP Institute of Banking. Mr. Favis had been in banking industry for about 30 years handling various senior positions. His last position being the Executive Vice President(EVP) of Sterling Bank of Asia from April 2007 to December 2013, as Head, Treasury Group for two years, one year as OIC of Consumer Lending Group and three years as EVP/Office of the President . He was EVP/Head, Treasury Division of Philippine National Bank from November 2002 to March 2007. He was also SVP/Head, Financial Markets Division in AB Capital & Investment Corporation from 1999 to 2002 and SVP/Head, Treasury Division in Asianbank Corporation from 1990 to 1999. Prior to that, he was with PCI Bank from 1983 to 1990 as AVP/Head, Foreign Exchange for three years, VP/Head, Domestic Money Market for three years and VP/Office of the President for one year. He graduated in 1976 from Ateneo de Manila University with the degree of B.S. Management Engineering (Cum Laude).

**Mr. Cristino L. Panlilio**, 69, Filipino, was elected as Director of Makati Finance Corporation. Mr. Panlilio started his career as a banker for 20 years handling various senior positions in Far East Bank and PCI Bank. He later ventured into mining, chocolate manufacturing, sugar, water and food industries. Currently, he is the President and CEO of Balibago Waterworks System, Inc. (BWSI), and Chairman and President of Conglow Properties, Inc. His first big step towards entrepreneurship was when he invested in Universal Food Corporation, a ketchup manufacturing company and served as its President in 1992 to 1997. In mid-1997, he received an offer to buy out BWSI, after studying the proposal, Mr. Panlilio, together with a group of investors, officially took over BWSI and became its

President and CEO in 1997 to 2010 and from 2013 to present. He also served as Managing Director of Pampanga Sugar Development Company, Inc. in 1994 to 2010. He also handled several positions in Government from August 2010 to May 2013, as Undersecretary of the Department of Trade and Industry and Managing Director of Board of Investments. He earned his AB Economics (Honor Student) & Master in Business Administration (A-grade average) degrees from the Ateneo de Manila University in 1973 and 1981, respectively. He completed his Advance Management Program from Wharton School of Finance, Philadelphia USA in 1984.

**Mr. Vincent Khoon Ann Ee**, CFA, 49, Singaporean, was elected as Director of Makati Finance Corporation. Mr. Ee started his career in HSBC Asset Management in London, Hong Kong and New York handling various positions from 1996 to 2000. Currently, he is the Head of Investments, Asia in Schroders Wealth Management, Singapore. He is also a member of Investment Committee of Community Foundation of Singapore since 2014 and in Raffles Institution since 2018 as part of his Pro Bono activities. Mr. Ee was also the Chief Investment Officer and Portfolio Manager of Foord Asset Management, Singapore in 2012 to 2014. He was also the Fund Manager, Asia Ex-Japan Equities of Morgan Stanley Investment Management, Singapore in 2009 to 2012. He also served as Managing Director, Co-Founder and CEO of Libra Capital Management from 2007 to 2009. He also worked in Goldman Sachs Asset Management, Singapore as Fund Manager, Asia ex-Japan Equities from 2000 to 2007. He earned his Bachelor of Science (Econs) Accounting and Finance Degree in 1996, Second Class (Upper) Honours from London School of Economics and Political Science in London.

### **Independent Directors**

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

### **Senior Management**

**Mr. Marcos E. Larosa, CPA** – *Chief Finance Officer*, 43, Filipino, was employed by the Company in July 1, 2014 as its new CFO. He was the Regional Finance Manager of Dole Asia Company Limited since November 2013 before joining Makati Finance Corporation. For 11 years he has worked with Matimco Incorporated, a local wood manufacturing and distribution company handling several managerial positions; as Finance Manager (2010-2013), Sales Support Manager (2004-2009), Budget Planning and Control Manager (2003) . He graduated with a Bachelor of Science degree in Accounting from the Polytechnic University of the Philippines in 1999.

**Atty. Danilo Enrique O. Co**, *Corporate Secretary and Legal Counsel*, 53, Filipino. Atty. Co has been serving the Corporation as its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer Ang-Co & Gonzales Law Offices, a full-service Philippine law firm specializing in corporate law. He is also a Director, Corporate Secretary and/or Asst. Corporate Secretary of several other Philippine corporations, such as Art Provenance Philippines Inc., Amalgamated Investment Bancorporation, Anvaya Cove Beach and Nature Club, Cuervo Appraisers Inc., Dearborn Motors Co. Inc., Empowerment Through Education Inc., Health Blocks Inc., Kalayaan College Inc., Maroon Studios Inc., Sakura Autoworld Inc., Santos Knight Frank Inc., Sleep Well Land Development Corporation, Talent Scout Inc., The Studio of Secret 6 Inc., and Western Roadhouse Foods Inc. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

### **FAMILY RELATIONSHIP**

Mr. Rene B. Benitez and Eric B. Benitez are sons of Ms. Teresita B. Benitez. 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 |
| 2022<br>(Estimate)         | Top 5 Executive Officers:<br>Rene B. Benitez – Chairman<br>Max Borromeo – Vice Chairman<br>Maxcy R. Borromeo – President/COO<br>Marcos E. Larosa – Chief Finance Officer   | 9,365,012             | 1,436,790 | 400,000            |
|                            | ALL BOARD DIRECTORS AND OFFICERS AS A GROUP  | 11,058,932            | 1,901,379 | 2,230,000          |
| 2021<br>(Actual)           | Top 5 Executive Officers:<br>Rene B. Benitez – Chairman<br>Max Borromeo – Vice Chairman<br>Maxcy R. Borromeo – President/COO<br>Marcos E. Larosa – Chief Finance Officer   | 9,365,012             | 1,436,790 | 400,000            |
|                            | ALL BOARD DIRECTORS AND OFFICERS AS A GROUP  | 11,058,932            | 1,901,379 | 2,230,000          |
| 2020<br>(Actual)           | Top 5 Executive Officers:<br>Rene B. Benitez – Chairman<br>Max Borromeo – Vice Chairman<br>Maxcy R. Borromeo – President/COO<br>Marcos E. Larosa – Chief Finance Officer<br>Aldrin B. Pontanares – Operation Manager | 8,554,321             | 2,065,984 | 400,000            |
|                            | ALL BOARD DIRECTORS AND OFFICERS AS A GROUP  | 10,248,241            | 2,909,595 | 2,190,000          |
| 2019<br>(Actual)           | Top 5 Executive Officers:<br>Rene B. Benitez – Chairman<br>Max Borromeo – Vice Chairman<br>Maxcy R. Borromeo – President/COO<br>Marcos E. Larosa – Chief Finance Officer<br>Aldrin B. Pontanares – Operation Manager | 10,477,902            | 5,905,574 | 600,000            |
|                            | ALL BOARD DIRECTORS AND OFFICERS AS A GROUP  | 10,477,902            | 5,905,574 | 2,310,000          |



|        |   |                  |             |   |         |
|--------|---|------------------|-------------|---|---------|
| Common | Vincent Khoon Ann Ee<br>██  | Beneficial owner | Singaporean | 1 | 0.0000% |
| Common | Robert Charles M. Lehmann<br>██<br>██ | Beneficial owner | Filipino    | 1 | 0.0000% |
| Common | Asterio L. Favis, Jr<br>██<br>██      | Beneficial owner | Filipino    | 1 | 0.0000% |

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**

Mr. Rene B. Benitez and Eric B. Benitez are sons of Ms. Teresita B. Benitez. 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 I-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, 2021 are hereby attached “ANNEX B”.**

**Quarterly Financial Reports ending March 31, 2021 were submitted to the SEC on May 25, 2021; quarterly ending June 30, 2021 on August 17, 2021 and for the quarter ending September 30, 2021 on November 15, 2021.**



**SIGNATURES**

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Makati on 13 APR 2022.

By:



RENE B. BENITEZ  
Chairman of the Board



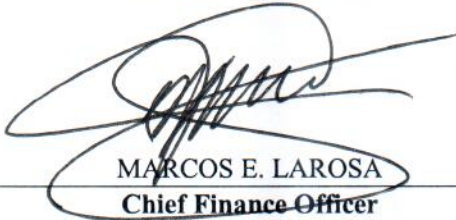
MAX O. BORROMEEO  
Vice-Chairman



ASTERIO L. FAVIS JR  
Independent Director



MAXCY FRANCISCO JOSE R. BORROMEEO  
President



MARCOS E. LAROSA  
Chief Finance Officer



DANILO ENRIQUE O. CO  
Corporate Secretary


13 APR 2022

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

| <u>NAME/NO.</u>                   | <u>GOVT.I.D.</u> | <u>PLACE OF ISSUE</u> |
|-----------------------------------|------------------|-----------------------|
| RENE B. BENITEZ                   | ██████████       |                       |
| MAX O. BORROMEEO                  | ██████████       |                       |
| ASTERIO L. FAVIS JR.              | ██████████       |                       |
| MAXCY FRANCISCO JOSE R. BORROMEEO | ██████████       |                       |
| MARCOS E. LAROSA                  | ██████████       |                       |
| DANILO ENRIQUE O. CO              | ██████████       |                       |

**NOTARY PUBLIC**

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Book No. 211  
Series of 2022



ATTY. RAYMOND A. RAMOS  
COMMISSION NO. M-239  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL JUNE 30, 2022 PER B.M. NO. 3795  
11 KALAYAAN AVENUE-EXTENSION,  
BARANGAY WEST REMBO, MAKATI CITY  
SC Roll No. 62179/04-26-2013  
IRP NO. 171365/01-03-2022/Pasig City  
PTR NO MKT 8852502/01-03-2022/Makati City  
MCS Compliance No. VI-0007878/4-06-2018



**INDEPENDENT AUDITOR'S SUPPLEMENTAL WRITTEN STATEMENT**

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

We have audited the financial statements of Makati Finance Corporation *(A Subsidiary of Amalgamated Investment Bancorporation)* (the "Company") as at and for the year ended December 31, 2021 on which we have rendered the attached report dated April 8, 2022.

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

**ROXAS CRUZ TAGLE AND CO.**



Jarred D. Pereña  
Partner

CPA Certificate No. 0109297

Tax Identification No. 243-146-342

BIR Accreditation No. 08-001682-015-2019, issued on October 22, 2019,  
effective until October 21, 2022

SEC Accreditation No. 109297-SEC, Group A, issued on February 27, 2020,  
effective for the audit of 2019 to 2023 financial statements of SEC covered institutions

BSP Accreditation No. 109297-BSP, Group A, issued on February 28, 2020,  
effective until February 27, 2023

PTR No. 8876905, issued on January 24, 2022, Makati City

April 8, 2022  
Makati City



**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation *(A Subsidiary of Amalgamated Investment Bancorporation)* (the "Company") as at December 31, 2021 and 2020 and have issued our report thereon dated April 8, 2022. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules in these audited financial statements are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and the Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. Such schedules are the responsibility of management. The schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**ROXAS CRUZ TAGLE AND CO.**

Jarred D. Pereña  
Partner

CPA Certificate No. 0109297

Tax Identification No. 243-146-342

BIR Accreditation No. 08-001682-015-2019, issued on October 22, 2019,  
effective until October 21, 2022

SEC Accreditation No. 109297-SEC, Group A, issued on February 27, 2020,  
effective for the audit of 2019 to 2023 financial statements of SEC covered institutions

BSP Accreditation No. 109297-BSP, Group A, issued on February 28, 2020,  
effective until February 27, 2023

PTR No. 8876905, issued on January 24, 2022, Makati City

April 8, 2022  
Makati City



**EXHIBIT I**

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**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
DECEMBER 31, 2021**

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|  |           |                     |
|--|-----------|---------------------|
| Unappropriated Retained Earnings, available for dividends distribution |           | P96,308,773         |
| <b>Add: Net income actually earned/realized during the year</b>        |           |                     |
| Net income during the period   | 9,704,406 |                     |
| Deferred tax expense during the year                                   | 2,155,516 | 11,859,922          |
| <b>Less: Dividends declared during the year</b>                        |           | <b>(1,624,140)</b>  |
| <b>RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DISTRIBUTION</b>          |           | <b>P106,544,555</b> |

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## EXHIBIT II

### SCHEDULE SHOWING FINANCIAL SOUNDNESS PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2021 AND 2020

|                                      | 2021    | 2020    |
|--------------------------------------|---------|---------|
| <b>SOLVENCY AND LIQUIDITY RATIOS</b> |         |         |
| Current ratio                        | 84.84%  | 98,11%  |
| Debt to equity ratio                 | 123.47% | 147.40% |
| Quick ratio                          | 109.61% | 174.50% |
| <b>PROFITABILITY RATIOS</b>          |         |         |
| Return on assets                     | 0.80%   | 0.82%   |
| Return on equity                     | 1.79%   | 2.04%   |
| Net profit margin                    | 6.00%   | 6.60%   |
| <b>ASSET TO EQUITY RATIO</b>         | 223.47% | 247.40% |
| <b>INTEREST RATE COVERAGE RATIO</b>  | 1.70    | 1.41    |

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

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**EXHIBIT III**

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**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-F  
PURSUANT TO SRC RULE 68, AS AMENDED  
DECEMBER 31, 2021 AND 2020**

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|  | 2021          | 2020          |
|--|---------------|---------------|
| <b>Ratio or percentage of total real estate investments to total assets</b>  | <b>5.21%</b>  | <b>4.66%</b>  |
| <b>Total receivables to total assets</b>                                     | <b>71.91%</b> | <b>75.65%</b> |
| <b>Total DOSRI receivables to net worth</b>                                  | <b>2.93%</b>  | <b>4.88%</b>  |
| <b>Amount of receivables from a single corporation to total receivables:</b> |               |               |
| Motor Ace Philippines, Inc. (MAPI)   | <b>0.04%</b>  | <b>0.02%</b>  |
| Honda Motor World, Inc.  | <b>0.02%</b>  | <b>0.01%</b>  |
| Amalgamated Investment Bancorporation  | <b>0.01%</b>  | <b>0.01%</b>  |
| MAPI Lending Investors, Inc.   | <b>0.22%</b>  | <b>0.27%</b>  |

**EXHIBIT IV**

**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J  
PURSUANT TO SRC RULE 68, AS AMENDED  
DECEMBER 31, 2021**

**Schedule A. Financial Assets**

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Income received and accrued |
|--|---|---|-----------------------------|
| Other investments:<br>Orchard golf club shares       | 1   | 80,000  | —                           |

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

| Name and designation of debtor | Balance at beginning of period | Additions         | Amounts collected  | Amounts written off | Current            | Not current | Balance at end of period |
|--------------------------------|--------------------------------|-------------------|--------------------|---------------------|--------------------|-------------|--------------------------|
| Honda Motor World, Inc         | P106,017                       | P109,036          | P82,455            | P—                  | P132,598           | P—          | P132,598                 |
| Motor Ace Phils, Inc.          | 240,184                        | 189,543           | 121,923            | —                   | 307,804            | —           | 307,804                  |
| MAPI Lending Investors, Inc.   | 28,436,311                     | 2,322,611         | 13,194,321         | —                   | 17,564,601         | —           | 17,564,601               |
|                                | <b>P28,782,512</b>             | <b>P2,621,190</b> | <b>P13,398,699</b> | <b>P—</b>           | <b>P18,005,003</b> | <b>P—</b>   | <b>P18,005,003</b>       |

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

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

**Schedule D. Intangible Assets - Other Assets**

| Description  | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other charges additions (deduction) | Ending balance  |
|--|-------------------|-------------------|------------------------------|---------------------------|-------------------------------------|-----------------|
| Sophos Central Intercept X Advanced with DENR        | P—                | P231,000          | (P26,500)                    | P—                        | P—                                  | P204,500        |
| Sophos Central Intercept X Advanced for Server       | —                 | 58,200            | (6,790)                      | —                         | —                                   | 51,410          |
| 84pcs. GV 25 Tracking Device                         | 98,000            | —                 | (57,000)                     | —                         | —                                   | 41,000          |
| Central Device Encryption - 10Users                  | 12,973            | 27,800            | (3,683)                      | —                         | —                                   | 37,090          |
| Sophos Central Endpoint Protection - 60Users         | 61,600            | —                 | (33,600)                     | —                         | —                                   | 28,000          |
| Central Endpoint Intercept - 60Users @ 1650.00       | 46,200            | —                 | (28,200)                     | —                         | —                                   | 18,000          |
| Web hosting domain Dot.Ph-RENEWAL                    | 8,678             | 12,130            | (9,274)                      | —                         | —                                   | 11,534          |
| SSophos XG210 Appliance - Upgrade License Renewal    | 254,188           | —                 | (244,188)                    | —                         | —                                   | 10,000          |
| WEBSITE SECURITY RENEWAL PAYMENT                     | —                 | 6,500             | —                            | —                         | —                                   | 6,500           |
| Central Intercept and Advanced for Server - 3Servers | 27,160            | —                 | (24,360)                     | —                         | —                                   | 2,800           |
| Windows 7 Prof OEM License                           | 1                 | —                 | —                            | —                         | —                                   | 1               |
| Other Software Cost                                  | 1                 | —                 | —                            | —                         | —                                   | 1               |
| HRIS Support   | 1                 | —                 | —                            | —                         | —                                   | 1               |
| Sophos router/3-years Firewall License               | 1                 | —                 | —                            | —                         | —                                   | 1               |
| Access point 55C 34900                               | 1                 | —                 | —                            | —                         | —                                   | 1               |
| Email domain payment ( makatifinance.com.ph )        | 1                 | —                 | —                            | —                         | —                                   | 1               |
| QNE ADJUSTMENT                                       | 5,207             | —                 | (5,207)                      | —                         | —                                   | —               |
| <b>TOTAL</b>   | <b>P514,012</b>   | <b>P335,630</b>   | <b>(P438,802)</b>            | <b>P—</b>                 | <b>P—</b>                           | <b>P410,840</b> |

**Schedule E. Long Term Debt**

| Title of issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long term debt" in related statement of financial position | Amount shown under caption "Long-Term Debt" in statement of financial position |
|---------------------------------------|--------------------------------|---|--|
| Landbank / PN                         | P126,618,883                   | P84,566,553   | P42,052,330  |
| SECURITY BANK/PN                      | 54,999,603                     | 54,999,603  | —  |
| BPI/PN                                | 20,000,000                     | 20,000,000  | —  |

**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 |
|----------------------------------|--------------------------------|--------------------------|
| AIB                              | P338,599,995                   | P267,600,000             |
| Directors and other stockholders | 59,485,000                     | 69,299,961               |

**Schedule G. Guarantees of Securities of Other Issuers**

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

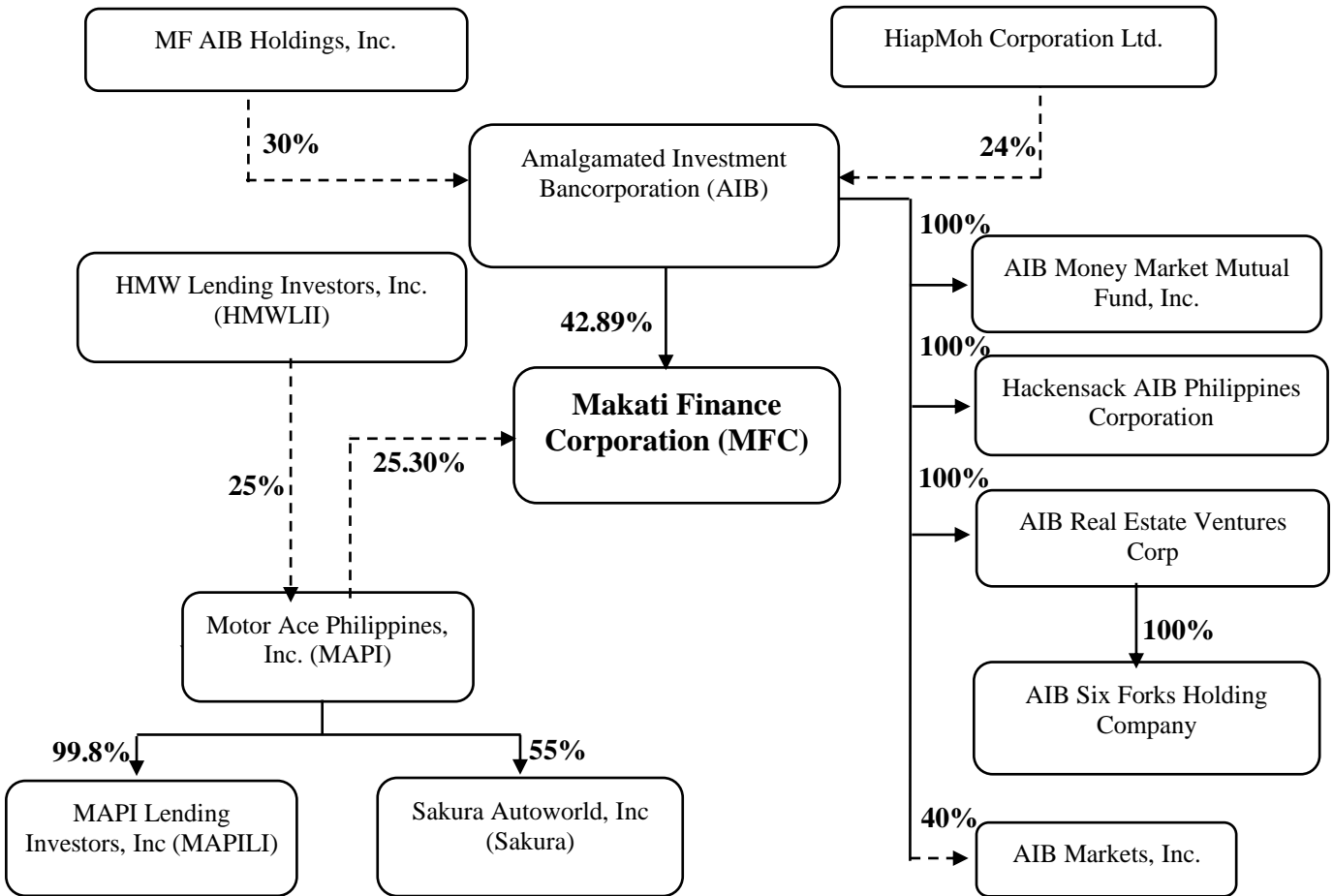


**Schedule H. Capital Stock**

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related financial position caption | Number of shares reserved for options, warrants, conversion and other rights | No. of shares held by |   |                   |
|----------------|-----------------------------|---|--|-----------------------|---|-------------------|
|                |                             |   |  | Affiliates            | Directors and Officers(Direct & Indirect) | Others            |
| COMMON         | 76,116,111                  | 76,116,111  | —  | 76,116,111            | —   | —                 |
| COMMON         | 67,752,386                  | 67,752,386  | —  | 67,752,386            | —   | —                 |
| COMMON         | 59,362,736                  | 59,362,736  | —  | —                     | —   | 59,362,736        |
| COMMON         | 9,962,242                   | 9,962,242   | —  | —                     | —   | 9,962,242         |
| COMMON         | 9,470,913                   | 9,470,913   | —  | 9,470,913             | —   | —                 |
| COMMON         | 8,861,952                   | 8,861,952   | —  | —                     | —   | 8,861,952         |
| COMMON         | 7,469,362                   | 7,469,362   | —  | —                     | 7,469,362                                 | —                 |
| COMMON         | 6,703,771                   | 6,703,771   | —  | —                     | —   | 6,703,771         |
| COMMON         | 6,382,698                   | 6,382,698   | —  | —                     | —   | 6,382,698         |
| COMMON         | 6,127,677                   | 6,127,677   | —  | —                     | 6,127,677                                 | —                 |
| COMMON         | 2,698,007                   | 2,698,007   | —  | —                     | 2,698,007                                 | —                 |
| COMMON         | 1,019,834                   | 1,019,834   | —  | —                     | —   | 1,019,834         |
| COMMON         | 795,273                     | 795,273   | —  | —                     | —   | 795,273           |
| COMMON         | 541,480                     | 541,480   | —  | —                     | —   | 541,480           |
| COMMON         | 520,905                     | 520,905   | —  | —                     | —   | 520,905           |
| COMMON         | 462,785                     | 462,785   | —  | 462,785               | —   | —                 |
| COMMON         | 319,098                     | 319,098   | —  | —                     | —   | 319,098           |
| COMMON         | 319,098                     | 319,098   | —  | —                     | —   | 319,098           |
| COMMON         | 319,098                     | 319,098   | —  | —                     | —   | 319,098           |
| COMMON         | 319,098                     | 319,098   | —  | —                     | —   | 319,098           |
| COMMON         | 319,098                     | 319,098   | —  | —                     | —   | 319,098           |
| COMMON         | 319,098                     | 319,098   | —  | —                     | —   | 319,098           |
| COMMON         | 319,098                     | 319,098   | —  | —                     | —   | 319,098           |
| COMMON         | 319,098                     | 319,098   | —  | —                     | —   | 319,098           |
| COMMON         | 1,346,280                   | 1,346,280   | —  | —                     | —   | 1,346,280         |
| <b>TOTAL</b>   | <b>267,828,098</b>          | <b>267,828,098</b>  | <b>—</b>   | <b>153,802,195</b>    | <b>16,295,046</b>                         | <b>97,730,857</b> |

**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, 2021**



**Legend:**

- - - Associate
- Subsidiary

# **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

## **ANNEX A**

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC 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 |   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ( | A | S | u | b | s | i | d | i | a | r | y |   | o | f |   | A | m | a | l | g | a | m | a | t | e | d |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| I | n | v | e | s | t | m | e | n | t |   | B | a | n | c | o | r | p | o | r | a | t | i | o | n | ) |   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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

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

Form Type

|   |   |   |   |
|---|---|---|---|
| A | A | F | S |
|---|---|---|---|

Department requiring the report

|      |
|------|
| CRMD |
|------|

Secondary License Type, If Applicable

|           |
|-----------|
| FINANCING |
|-----------|

**COMPANY INFORMATION**

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

**CONTACT PERSON INFORMATION**

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

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

**CONTACT PERSON'S ADDRESS**

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

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

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





**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **Makati Finance Corporation** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**RENE B. BENITEZ**  
Chairman of the Board

**MAXCY FRANCISCO JOSE R. BORROMEO**  
President

  
**MARCOS E. LAROSA**  
Chief Finance Officer

Signed this 8th day of April, 2022

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Makati Finance Corporation (*A Subsidiary of Amalgamated Investment Bancorporation*) (the "Company"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

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

#### *Key Audit Matters*

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



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

The Company is required to use the ECL model to determine impairment of loans and other receivables. This is significant to our audit as loans and other receivables amounted to ₱0.87 billion as at December 31, 2021, which represents 72% of the Company's total assets. This is net of the allowance for ECL of ₱129.65 million. Moreover, the assessment using the ECL model involves significant judgment and estimates. We have reviewed the reasonableness of the assumptions used by management in the assessment of ECL by obtaining an understanding of the Company's methodologies in classifying different credit exposures. We assessed and tested the classification of credit exposures, initially based on the stages of the financial assets, history of collection and existence of collateral assets. We also checked other forward-looking information considered in the management's assessment of ECL. We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the financial statements.

*Other information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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



*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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





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

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

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as disclosed in Note 24 of the financial statements is presented for the purpose of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of the management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**ROXAS CRUZ TAGLE AND CO.**

  
Jarred D. Pereña  
Partner

CPA Certificate No. 0109297

Tax Identification No. 243-146-342

BIR Accreditation No. 08-001682-015-2019, issued on October 22, 2019,  
effective until October 21, 2022

SEC Accreditation No. 109297-SEC, Group A, issued on February 27, 2020,  
effective for the audit of 2019 to 2023 financial statements of SEC covered institutions

BSP Accreditation No. 109297-BSP, Group A, issued on February 28, 2020,  
effective until February 27, 2023

PTR No. 8876905, issued on January 24, 2022, Makati City

April 8, 2022  
Makati City



**MAKATI FINANCE CORPORATION**  
*(A Subsidiary of Amalgamated Investment Bancorporation)*

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

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**Financial Statements**

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Independent Auditor's Report dated April 8, 2022

Statements of Financial Position as at December 31, 2021 and 2020

Statements of Comprehensive Income for the years ended December 31, 2021 and 2020

Statements of Changes in Equity for the years ended December 31, 2021 and 2020

Statements of Cash Flows for the years ended December 31, 2021 and 2020

Notes to the Financial Statements as at and for the years ended December 31, 2021 and 2020

Independent Auditor's Report on Supplemental Written Statement dated April 8, 2022

Independent Auditors' Report on Supplementary Schedules dated April 8, 2022

**Supplementary Schedules**

Exhibit I. Reconciliation of Retained Earnings Available for Dividend Declaration

Exhibit II. Schedule of Financial Soundness Indicators

Exhibit III. Supplementary Schedules Under Annex 68-F

Exhibit IV. Supplementary Schedules Under Annex 68-J

Exhibit V. Map of the Group of Companies



**MAKATI FINANCE CORPORATION**  
(A Subsidiary of Amalgamated Investment Bancorporation)

**STATEMENTS OF FINANCIAL POSITION**  
DECEMBER 31, 2021 AND 2020

|  | Note | 2021                  | 2020                  |
|--|------|-----------------------|-----------------------|
| <b>ASSETS</b>  |      |                       |                       |
| <b>Current Assets</b>  |      |                       |                       |
| Cash and cash equivalents  | 6    | P73,115,778           | P74,788,904           |
| Loans and other receivables - net                                | 7    | 871,796,318           | 994,335,152           |
| Other assets - net   | 10   | 118,870,441           | 96,124,946            |
| <b>Total Current Assets</b>                                      |      | <b>1,063,782,537</b>  | <b>1,165,249,002</b>  |
| <b>Noncurrent Assets</b>   |      |                       |                       |
| Property and equipment - net                                     | 8    | 8,598,163             | 6,990,218             |
| Investment properties - net                                      | 9    | 63,128,241            | 61,240,053            |
| Right-of-use assets - net  | 20   | 32,311,216            | 23,636,443            |
| Deferred tax assets - net  | 17   | 44,481,308            | 57,221,822            |
| <b>Total Current Assets</b>                                      |      | <b>148,518,928</b>    | <b>149,088,536</b>    |
| <b>TOTAL ASSETS</b>  |      | <b>P1,212,301,465</b> | <b>P1,314,337,538</b> |
| <b>LIABILITIES AND EQUITY</b>                                    |      |                       |                       |
| <b>Liabilities</b>   |      |                       |                       |
| <b>Current Liabilities</b>                                       |      |                       |                       |
| Notes payable  | 11   | P522,654,225          | P601,889,396          |
| Accounts payable   | 18   | 35,722,757            | 19,212,094            |
| Accrued expenses   | 12   | 22,831,211            | 41,227,498            |
| Lease liabilities  | 20   | 6,611,667             | 4,672,228             |
| Income tax payable   | 17   | 2,380,651             | 761,701               |
| <b>Total Current Liabilities</b>                                 |      | <b>590,200,511</b>    | <b>667,762,917</b>    |
| <b>Noncurrent Liabilities</b>                                    |      |                       |                       |
| Notes payable, net of current portion                            | 11   | 42,052,331            | 84,503,605            |
| Lease liabilities, net of current portion                        | 20   | 29,644,749            | 22,227,366            |
| Retirement benefits liability - net                              | 15   | 7,912,942             | 8,577,069             |
| <b>Total Noncurrent Liabilities</b>                              |      | <b>79,610,022</b>     | <b>115,308,040</b>    |
| <b>Total Liabilities</b>   |      | <b>669,810,533</b>    | <b>783,070,957</b>    |
| <b>Equity</b>  |      |                       |                       |
| Capital stock  | 14   | 267,828,098           | 266,204,047           |
| Additional paid-in capital                                       |      | 5,803,922             | 5,803,922             |
| Retained earnings  |      | 262,818,124           | 256,361,909           |
| Remeasurement gains on retirement benefit liability - net of tax | 15   | 6,040,788             | 2,896,703             |
| <b>Total Equity</b>  |      | <b>542,490,932</b>    | <b>531,266,581</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>                              |      | <b>P1,212,301,465</b> | <b>P1,314,337,538</b> |

See Notes to the Financial Statements.



**MAKATI FINANCE CORPORATION**  
(A Subsidiary of Amalgamated Investment Bancorporation)

**STATEMENTS OF COMPREHENSIVE INCOME**  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

See Notes to the Financial Statements.



**MAKATI FINANCE CORPORATION**  
(A Subsidiary of Amalgamated Investment Bancorporation)

**STATEMENTS OF CHANGES IN EQUITY**  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

|                                     | Capital Stock<br>(Note 14) | Additional<br>Paid-in Capital | Retained<br>Earnings | Remeasurement<br>Gains on<br>Retirement<br>Benefit Liability,<br>net of tax<br>(Note 15) | Total Equity        |
|-------------------------------------|----------------------------|-------------------------------|----------------------|--|---------------------|
| <b>Balance at January 1, 2021</b>   | <b>₱266,204,047</b>        | <b>₱5,803,922</b>             | <b>₱256,361,909</b>  | <b>₱2,896,703</b>  | <b>₱531,266,581</b> |
| Stock dividends                     | 1,624,051                  | –                             | (1,624,051)          | –  | –                   |
| Cash dividends                      | –                          | –                             | (1,624,140)          | –  | (1,624,140)         |
| <b>Total comprehensive income</b>   |                            |                               |                      |  |                     |
| Net income                          | –                          | –                             | 9,704,406            | –  | 9,704,406           |
| Other comprehensive income          | –                          | –                             | –                    | 3,144,085  | 3,144,085           |
|                                     | –                          | –                             | 9,704,406            | 3,144,085  | 12,848,491          |
| <b>Balance at December 31, 2021</b> | <b>₱267,828,098</b>        | <b>₱5,803,922</b>             | <b>₱262,818,124</b>  | <b>₱6,040,788</b>  | <b>₱542,490,932</b> |

Forward



|                              | Capital Stock<br>(Note 14) | Additional<br>Paid-in Capital | Retained<br>Earnings | Remeasurement<br>Gains on<br>Retirement<br>Benefit Liability,<br>net of tax<br>(Note 15) | Total Equity |
|------------------------------|----------------------------|-------------------------------|----------------------|--|--------------|
| Balance at January 1, 2020   | P262,948,243               | P5,803,922                    | P252,046,301         | P4,092,468   | P524,890,934 |
| Stock dividends              | 3,255,804                  | —                             | (3,255,804)          | —  | —            |
| Cash dividends               | —                          | —                             | (3,255,891)          | —  | (3,255,891)  |
| Total comprehensive income   |                            |                               |                      |  |              |
| Net income                   | —                          | —                             | 10,827,303           | —  | 10,827,303   |
| Other comprehensive loss     | —                          | —                             | —                    | (1,195,765)  | (1,195,765)  |
|                              | —                          | —                             | 10,827,303           | (1,195,765)  | 9,631,538    |
| Balance at December 31, 2020 | P266,204,047               | P5,803,922                    | P256,361,909         | P2,896,703   | P531,266,581 |

*See Notes to the Financial Statements.*



**MAKATI FINANCE CORPORATION**  
(A Subsidiary of Amalgamated Investment Bancorporation)

**STATEMENTS OF CASH FLOWS**  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

|   | Notes     | 2021          | 2020          |
|---|-----------|---------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |           |               |               |
| Income before income tax  |           | P24,996,596   | P17,571,596   |
| Adjustments for:  |           |               |               |
| Provision for credit losses on loans and other receivables          | 7         | 16,318,563    | 14,649,739    |
| Depreciation and amortization                                       | 8,9,10,20 | 12,023,566    | 18,502,108    |
| Adjustment in investment property                                   | 9         | (5,090,851)   | —             |
| Retirement benefits expense   | 15        | 3,527,986     | 2,894,024     |
| Interest expense from lease liabilities                             | 20        | 1,766,789     | 2,025,648     |
| Provision for (reversal of) impairment loss of repossessed assets   | 10        | 927,711       | (3,492,533)   |
| Loss on sale of investment property                                 |           | 272,612       | —             |
| Gain from sale of repossessed assets                                | 10        | (2,377,048)   | (3,296,379)   |
| Provision for impairment loss of investment properties              | 9         | —             | 915,951       |
| Operating income before changes in working capital                  |           | 52,365,924    | 49,770,154    |
| Decrease (increase) in:   |           |               |               |
| Loans and other receivables   |           | 110,970,271   | 11,216,730    |
| Other assets  |           | (98,752,517)  | (50,249,505)  |
| Increase (decrease) in:   |           |               |               |
| Accounts payable  |           | 16,510,663    | (11,964,493)  |
| Accrued expenses  |           | (18,396,287)  | 9,829,968     |
| Net cash flows provided by operating activities                     |           | 62,698,054    | 8,602,854     |
| Income taxes paid   | 17        | (1,980,754)   | (1,906,171)   |
| Proceeds from sale of repossessed assets                            | 10        | 77,353,188    | 48,830,590    |
| Net cash provided by operating activities                           |           | 138,070,488   | 55,527,273    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |           |               |               |
| Acquisitions of:  |           |               |               |
| Property and equipment  | 8         | (P5,925,121)  | (P899,846)    |
| Software  | 10        | (335,631)     | (17,465)      |
| Investment properties   | 9         | (2,230,309)   | —             |
| Net cash used in investing activities                               |           | (8,491,061)   | (917,311)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |           |               |               |
| Availments of notes payable   | 21        | 144,434,268   | 206,074,736   |
| Settlements of notes payable  | 21        | (266,120,713) | (228,990,783) |
| Payments of lease liabilities                                       | 20        | (7,941,968)   | (16,375,478)  |
| Cash dividends paid- including fractional shares                    | 14        | (1,624,140)   | (3,255,804)   |
| Net cash used in financing activities                               |           | (131,252,553) | (42,547,329)  |
| <b>NET INCREASE (DECREASE) IN CASH IN CASH AND CASH EQUIVALENTS</b> |           | (1,673,126)   | 12,062,633    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>               |           | 74,788,904    | 62,726,271    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                     | 6         | P73,115,778   | P74,788,904   |
| <b>OPERATIONAL CASH FLOWS FROM INTEREST</b>                         |           |               |               |
| Interest received   |           | P174,740,291  | P164,100,975  |
| Interest paid   |           | P35,996,213   | P40,126,133   |

See Notes to the Financial Statements.



**MAKATI FINANCE CORPORATION**  
*(A Subsidiary of Amalgamated Investment Bancorporation)*

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

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**1. Reporting Entity**

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

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

Amalgamated Investment Bancorporation (AIB) (the “Parent Company”) owns 42.89% of the Company as at December 31, 2021 and 2020.

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

As at December 31, 2021, the Company’s closing price at the PSE amounts to ₱2.50 per share.

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

The financial statements were approved and authorized for issuance by the BOD on April 8, 2022.

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**2. Basis of Preparation**

Statement of Compliance

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

Basis of Preparation

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

Functional and Presentation Currency

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





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### 3. Significant Accounting Policies

#### Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2021:

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

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

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

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

#### New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2021 and have not been applied in preparing the financial statements are summarized below.

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

- Amendments to PFRS 3, *Business Combinations - Reference to the Conceptual Framework*. The amendments add an exception to the recognition principle of PFRS 3 to avoid the issue of potential "day 2" gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21, Levies, if incurred separately. It also clarifies that contingent assets do not qualify recognition at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*. The amendments prohibit the entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. Instead, the entity recognizes such sales proceeds and any related costs in the profit or loss.
- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Costs of Fulfilling a Contract*. The amendments specify the costs a Company includes when assessing whether a contract will be loss-making and is therefore recognized as an onerous contract. The amendments apply a "directly related approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.



- Annual Improvements to PFRS Standards 2018 - 2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of PFRS - Subsidiary as a First-time Adopter*. The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRS.
  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 Per Cent' Test for Derecognition of Financial Liabilities*. The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
  - Amendments to PFRS 16, *Leases - Lease Incentives*. The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
  - Amendments to PAS 41, *Agriculture - Taxation in Fair Value Measurements*. The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

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

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.
- PFRS 17, *Insurance Contracts*. This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020, the IASB issued amendments to the standard, including a deferral of its effective date to 1 January 2023.
- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. The amendments to PAS 1 specify the requirements for classifying current and noncurrent liabilities. The amendments will clarify that a right to defer must exist at the end of reporting period and the classification is unaffected by the likelihood that an entity will exercise its deferral right. The issuance of amendments was deferred until January 1, 2023, as a result of COVID-19 pandemic.



- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amended standard also clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.
- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure Initiative - Accounting Policies*. The amendments aim to help entities provide accounting policy disclosures that are more useful by (a) replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and (b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

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

#### Current versus Noncurrent Classification

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

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

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

#### Financial assets and financial liabilities

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

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

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



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

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

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

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

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

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

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

As at December 31, 2021 and 2020, the Company does not have financial assets and liabilities at FVPL.

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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



As at December 31, 2021 and 2020, the Company's cash and cash equivalents, loans and other receivables, security deposits under other assets are included under this category (Notes 6, 7 and 10).

**Financial liabilities at amortized cost.** Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2021 and 2020, the Company's liabilities arising from its notes payable, accounts payable, accrued expenses (excluding payable to government) and lease liabilities are included under this category (Notes 11, 12, 18 and 20).

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

As at December 31, 2021 and 2020, the Company's investments in golf shares presented as "others" under other assets is included under this category (Note 10).

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



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

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

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

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

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

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

#### ***Impairment of financial assets at amortized cost***

##### ***Overview of the ECL principles***

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

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



### ***Definition of “default” and “cure”***

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

### ***Significant increase in credit risk***

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

### ***Staging assessment***

For non-credit-impaired financial assets:

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

For credit-impaired financial assets:

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

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



### ***Assessment of ECL on a collective basis***

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

### ***ECL parameters and methodologies***

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

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

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

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

### ***Forward-looking information***

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





### ***Derecognition of financial assets and liabilities***

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

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

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

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

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

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

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

### ***Offsetting of financial assets and liabilities***

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



### ***Classification of financial instrument between liability and equity***

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

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

#### Cash and cash equivalents

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

#### Property and equipment

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

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

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

|                                   | Number of Years                                     |
|-----------------------------------|---|
| Furniture, fixtures and equipment | 2 - 5   |
| Leasehold rights and improvements | 10 or the period of the lease, whichever is shorter |
| Transportation equipment          | 3 - 5   |

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

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

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

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



### Investment properties

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

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

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

Subsequent to initial recognition, depreciable investment properties are carried at cost less depreciation and any impairment in value. The Company estimates the useful lives of its investment properties based on the period over which the assets are expected to be available for use. Any depreciation for these assets is calculated on a straight-line basis using a useful life that ranges from 15 to 25 years.

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

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

Investment properties are derecognized when it has either been disposed or when it is permanently withdrawn from the use and 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.

### Other assets - net

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

### Repossessed assets

Repossessed assets are stated at cost less impairment in value. Repossessed assets are acquired initially recognized at fair value. In determining the recoverability of the repossessed assets, management considers whether those assets are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale. Repossessed assets are presented under "Other assets" account in the statements to financial position.

### Prepaid securities

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

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



#### Security deposits

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

#### Software costs

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

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

All other expenditure is expensed as incurred.

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

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

#### Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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

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

#### Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.



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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

#### Notes payable

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

#### Accounts payable and accrued expenses

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

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

#### Provisions

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



If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

#### Capital stock and additional paid-in capital

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

#### Retained earnings

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

#### Other Comprehensive Income

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

#### Revenue recognition

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

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

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

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

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

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

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

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



### Costs and Expenses

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

### Foreign currency denominated transactions and balances

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

### Retirement benefit costs

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

Retirement benefit costs comprise the following:

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

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

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

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

### Income tax

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

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



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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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





## Leases

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

#### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. The key management personnel of the Company and post-employment benefit plans for the benefit of the Company's employees are also considered to be related parties.

#### Contingencies

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

#### Earnings per share

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

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

#### Segment reporting

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

#### Events after the statement of financial position date

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



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#### 4. Use of Judgments, Estimates and Assumptions

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

##### Judgments

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

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

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

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

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

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

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



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

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

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

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

#### Estimates and assumptions

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

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

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

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

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

- Stage 1: Credit risk has not increased significantly since initial recognition - recognize 12-month expected credit losses
- Stage 2: Credit risk has increased significantly since initial recognition - recognize lifetime expected losses with interest revenue being calculated based on the gross amount of the asset
- Stage 3: There is objective evidence of impairment as at the reporting date (using the criteria currently included in PFRS 9) - recognize lifetime expected losses, with interest revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).



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

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

As at December 31, 2021 and 2020, allowance for ECL amounted to ₱129.65 million and ₱138.32 million, respectively (Note 7). The carrying values of loans and other receivables amounted to ₱0.87 billion and ₱0.99 billion as at December 31, 2021 and 2020, respectively (see Note 7).

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

As at December 31, 2021 and 2020, deferred tax assets amounted to ₱47.49 million and ₱58.04 million, respectively (see Note 17).

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

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

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



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

As at December 31, 2021 and 2020, the Company did not recognize impairment on property and equipment and software costs. The carrying value of property and equipment amounted to ₱8.60 million and ₱6.99 million as at December 31, 2021 and 2020 respectively (see Note 8).

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

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

As at December 31, 2021 and 2020, the carrying value of repossessed assets amounted to ₱109.46 million and ₱86.04 million, respectively. Additional allowance for impairment has been made in 2021 amounted to ₱.93 million. Reversal for impairment loss on repossessed assets amounted to ₱3.49 million in 2020 (see Note 10).

*Valuation of retirement benefits* - The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement liability are provided in Note 15.

The Company's net retirement liability amounted to ₱7.91 million and ₱8.58 million as at December 31, 2021 and 2020, respectively (see Note 15).

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

#### Fair Value Measurement

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

#### *Cash and Cash Equivalents and Security Deposits*

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



### *Loans and Other Receivables*

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

### *Other investments*

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

### *Notes Payable*

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

### *Accounts Payable, Accrued Expenses (excluding payable to government) and Lease liabilities*

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

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## **5. Segment Information**

### **Operating Segments**

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

#### *Rx Cashline Group*

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

#### *Business loans*

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

#### *MFC Factors Group*

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

#### *Motor Vehicles Financing Group*

The MC Financing Group grants loans to motorcycle buyers.



## Other Segments

This segment includes pension loans , housing loans, personal loans and corporate salary loans.

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

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

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

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

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

The sales revenue generated from the Company's operating segments amounted to 10% or more of the total revenues.

Financial information about operating segments follows:

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





|                                    | 2020         |                                |                          |             |                |
|------------------------------------|--------------|--------------------------------|--------------------------|-------------|----------------|
|                                    | Rx Cash Line | Business Loans and MFC Factors | Motor Vehicles Financing | Others      | Total          |
| Loans and Other Receivables        | P194,734,024 | P536,362,629                   | P717,900,425             | P78,657,862 | P1,527,654,940 |
| Results of operation               |              |                                |                          |             |                |
| Revenue                            |              |                                |                          |             |                |
| Interest income                    | 25,450,977   | 55,374,079                     | 75,523,487               | 7,752,432   | 164,100,975    |
| Other income                       | 3,237,867    | 7,380,129                      | 3,688,113                | 2,603,139   | 16,909,248     |
| Total                              | 28,688,844   | 62,754,208                     | 79,211,600               | 10,355,571  | 181,010,223    |
| Expenses                           |              |                                |                          |             |                |
| Interest expense                   | 6,697,000    | 14,570,765                     | 19,872,746               | 1,427,761   | 42,568,272     |
| Provision for losses               | 333,209      | 5,785,490                      | 3,664,118                | 1,374,389   | 11,157,206     |
| Operating expenses                 | 11,586,741   | 25,352,543                     | 67,207,891               | 5,565,974   | 109,713,149    |
| Total                              | 18,616,950   | 45,708,798                     | 90,744,755               | 8,368,124   | 163,438,627    |
| Net operating income (loss)        | 10,071,894   | 17,045,410                     | (11,533,155)             | 1,987,447   | 17,571,596     |
| Less: Income tax expense (benefit) | 2,899,905    | 6,367,074                      | (3,018,367)              | 495,681     | 6,744,293      |
| Net Income (loss)                  | 7,171,989    | 10,678,336                     | (8,514,788)              | 1,491,767   | 10,827,303     |
| Statement of Financial Position    |              |                                |                          |             |                |
| Total Assets                       | 124,110,873  | 525,908,978                    | 613,206,623              | 51,111,064  | 1,314,337,538  |
| Total Liabilities                  | 84,234,226   | 318,044,514                    | 346,550,577              | 34,241,640  | 783,070,957    |
| Other segment information          |              |                                |                          |             |                |
| Capital expenditures               | P114,705     | P315,938                       | P422,870                 | P46,333     | P899,846       |
| Depreciation and amortization      | P1,990,160   | P7,514,280                     | P8,187,778               | P809,890    | P18,502,108    |

## 6. Cash and Cash Equivalents

This account consists of:

|                  | 2021               | 2020        |
|------------------|--------------------|-------------|
| Cash on hand     | <b>P811,958</b>    | P3,611,015  |
| Cash in banks    | <b>56,616,646</b>  | 45,466,661  |
| Cash equivalents | <b>15,687,174</b>  | 25,711,228  |
|                  | <b>P73,115,778</b> | P74,788,904 |

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.05% to 0.13% and 0.64% to 0.74% per annum in 2021 and 2020, respectively. Interest income on cash in banks amounted to P.05 million and P0.06 million in 2021 and 2020, respectively.

Cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from 30 to 120 days at 10.5% and 8.5% interest per annum, respectively.

## 7. Loans and Other Receivables - Net

This account consists of:

|                             | 2021                  | 2020           |
|-----------------------------|-----------------------|----------------|
| Receivables from customers  |                       |                |
| Consumer                    | <b>P1,081,544,549</b> | P1,148,012,351 |
| Services                    | <b>319,050,230</b>    | 329,518,176    |
| Other receivables           | <b>12,092,865</b>     | 13,958,311     |
|                             | <b>1,412,687,644</b>  | 1,491,488,838  |
| Unearned interest discounts | <b>(411,237,406)</b>  | (358,830,805)  |
| Allowance for ECL           | <b>(129,653,920)</b>  | (138,322,881)  |
|                             | <b>P871,796,318</b>   | P994,335,152   |



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

|                                    | 2021                  | 2020                  |
|------------------------------------|-----------------------|-----------------------|
| Motorcycle financing               | P455,131,617          | P526,384,754          |
| Business loans                     | 500,614,501           | 415,910,560           |
| Rx cash line                       | 184,527,827           | 193,837,852           |
| Car loans                          | 110,717,136           | 160,667,581           |
| Receivables purchased              | 63,452,340            | 84,285,967            |
| Corporate salary loans             | 7,693,502             | 8,320,274             |
|                                    | <b>1,322,136,923</b>  | <b>1,389,406,988</b>  |
| Personal loans                     | 28,650,462            | 28,257,396            |
| Pension loans                      | 14,349,231            | 16,660,173            |
| Leisure bike loans                 | 13,778,336            | 20,739,074            |
| Accrued interest receivable        | 11,248,012            | 11,270,801            |
| Housing loans                      | 10,431,815            | 11,196,097            |
| Sales contract receivable          | 168,200               | 1,368,200             |
| Due from affiliates                | 101,007               | 101,007               |
| Advances to officers and employees | 75,967                | 442,224               |
| Miscellaneous receivables          | 11,747,691            | 12,046,878            |
|                                    | <b>P1,412,687,644</b> | <b>P1,491,488,838</b> |

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

Interest rates on loans receivable ranges from 1.2% to 2.6% add-on rate per month plus gross receipts tax. Interest income earned from receivables from customers amounted to P174.67 million and P164.04 million in 2021 and 2020, respectively.

Motorcycle financing receivables amounting to P201.62 million and P353.71 million in 2021 and 2020, respectively, were used as collateral on notes payable to banks (see Note 11).

The following table shows the breakdown of loans (gross of allowance for ECL) as to secured and unsecured and the breakdown of the unsecured loans and the breakdown of secured loans as to type of security as at December 31, 2021 and 2020:

|                      | 2021                  | %              | 2020                  | %             |
|----------------------|-----------------------|----------------|-----------------------|---------------|
| Secured loans        |                       |                |                       |               |
| Chattel mortgage     | P434,680,837          | 43.40%         | P525,463,312          | 46.39%        |
| Real estate mortgage | 176,122,611           | 17.59%         | 306,929,079           | 27.10%        |
| Other collaterals*   | 91,789,899            | 9.17%          | 115,866,784           | 10.23%        |
| Total secured        | <b>702,593,347</b>    | <b>70.16%</b>  | <b>948,259,175</b>    | <b>83.72%</b> |
| Unsecured            | <b>298,891,083</b>    | <b>29.84%</b>  | <b>184,398,858</b>    | <b>16.28%</b> |
|                      | <b>P1,001,484,430</b> | <b>100.00%</b> | <b>P1,132,658,033</b> | <b>100%</b>   |

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

Movements in allowance for ECL follow:

|                                      | December 31, 2021         |                    |                   |                     |
|--------------------------------------|---------------------------|--------------------|-------------------|---------------------|
|                                      | Receivable from Customers |                    |                   | Total               |
|                                      | Consumer                  | Services           | Others            |                     |
| At January 1                         | P120,817,037              | P13,040,129        | P4,465,715        | P138,322,881        |
| Provision (recovery) during the year | 13,791,731                | 2,526,832          | –                 | 16,318,563          |
| Write-off during the year            | (24,987,524)              | –                  | –                 | (24,987,524)        |
| At December 31                       | <b>P109,621,244</b>       | <b>P15,566,961</b> | <b>P4,465,715</b> | <b>P129,653,920</b> |



|                                      | December 31, 2020         |             |            |              |
|--------------------------------------|---------------------------|-------------|------------|--------------|
|                                      | Receivable from Customers |             |            | Total        |
|                                      | Consumer                  | Services    | Others     |              |
| At January 1                         | P106,922,558              | P12,163,820 | P4,586,764 | P123,673,142 |
| Provision (recovery) during the year | 13,894,479                | 876,309     | (121,049)  | 14,649,739   |
| Write-off during the year            | P120,817,037              | P13,040,129 | P4,465,715 | P138,322,881 |
| At December 31                       | P106,922,558              | P12,163,820 | P4,586,764 | P123,673,142 |

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

In 2020, the Company recognized additional provision for ECL on loans and other receivables amounting to P4.50 million as a result of the Company's preliminary assessment on the impact of novel strain of coronavirus (COVID-19) pandemic.

## 8. Property and Equipment - Net

The roll forward analysis of this account follows:

|                                 | 2021                              |                                   |                          |                   |
|---------------------------------|-----------------------------------|-----------------------------------|--------------------------|-------------------|
|                                 | Furniture, Fixtures and Equipment | Leasehold Rights and Improvements | Transportation Equipment | Total             |
| <b>Cost</b>                     |                                   |                                   |                          |                   |
| At January 1                    | P18,300,572                       | P7,476,839                        | P10,003,075              | P35,780,486       |
| Additions                       | 884,944                           | 3,384,797                         | 1,655,380                | 5,925,121         |
| Retirement                      | -                                 | -                                 | (1,250,000)              | (1,250,000)       |
| At December 31                  | 19,185,516                        | 10,861,636                        | 10,408,455               | 40,455,607        |
| <b>Accumulated Depreciation</b> |                                   |                                   |                          |                   |
| At January 1                    | 16,622,596                        | 6,871,744                         | 5,295,928                | 28,790,268        |
| Depreciation                    | 1,302,979                         | 821,989                           | 1,942,208                | 4,067,176         |
| Retirement                      | -                                 | -                                 | (1,000,000)              | (1,000,000)       |
| At December 31                  | 17,925,575                        | 7,693,733                         | 6,238,136                | 31,857,444        |
| <b>Carrying amount</b>          | <b>P1,259,941</b>                 | <b>P3,167,903</b>                 | <b>P4,170,319</b>        | <b>P8,598,163</b> |
|                                 | 2020                              |                                   |                          |                   |
|                                 | Furniture, Fixtures and Equipment | Leasehold Rights and Improvements | Transportation Equipment | Total             |
| <b>Cost</b>                     |                                   |                                   |                          |                   |
| At January 1                    | P17,400,726                       | P7,476,840                        | P12,288,195              | P37,165,761       |
| Additions                       | 899,846                           | -                                 | -                        | 899,846           |
| Retirement                      | -                                 | -                                 | (2,285,120)              | (2,285,120)       |
| At December 31                  | 18,300,572                        | 7,476,840                         | 10,003,075               | 35,780,487        |
| <b>Accumulated Depreciation</b> |                                   |                                   |                          |                   |
| At January 1                    | 15,529,860                        | 5,831,212                         | 6,578,643                | 27,939,715        |
| Depreciation                    | 1,391,272                         | 1,210,192                         | 1,995,449                | 4,596,913         |
| Retirement                      | -                                 | -                                 | (2,285,120)              | (2,285,120)       |
| Adjustment                      | (298,535)                         | (169,660)                         | (993,044)                | (1,461,239)       |
| At December 31                  | 16,622,597                        | 6,871,744                         | 5,295,928                | 28,790,269        |
| <b>Carrying amount</b>          | <b>P1,677,975</b>                 | <b>P605,096</b>                   | <b>P4,707,147</b>        | <b>P6,990,218</b> |



In 2021, the Company has retired a total cost of transportation equipment by an amount of P1.25 million, P0.25 million of which pertains to the car loan financing that is due within 12 months.

In 2020, adjustments were made on the balances of certain equipment by an amount of P1.46 million to properly reflect their appropriate net book values as at year-end.

Fully depreciated transportation equipment with cost and net book value amounting to P2.29 million was retired during the year.

As at December 31, 2021 and 2020, the Company has fully depreciated property and equipment that are still in use with original cost amounting to P23.33 million and P17.15 million, respectively.

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

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

## 9. Investment Properties - Net

The roll forward of this account follows:

|  | 2021               |                    |                    |
|--|--------------------|--------------------|--------------------|
|  | Land               | Building           | Total              |
| <b>Cost</b>                                      |                    |                    |                    |
| At January 1                                     | P46,387,646        | P18,888,000        | P65,275,646        |
| Additions  | 2,230,309          | —                  | 2,230,309          |
| Disposals  | (2,097,800)        | (3,172,000)        | (5,269,800)        |
| Adjustment                                       | —                  | 5,090,851          | 5,090,851          |
|  | <b>46,520,155</b>  | <b>20,806,851</b>  | <b>67,327,006</b>  |
| <b>Accumulated depreciation and amortization</b> |                    |                    |                    |
| At January 1                                     | —                  | 2,612,443          | 2,612,443          |
| Depreciation                                     | —                  | 660,360            | 660,360            |
| Disposals  | —                  | (497,188)          | (497,188)          |
| At December 31                                   | —                  | 2,775,615          | 2,775,615          |
| <b>Allowance for impairment loss</b>             | <b>507,199</b>     | <b>915,951</b>     | <b>1,423,150</b>   |
| <b>Carrying amounts</b>                          | <b>P46,012,956</b> | <b>P17,115,285</b> | <b>P63,128,241</b> |
|  |                    |                    |                    |
|  | 2020               |                    |                    |
|  | Land               | Building           | Total              |
| <b>Cost</b>                                      |                    |                    |                    |
| At January 1 and December 31                     | P47,989,954        | P17,285,692        | P65,275,646        |
| <b>Accumulated depreciation and amortization</b> |                    |                    |                    |
| At January 1                                     | —                  | 1,803,590          | 1,803,590          |
| Depreciation                                     | —                  | 808,853            | 808,853            |
| At December 31                                   | —                  | 2,612,443          | 2,612,443          |
| <b>Allowance for impairment loss</b>             | <b>507,199</b>     | <b>915,951</b>     | <b>1,423,150</b>   |
| <b>Carrying amounts</b>                          | <b>P47,482,755</b> | <b>P13,757,298</b> | <b>P61,240,053</b> |



The aggregate fair value of the investment properties of the Company amounted to P86.79 million and P67.64 million as at December 31, 2021 and 2020, respectively.

In 2021, the Company has sold an investment property with a carrying amount of P4.77 million under financing agreement. A loss on sale of P.27 million has been incurred and is presented under the 'loss from sale of repossessed assets' line item on the Company's statements of comprehensive income.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to P76,043 and P71,975 in 2021 and 2020, respectively.

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

|                             | 2021              | 2020              |
|-----------------------------|-------------------|-------------------|
| Balance, January 1          | P1,423,150        | P507,199          |
| Provision                   | —                 | 915,951           |
| <b>Balance, December 31</b> | <b>P1,423,150</b> | <b>P1,423,150</b> |

#### 10. Other Assets - Net

This account consists of:

|                         | <i>Note</i> | 2021                | 2020               |
|-------------------------|-------------|---------------------|--------------------|
| Repossessed assets, net |             | P109,462,837        | P86,040,026        |
| Prepaid securities      |             | 5,185,471           | 5,709,949          |
| Security deposits       | 20          | 3,731,292           | 3,780,959          |
| Software costs          |             | 410,841             | 514,012            |
| Others                  |             | 80,000              | 80,000             |
|                         |             | <b>P118,870,441</b> | <b>P96,124,946</b> |

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

The movement in repossessed assets follow:

|  | 2021                | 2020               |
|--|---------------------|--------------------|
| <b>Cost</b>  |                     |                    |
| At January 1   | P126,539,947        | P121,361,611       |
| Additions  | 99,326,662          | 50,712,547         |
| Sale   | (74,976,140)        | (45,534,211)       |
| <b>At December 31</b>                                  | <b>150,890,469</b>  | <b>126,539,947</b> |
| <b>Allowance for impairment losses</b>                 |                     |                    |
| At January 1   | 40,499,921          | 44,655,415         |
| Allowance for (reversal of) impairment during the year | 927,711             | (3,492,533)        |
| Write-off  | —                   | (662,961)          |
| <b>At December 31</b>                                  | <b>41,427,632</b>   | <b>40,499,921</b>  |
| <b>Carrying amount</b>                                 | <b>P109,462,837</b> | <b>P86,040,026</b> |

Included in the statements of comprehensive income are the gain from sale of repossessed assets amounting to P2.37 million and P3.30 million in 2021 and 2020, respectively. Proceeds from sale amounted to P77.35 million, P48.83 million and P51.32 million in 2021 and 2020, respectively.

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



The movement in software costs follow:

|                                 | 2021            | 2020            |
|---------------------------------|-----------------|-----------------|
| <b>Cost</b>                     |                 |                 |
| At January 1                    | P6,031,682      | P6,014,217      |
| Additions                       | 335,631         | 17,465          |
| Reclassification                | (5,212)         | –               |
| At December 31                  | 6,362,101       | 6,031,682       |
| <b>Accumulated amortization</b> |                 |                 |
| At January 1                    | 5,517,670       | 5,313,611       |
| Amortization for the year       | 438,802         | 204,059         |
| Reclassification                | (5,212)         | –               |
| Accumulated Amortization        | 5,951,260       | 5,517,670       |
| <b>Carrying amount</b>          | <b>P410,841</b> | <b>P514,012</b> |

Other includes the Company's investment in golf shares.

## 11. Notes Payable

This account consists of:

|                       | <i>Note</i> | 2021                | 2020                |
|-----------------------|-------------|---------------------|---------------------|
| Related parties       | 18          | P342,504,386        | P403,435,796        |
| Banks                 |             | 201,618,486         | 275,657,205         |
| Individuals/corporate |             | 20,583,684          | 7,300,000           |
|                       |             | <b>P564,706,556</b> | <b>P686,393,001</b> |

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

Interest expense on these notes payable amounted to P34.12 million, P40.54 million and P23.48 million in 2021 and 2020, respectively.

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

Notes payable to banks have a maturity of up to three (3) years. As at December 31, 2021 and 2020, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivable (with 50% to 85% loanable value) on a per availment basis.

The following assets were used to secure the notes payable to banks availed by the Company (see Note 7):

|                                  | 2021            |               | 2020            |               |
|----------------------------------|-----------------|---------------|-----------------|---------------|
|                                  | Carrying amount | Secured notes | Carrying amount | Secured notes |
| Motorcycle financing receivables | P261,462,796    | P201,618,486  | P353,705,896    | P275,657,204  |



## 12. Accrued Expenses

This account consists of:

|  | 2021               | 2020               |
|--|--------------------|--------------------|
| Accrued taxes                            | P4,032,302         | P4,773,155         |
| Accrued rent                             | 3,387,008          | 8,265,816          |
| Accrued insurance payable                | 3,775,424          | 5,808,279          |
| Accrued commissions and outside services | 2,473,627          | 3,749,146          |
| Accrued interest                         | 1,498,494          | 3,378,221          |
| Accrued administrative expenses          | 1,077,699          | 1,196,014          |
| Accrued management and professional fees | 883,514            | 770,595            |
| Advances from customers                  | 854,354            | 2,436,540          |
| Accrued utilities                        | 253,317            | 607,161            |
| Accrued travel and transportation        | 88,306             | 204,405            |
| Others                                   | 4,507,166          | 10,038,166         |
|  | <b>P22,831,211</b> | <b>P41,227,498</b> |

Others include accrual on utilities, commission and premium.

## 13. Maturity Analysis of Assets and Liabilities

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

|  | 2021                   |                      |                       | 2020                   |                      |                       |
|--|------------------------|----------------------|-----------------------|------------------------|----------------------|-----------------------|
|  | Less than<br>12 Months | Over<br>12 Months    | Total                 | Less than<br>12 Months | Over<br>12 Months    | Total                 |
| <b>Financial Assets</b>                  |                        |                      |                       |                        |                      |                       |
| Cash and cash equivalents                | P73,115,778            | P—                   | P73,115,778           | P74,788,904            | P—                   | P74,788,904           |
| Loans and other receivables gross        | 898,106,460            | 514,581,184          | 1,412,687,644         | 861,940,358            | 629,548,480          | 1,491,488,838         |
| Security deposits, and other investments | —                      | 3,811,292            | 3,811,292             | —                      | 3,860,959            | 3,860,959             |
|  | <b>971,222,238</b>     | <b>518,392,476</b>   | <b>1,489,614,714</b>  | <b>936,729,262</b>     | <b>633,409,439</b>   | <b>1,606,304,803</b>  |
| <b>Nonfinancial Assets</b>               |                        |                      |                       |                        |                      |                       |
| Property and equipment - net             | —                      | 8,598,163            | 8,598,163             | —                      | 6,990,218            | 6,990,218             |
| Investment properties - net              | —                      | 63,128,241           | 63,128,241            | —                      | 61,240,053           | 61,240,053            |
| Deferred tax assets - net                | —                      | 44,481,308           | 44,481,308            | —                      | 57,221,822           | 57,221,822            |
| Right-of-use assets                      | 7,204,614              | 25,106,602           | 32,311,216            | 4,965,566              | 18,670,877           | 23,636,443            |
| Other assets*                            | 5,185,472              | 109,873,678          | 115,059,150           | 5,709,949              | 86,554,038           | 92,263,987            |
|  | <b>12,390,086</b>      | <b>251,187,991</b>   | <b>263,578,077</b>    | <b>10,675,515</b>      | <b>230,677,008</b>   | <b>241,352,523</b>    |
| Less: Allowance for credit losses        | (77,733,687)           | (51,920,233)         | (129,653,920)         | (81,319,851)           | (57,003,030)         | (138,322,881)         |
| Unearned interest income                 | (246,556,369)          | (164,681,037)        | (411,237,406)         | (210,956,189)          | (147,874,616)        | (358,830,805)         |
|  | <b>(324,290,056)</b>   | <b>(216,601,270)</b> | <b>(540,891,236)</b>  | <b>(292,276,040)</b>   | <b>(204,877,646)</b> | <b>(497,153,686)</b>  |
|  | <b>P659,322,268</b>    | <b>P552,979,197</b>  | <b>P1,212,301,465</b> | <b>P655,128,737</b>    | <b>P659,208,801</b>  | <b>P1,314,337,538</b> |

Forward



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

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

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

#### 14. Equity

On July 29, 2021, the BOD and stockholders approved the declaration of 0.61% stock dividends in the amount of ₱1.62 million to stockholders of records as of August 26, 2021 with distribution date not later than September 21, 2021. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to ₱1.62 million.

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

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

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





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

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

|  | 2021               |                     | 2020             |              | 2019             |              |
|--|--------------------|---------------------|------------------|--------------|------------------|--------------|
|  | Number of Shares   | Amount              | Number of Shares | Amount       | Number of Shares | Amount       |
| Authorized - 300,000,000 shares;<br>P1 par value |                    |                     |                  |              |                  |              |
| At January 1                                     | 266,204,047        | ₱266,204,047        | 262,948,243      | ₱262,948,243 | 231,572,111      | ₱231,572,111 |
| Stock dividends                                  | 1,624,051          | 1,624,051           | 3,255,804        | 3,255,804    | 31,376,132       | 31,376,132   |
| At December 31                                   | <b>267,828,098</b> | <b>₱267,828,098</b> | 266,204,047      | ₱266,204,047 | 262,948,243      | ₱262,948,243 |

### Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit liability. No changes were made in the objectives, policies or processes in 2021.

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

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

For the years ended December 31, 2021 and 2020, the Company is compliant with the minimum paid-up capital.

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

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## 15. Retirement Plan

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

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



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

|  | 2021                | 2020              |
|--|---------------------|-------------------|
| <b>Components of retirement benefit liability recorded in profit or loss as retirement benefit expense</b> |                     |                   |
| Current service cost   | P3,189,191          | P2,686,540        |
| Net interest expense:  |                     |                   |
| Interest expense on defined benefit obligation (DBO)   | 622,865             | 555,371           |
| Interest income on plan assets   | (284,070)           | (347,886)         |
|  | <b>3,527,986</b>    | <b>2,894,025</b>  |
| <b>Components of retirement benefit liability recorded in OCI</b>  |                     |                   |
| Remeasurement (gain) loss on defined benefits obligation   | (4,495,724)         | 1,887,515         |
| Remeasurement gain on plan assets  | (303,611)           | (179,279)         |
|  | <b>(4,799,335)</b>  | <b>1,708,236</b>  |
| <b>Total components of retirement liability</b>  | <b>(P1,271,349)</b> | <b>P4,602,261</b> |

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

|   | 2021              | 2020              |
|---|-------------------|-------------------|
| Present value of retirement benefits obligation | P15,085,059       | P15,768,726       |
| Fair value of plan assets                       | (7,172,117)       | (7,191,657)       |
| <b>Net retirement benefit liability</b>         | <b>P7,912,942</b> | <b>P8,577,069</b> |

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

|                                   | 2021              | 2020              |
|-----------------------------------|-------------------|-------------------|
| Cumulative gain in OCI, beginning | P2,896,703        | P4,092,468        |
| Remeasurement gain (loss)         | 3,144,085         | (1,195,765)       |
|                                   | <b>P6,040,788</b> | <b>P2,896,703</b> |

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

|  | 2021               | 2020               |
|--|--------------------|--------------------|
| Balance at beginning of year                             | P15,768,727        | P10,639,300        |
| Current service cost                                     | 3,189,191          | 2,686,540          |
| Interest expense   | 622,865            | 555,371            |
| Remeasurement losses (gains) on obligation arising from: |                    |                    |
| Changes in financial assumptions                         | (3,253,172)        | 3,128,501          |
| Changes in demographic assumptions                       | (5,469)            | -                  |
| Experience adjustment                                    | (1,237,083)        | (1,240,986)        |
| <b>Balance at end of year</b>                            | <b>P15,085,059</b> | <b>P15,768,726</b> |

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

|  | 2021              | 2020              |
|--|-------------------|-------------------|
| Balance at beginning of year             | P7,191,657        | P6,664,492        |
| Interest income                          | 284,070           | 347,886           |
| Remeasurement gain (loss) on plan assets | (303,611)         | 179,279           |
| <b>Balance at end of year</b>            | <b>P7,172,116</b> | <b>P7,191,657</b> |



Changes in the retirement benefit liability follow:

|  | 2021              | 2020              |
|--|-------------------|-------------------|
| Balance at beginning of year                                   | P8,577,069        | P3,974,808        |
| Current service cost   | 3,189,191         | 2,686,540         |
| Net interest cost (income) on the retirement liability         | 338,795           | 207,485           |
| Remeasurement loss on plan assets                              | 303,611           | (179,279)         |
| Actuarial losses (gains) on retirement liability arising from: |                   |                   |
| Experience adjustment  | (3,253,172)       | 3,128,501         |
| Changes in demographic assumptions                             | (5,469)           | -                 |
| Changes in financial assumptions                               | (1,237,083)       | (1,240,986)       |
| <b>Balance at end of year</b>                                  | <b>P7,912,942</b> | <b>P8,577,069</b> |

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

|                               | 2021              | 2020              |
|-------------------------------|-------------------|-------------------|
| Cash and cash equivalents     | P3,358,918        | P2,290,403        |
| Financial assets at FVPL      | 3,793,308         | 4,878,668         |
| Accrued and other receivables | 19,891            | 22,586            |
|                               | <b>P7,172,117</b> | <b>P7,191,657</b> |

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

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

|   | January 1 |       |
|---|-----------|-------|
|   | 2021      | 2020  |
| Discount rate                             | 5.08%     | 3.95% |
| Future salary increases                   | 5%        | 5.00% |
| Average remaining working life (in years) | 25.6      | 26.3  |

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

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

|                         | Change in Basis Points | Increase (decrease) in defined benefit obligation |              |
|-------------------------|------------------------|---|--------------|
|                         |                        | 2021  | 2020         |
| Discount rate           | +100 basis point       | (P2,290,874)                                      | (P2,534,433) |
|                         | -100 basis point       | 2,836,751   | 3,175,038    |
| Future salary increases | +100 basis point       | 2,809,381   | 3,106,454    |
|                         | -100 basis point       | (2,312,239)                                       | (2,533,344)  |

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

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



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## 16. Miscellaneous

Miscellaneous income consists of the following items:

|                                  | 2021               | 2020               |
|----------------------------------|--------------------|--------------------|
| Penalties                        | <b>P7,776,978</b>  | P7,047,586         |
| Recoveries                       | <b>6,381,233</b>   | 5,116,261          |
| Gain on sale of motorcycle units | <b>2,377,048</b>   | 3,296,379          |
| Others                           | <b>212,450</b>     | 165,351            |
|                                  | <b>P16,747,709</b> | <b>P15,625,577</b> |

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

Miscellaneous expense consists of the following items:

|                           | 2021               | 2020              |
|---------------------------|--------------------|-------------------|
| Communication             | <b>P 2,931,713</b> | P2,327,281        |
| Stationeries and supplies | <b>2,918,595</b>   | 1,511,318         |
| Others                    | <b>1,038,149</b>   | 5,543,791         |
|                           | <b>P6,888,457</b>  | <b>P9,382,390</b> |

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

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## 17. Income Taxes

Current tax regulations provide that the RCIT rate is 25%. The regulations also provide for MCIT of 1% on modified gross income and allow NOLCO. The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of incurrence.

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

|          | 2021               | 2020              |
|----------|--------------------|-------------------|
| Current  | <b>P3,599,704</b>  | P1,941,341        |
| Deferred | <b>11,692,486</b>  | 4,802,952         |
|          | <b>P15,292,190</b> | <b>P6,744,293</b> |



The components of deferred tax assets - net follow:

|  | 2020               | Net charges<br>to profit or<br>loss | Net charges<br>to OCI | Effect of<br>CREATE law | 2021              |
|--|--------------------|-------------------------------------|-----------------------|-------------------------|-------------------|
| Deferred tax assets<br>(liabilities) on:               |                    |                                     |                       |                         |                   |
| Allowance for credit losses                            | P41,426,605        | (P2,167,240)                        | —                     | (P6,904,434)            | 32,354,931        |
| Allowance of repossessed<br>assets write-down          | 12,149,976         | 231,928                             | —                     | (2,024,996)             | 10,356,908        |
| Accrued expenses                                       | 2,022,466          | —                                   | —                     | (337,078)               | 1,685,388         |
| Effect of PFRS 16                                      | 1,254,593          | 170,512                             | —                     | (209,099)               | 1,216,006         |
| Retirement expense                                     | 868,208            | 881,997                             | —                     | (144,701)               | 1,605,504         |
| Remeasurement gain on<br>defined benefit<br>obligation | (823,163)          | —                                   | (1,048,028)           | 137,194                 | (1,733,997)       |
| Impairment loss on<br>investment properties            | 274,785            | —                                   | —                     | (45,798)                | 228,987           |
| Past service costs                                     | 48,352             | —                                   | —                     | (8,058)                 | 40,294            |
| FV increase in<br>investment property                  | —                  | (1,272,713)                         | —                     | —                       | (1,272,713)       |
|  | <b>P57,221,822</b> | <b>(P2,155,516)</b>                 | <b>(P1,048,028)</b>   | <b>(P9,536,970)</b>     | <b>44,481,308</b> |

The Company did not recognize deferred tax asset on the MCIT amounting to P4.26 million and P6.33 million as at December 31, 2021 and 2020, respectively.

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

#### MCIT

| Inception<br>Year | Amount            | Additions         | Used/Expired        | Balance           | Expiry Year |
|-------------------|-------------------|-------------------|---------------------|-------------------|-------------|
| 2020              | P—                | P1,941,341        | P—                  | P1,941,341        | 2023        |
| 2019              | 2,315,132         | —                 | —                   | 2,315,132         | 2022        |
| 2018              | 2,078,273         | —                 | (2,078,273)         | —                 | 2021        |
| 2017              | 1,897,303         | —                 | (1,897,303)         | —                 | 2020        |
|                   | <b>P6,290,708</b> | <b>P1,941,341</b> | <b>(P3,975,576)</b> | <b>P4,256,473</b> |             |

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

|  | 2021               | 2020               |
|--|--------------------|--------------------|
| Income before income tax   | <b>P24,996,596</b> | <b>P17,571,596</b> |
| Income tax computed at statutory rate (25%/30%)                              | <b>P6,249,149</b>  | <b>P5,271,479</b>  |
| Additions to (reduction in) income tax resulting from the<br>tax effects of: |                    |                    |
| Effect of CREATE law - Current tax   | <b>9,536,970</b>   | —                  |
| Effect of CREATE law - Deferred tax  | <b>(485,335)</b>   | —                  |
| Non-deductible interest expense  | <b>3,907</b>       | 7,738              |
| Interest income subjected to final tax                                       | <b>(12,501)</b>    | (18,760)           |
| Change in unrecognized DTA   | —                  | 1,483,836          |
| Effective income tax expense   | <b>P15,292,190</b> | <b>P6,744,293</b>  |



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

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to ₱0.26 million and ₱0.53 million 2021 and 2020, respectively.

Below are the movements in income tax payable:

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

## 18. Related Party Transactions

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

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

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



The following transactions have been entered into with related parties:

| Category/Transaction                 | Ref | 2021                  |                          |                        | 2020                   |                          |                        | Nature, Terms and Condition  |
|--------------------------------------|-----|-----------------------|--------------------------|------------------------|------------------------|--------------------------|------------------------|--|
|                                      |     | Amount of Transaction | Outstanding Balances     |                        | Amount of transactions | Outstanding Balances     |                        |  |
|                                      |     |                       | Due from related parties | Due to related parties |                        | Due from related parties | Due to related parties |  |
| <i>Parent Company</i>                |     |                       |                          |                        |                        |                          |                        |  |
| Miscellaneous receivables            | A   | P—                    | P 80,514                 | P—                     | P—                     | P80,514                  | P—                     | Non-interest bearing, unsecured;<br>No impairment                                |
| Notes payable                        | B   | —                     | —                        | 267,600,000            | —                      | —                        | 338,600,000            | Unsecured, 1 year interest bearing<br>placement at 5.75%<br>annual interest rate |
| Availments                           |     | —                     | —                        | —                      | 24,500,000             | —                        | —                      |  |
| Settlements                          |     | 71,000,000            | —                        | —                      | 70,900,000             | —                        | —                      |  |
| Interest expense                     |     | 16,145,583            | —                        | 822,018                | 20,189,293             | —                        | 2,598,976              |  |
| <i>Entities under common control</i> |     |                       |                          |                        |                        |                          |                        |  |
| <i>Motor Ace Philippines, Inc.</i>   |     |                       |                          |                        |                        |                          |                        |  |
| Miscellaneous receivables            | A   | —                     | 307,804                  | —                      | —                      | 240,184                  | —                      | Non-interest bearing, unsecured;<br>No impairment                                |
| Availments                           |     | 189,543               | —                        | —                      | 174,490                | —                        | —                      |  |
| Settlements                          |     | 121,922               | —                        | —                      | 88,200                 | —                        | —                      |  |
| <i>Forward</i>                       |     |                       |                          |                        |                        |                          |                        |  |



| Category/Transaction                 | Ref | 2021                  |                          |                        | 2020                   |                          |                        | Nature, Terms and Condition             |
|--------------------------------------|-----|-----------------------|--------------------------|------------------------|------------------------|--------------------------|------------------------|---|
|                                      |     | Amount of Transaction | Outstanding Balances     |                        | Amount of transactions | Outstanding Balances     |                        |   |
|                                      |     |                       | Due from related parties | Due to related parties |                        | Due from related parties | Due to related parties |   |
| Accounts payable                     | D   | P—                    | P—                       | P13,849,458            | P—                     | P—                       | P15,194,978            | 30 day unsecured, non-interest bearing  |
| Availments                           |     | 73,871,039            | —                        | —                      | 54,444,011             | —                        | —                      |   |
| Settlements                          |     | 75,216,559            | —                        | —                      | 51,426,833             | —                        | —                      |   |
| Short term placements                | C   | —                     | —                        | —                      | —                      | —                        | —                      | Short-term interest bearing             |
| Availments                           |     | —                     | —                        | —                      | —                      | —                        | —                      | placements at 10.5%                     |
| Settlements                          |     | —                     | —                        | —                      | —                      | —                        | —                      | annual interest rate                    |
| Interest income                      |     | —                     | —                        | —                      | —                      | —                        | —                      |   |
| <i>MAPI Lending Investors, Inc.</i>  |     |                       |                          |                        |                        |                          |                        |   |
| Miscellaneous receivables            | A   | 1,877,428             | —                        | —                      | —                      | 2,725,083                | —                      | 30 day unsecured, non-interest bearing  |
| Availments                           |     | 745,819               | —                        | —                      | 343,204                | —                        | —                      |   |
| Settlements                          |     | 1,593,475             | —                        | —                      | 554,450                | —                        | —                      |   |
| Accounts payable                     | D   | —                     | —                        | 75,372                 | —                      | —                        | 75,372                 | Non-interest bearing, unsecured         |
| Availments                           |     | 29,722                | —                        | —                      | 23,191                 | —                        | —                      |   |
| Settlements                          |     | 29,722                | —                        | —                      | —                      | —                        | —                      |   |
| Short term placements                | C   | 15,687,174            | —                        | —                      | —                      | 25,711,228               | —                      | Short-term interest bearing             |
| Availments                           |     | 1,576,792             | —                        | —                      | 2,294,972              | —                        | —                      | placements at 10.5%                     |
| Settlements                          |     | 11,600,846            | —                        | —                      | 154,129                | —                        | —                      | annual interest rate                    |
| Interest income                      |     | —                     | —                        | —                      | —                      | —                        | —                      |   |
| <i>HMW Lending Investors, Inc.</i>   |     |                       |                          |                        |                        |                          |                        |   |
| Short term placements                | C   | —                     | —                        | —                      | —                      | —                        | —                      | Short-term interest bearing             |
| Interest income                      |     | —                     | —                        | —                      | —                      | —                        | —                      | placements at 8.5% annual interest rate |
| <i>Honda Motor World, Inc.</i>       |     |                       |                          |                        |                        |                          |                        |   |
| Miscellaneous receivables            | A   | 132,598               | —                        | —                      | —                      | 106,017                  | —                      | Non-interest bearing, unsecured;        |
| Availments                           |     | 109,036               | —                        | —                      | 125,228                | —                        | —                      | No Impairment                           |
| Settlements                          |     | 82,455                | —                        | —                      | 63,753                 | —                        | —                      |   |
| Accounts payable                     | D   | —                     | —                        | 1,864,681              | —                      | —                        | 1,839,777              | Unsecured, interest bearing placement   |
| Availments                           |     | 23,949,667            | —                        | —                      | 16,571,009             | —                        | —                      | at 10.0% annual interest rate           |
| Settlements                          |     | 23,924,764            | —                        | —                      | 16,958,716             | —                        | —                      |   |
| <i>Pikeville Bancshares</i>          |     |                       |                          |                        |                        |                          |                        |   |
| Professional fees                    |     | 1,193,920             | —                        | —                      | 1,193,920              | —                        | 156,128                | Payment of consultancy fees             |
| <i>MERG Realty Development Corp.</i> |     |                       |                          |                        |                        |                          |                        |   |
| Miscellaneous receivables            | A   | 18,057                | —                        | —                      | —                      | 18,057                   | —                      | Non-interest bearing; No impairment     |
| Availments                           |     | —                     | —                        | —                      | —                      | —                        | —                      |   |
| Settlements                          |     | —                     | —                        | —                      | —                      | —                        | —                      |   |

Forward





| Category/Transaction                    | Ref | 2021                  |                          |                        | 2020                   |                          |                        | Nature, Terms and Condition   |
|---|-----|-----------------------|--------------------------|------------------------|------------------------|--------------------------|------------------------|---|
|   |     | Amount of Transaction | Outstanding Balances     |                        | Amount of transactions | Outstanding Balances     |                        |   |
|   |     |                       | Due from related parties | Due to related parties |                        | Due from related parties | Due to related parties |   |
| Notes payable                           | B   | P—                    | P—                       | P31,334,008            | P—                     | P—                       | P29,916,009            | Unsecured interest bearing placements at 5.5% annual interest rate; no impairment |
| Availments                              |     | 1,417,998             | —                        | —                      | 1,357,368              | —                        | —                      |   |
| Settlements                             |     | —                     | —                        | —                      | —                      | —                        | —                      |   |
| Interest expense                        |     | 1,668,233             | —                        | —                      | 1,596,904              | —                        | —                      |   |
| <i>Directors and other stockholders</i> |     |                       |                          |                        |                        |                          |                        |   |
| Notes payable                           | B   | —                     | —                        | 22,713,343             | —                      | —                        | 34,919,791             | Unsecured interest bearing placements at 5.5% annual interest rate; no impairment |
| Availments                              |     | 4,687,646             | —                        | —                      | 13,417,368             | —                        | —                      |   |
| Settlements                             |     | 132,000               | —                        | —                      | 8,166,310              | —                        | —                      |   |
| Interest expense                        |     | 1,099,070             | —                        | —                      | 1,880,705              | —                        | 8,403                  |   |
| Professional and other management fees  |     | —                     | —                        | —                      | 3,333,611              | —                        | —                      |   |
| <b>TOTAL</b>                            |     |                       | <b>P388,318</b>          | <b>P338,258,880</b>    |                        | <b>P28,881,083</b>       | <b>P423,309,434</b>    |   |



- a. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 7).
- b. As at December 31, 2021 and 2020, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P342.50 million and P403.44 million, respectively and P2.62 million in both years. Interest expense from these borrowings amounted to P34.12 million and P23.67 million in 2021 and 2020, respectively (Note 11).

Borrowings availed from related parties amounted to P71.11 million and P39.27 million in 2021 and 2020, respectively. Settlement from borrowings amounted to P16.28 million and P79.07 million in 2021 and 2020, respectively. Interest rates from borrowings range from 5.0% to 5.5% in 2021 and 2020 respectively. Borrowings from related parties are unsecured and to be settled in cash.

- c. The Company had short-term placements amounting to P15.69 million and P25.71 million in 2021 and 2020, respectively. Interest income from these placements amounted to nil in 2021 and 2020 (see Note 6).
- d. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.
- e. This pertains to the commission payable to other related parties as referral fees for successful loan bookings.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to P15.20 million and P15.3 million in 2021 and 2020 respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

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#### 19. Earnings Per Share (EPS)

|   | 2021        | 2020        |
|---|-------------|-------------|
| a. Net Income   | P9,704,406  | P10,827,303 |
| b. Weighted average number of outstanding common shares | 266,610,060 | 263,762,194 |
| c. Basic/diluted earnings per share (a/b)               | P0.04       | P0.04       |

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



## 20. Leases

### Lease Agreements

#### *The Company as a Lessee*

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

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

Total rent expense for short term leases included under 'Occupancy cost' account in the statements of comprehensive income incurred in 2021 and 2020 amounted to P13.52 million and P2.17 million, respectively.

Security deposits arising from these lease agreements amounted to P3.73 million and P3.78 million, as at December 31, 2021 and 2020, respectively (see Note 10).

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

|                            | 2021               | 2020               |
|----------------------------|--------------------|--------------------|
| Less than one year         | <b>P10,290,321</b> | <b>P8,127,491</b>  |
| Between one and five years | <b>32,791,150</b>  | <b>26,912,777</b>  |
|                            | <b>P43,081,471</b> | <b>P35,040,268</b> |

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

|                       | 2021               | 2020                |
|-----------------------|--------------------|---------------------|
| As at January 1       | <b>P26,899,594</b> | <b>P33,542,018</b>  |
| Additions             | <b>15,532,001</b>  | <b>7,707,406</b>    |
| Accretion of interest | <b>1,766,789</b>   | <b>2,025,648</b>    |
| Payments              | <b>(7,941,968)</b> | <b>(16,375,478)</b> |
| As at December 31     | <b>P36,256,416</b> | <b>P26,899,594</b>  |

#### *Right-of-use assets*

|                                     | 2021               | 2020                |
|-------------------------------------|--------------------|---------------------|
| Balance at January 1                | <b>P23,636,443</b> | <b>P28,821,320</b>  |
| Additions                           | <b>15,532,001</b>  | <b>7,707,406</b>    |
| Depreciation of right-of-use assets | <b>(6,857,228)</b> | <b>(12,892,283)</b> |
| Balance at December 31              | <b>P32,311,216</b> | <b>P23,636,443</b>  |



## 21. Notes to Statements of Cash Flows

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

|   |                     |
|---|---------------------|
| Notes Payable, December 31, 2019        | 709,309,048         |
| Cash flows during the year              |                     |
| Proceeds from loans payable             | 206,074,736         |
| Payment of loans payable                | (228,990,783)       |
|   | (22,916,047)        |
| Notes Payable, December 31, 2020        | P686,393,001        |
| Cash flows during the year              |                     |
| Proceeds from loans payable             | 144,434,268         |
| Payment of loans payable                | (266,120,713)       |
|   | (121,686,445)       |
| <b>Notes Payable, December 31, 2021</b> | <b>P564,706,556</b> |

## 22. Financial Assets and Financial Liabilities

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

|  | 2021                |                     | 2020                  |                       |
|--|---------------------|---------------------|-----------------------|-----------------------|
|  | Carrying Amount     | Fair Value          | Carrying Amount       | Fair Value            |
| <b>Financial Assets</b>                        |                     |                     |                       |                       |
| <i>Financial assets at amortized cost</i>      |                     |                     |                       |                       |
| Cash and cash equivalents                      | P73,115,778         | P73,115,778         | P74,788,904           | P74,788,904           |
| Loans and other receivables - net              | 871,796,318         | 871,796,318         | 994,335,152           | 994,335,152           |
| Security deposits                              | 3,731,292           | 3,731,292           | 3,780,959             | 3,780,959             |
| <i>Financial assets at FVOCI*</i>              | 80,000              | 80,000              | 80,000                | 80,000                |
|  | <b>P948,723,388</b> | <b>P948,723,388</b> | <b>P1,072,985,015</b> | <b>P1,072,985,015</b> |
| <b>Financial Liabilities</b>                   |                     |                     |                       |                       |
| <i>Financial liabilities at amortized cost</i> |                     |                     |                       |                       |
| Notes payable                                  | P564,706,556        | P564,706,556        | P686,393,001          | P686,393,001          |
| Accounts payable                               | 35,722,757          | 35,722,757          | 19,212,094            | 19,212,094            |
| Accrued expenses**                             | 18,798,909          | 18,798,909          | 36,454,343            | 36,454,343            |
|  | <b>P619,228,222</b> | <b>P619,228,222</b> | <b>P742,059,438</b>   | <b>P742,059,438</b>   |

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

\*\*Excluding government payables

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

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



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

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

#### Fair Value Hierarchy

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

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

| 2021                      | Level 1        | Level 2   | Level 3   | Total          |
|---------------------------|----------------|-----------|-----------|----------------|
| <b>Financial Assets</b>   |                |           |           |                |
| Financial assets at FVOCI | <b>P80,000</b> | <b>P-</b> | <b>P-</b> | <b>P80,000</b> |
| <hr/>                     |                |           |           |                |
| 2020                      | Level 1        | Level 2   | Level 3   | Total          |
| <b>Financial Assets</b>   |                |           |           |                |
| Financial assets at FVOCI | <b>P80,000</b> | <b>P-</b> | <b>P-</b> | <b>P80,000</b> |

The Company has no financial instruments valued based on Level 3 as at December 31, 2021 and 2020. In 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

### **23. Financial Risk Management Objectives and Policies**

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

#### Credit Risk

##### *Credit Risk Management and Collateral and Other Credit Enhancements*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers, and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

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

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



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

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

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

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

|   | 2021                    |   |   | 2020                    |  |   |
|---|-------------------------|---|---|-------------------------|--|---|
|   | Gross Maximum Exposures | Fair value of Collateral Credit Enhancement | Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements | Gross Maximum Exposures | Fair value of Collateral or Credit Enhancement | Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements |
| <b>Financial Assets at Amortized Cost</b> |                         |   |   |                         |  |   |
| Cash and cash equivalents*                | ₱72,303,820             | ₱—  | ₱72,303,820   | ₱71,177,889             | ₱—   | ₱71,177,889   |
| Receivable from Customers:                |                         |   |   |                         |  |   |
| - net:                                    |                         |   |   |                         |  |   |
| Consumer                                  | 787,469,618             | 505,615,171                                 | 281,854,447   | 881,039,777             | 619,949,422                                    | 261,090,355   |
| Services                                  | 201,797,159             | 25,988,486                                  | 175,808,673   | 237,569,351             | 27,125,322                                     | 210,444,029   |
| Other Receivables                         | 12,217,653              | —   | 12,217,653  | 14,098,275              | —  | 14,098,275  |
| Security deposits**                       | 3,731,292               | —   | 3,731,292   | 3,780,959               | —  | 3,780,959   |
|   | <b>₱1,077,519,542</b>   | <b>₱531,603,657</b>                         | <b>₱545,915,885</b>   | <b>₱1,207,666,251</b>   | <b>₱647,074,744</b>                            | <b>₱560,591,507</b>   |

\*Excluding cash on hand

|   | 2021                          |              |                     |                           |                     |                       | Total       |
|---|-------------------------------|--------------|---------------------|---------------------------|---------------------|-----------------------|-------------|
|   | Stage 1                       |              |                     | State 2                   | Stage 3             |                       |             |
|   | Neither Past Due nor Impaired |              |                     | Past Due but not Impaired | Impaired            |                       |             |
|   | High Grade                    | Medium Grade | Low Grade           |                           |                     |                       |             |
| <b>Financial Assets at Amortized Cost</b> |                               |              |                     |                           |                     |                       |             |
| Cash and cash equivalents*                | ₱72,303,820                   | ₱—           | ₱—                  | ₱—                        | ₱—                  | ₱—                    | ₱72,303,820 |
| Receivable from Customers                 |                               |              |                     |                           |                     |                       |             |
| - net:                                    |                               |              |                     |                           |                     |                       |             |
| Consumer                                  | 428,793,041                   | —            | 158,147,774         | 54,675,531                | 145,853,271         | 787,469,617           | 787,469,617 |
| Services                                  | 25,988,486                    | —            | 139,590,223         | 27,479,509                | 8,738,941           | 201,797,159           | 201,797,159 |
| Other Receivables                         | —                             | —            | 12,217,653          | —                         | —                   | 12,217,653            | 12,217,653  |
| Security deposits                         | —                             | —            | 3,731,292           | —                         | —                   | 3,731,292             | 3,731,292   |
|   | <b>₱527,085,347</b>           | <b>₱—</b>    | <b>₱313,686,942</b> | <b>₱82,155,040</b>        | <b>₱154,592,212</b> | <b>₱1,077,519,541</b> |             |

\*Excluding cash on hand

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

\*Excluding cash on hand

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



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

*Cash in Banks*

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

*Cash Equivalents*

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

*Loans and Other Receivables*

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

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

|          | 2021       |            |            |             |                    | Total       |
|----------|------------|------------|------------|-------------|--------------------|-------------|
|          | 1-30 days  | 30-60 days | 61-90 Days | 91-120 Days | More than 120 Days |             |
| Consumer | P4,411,015 | P7,018,028 | P4,817,766 | P14,225,958 | P24,202,765        | P54,675,532 |
| Services | —          | 721,938    | 321,565    | 7,064,869   | 19,371,137         | 27,479,509  |
|          | P4,411,015 | P7,739,966 | P5,139,331 | P21,290,827 | P43,573,902        | P82,155,041 |

|          | 2020        |             |             |             |                    | Total        |
|----------|-------------|-------------|-------------|-------------|--------------------|--------------|
|          | 1-30 days   | 30-60 days  | 61-90 Days  | 91-120 Days | More than 120 Days |              |
| Consumer | P19,398,393 | P15,753,199 | P18,959,933 | P15,689,639 | P50,142,896        | P119,944,060 |
| Services | 1,527,105   | 1,810,918   | 2,006,325   | 5,161,550   | 10,599,388         | 21,105,286   |
|          | P20,925,498 | P17,564,117 | P20,966,258 | P20,851,189 | P60,742,284        | P141,049,346 |

*Liquidity Risk*

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



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

|                              | 2021                 |                        |                    |                    |                     |                    | Total                |
|------------------------------|----------------------|------------------------|--------------------|--------------------|---------------------|--------------------|----------------------|
|                              | Carrying Amount      | Contractual Maturities |                    |                    |                     |                    |                      |
|                              |                      | Up to 3 Months         | 3 to 6 Months      | 6 to 12 Months     | 1 to 3 Years        | More than 3 Years  |                      |
| <b>Financial assets</b>      |                      |                        |                    |                    |                     |                    |                      |
| Cash and cash equivalents    | P72,303,820          | P72,303,820            | P—                 | P—                 | P—                  | P—                 | P72,303,820          |
| Loans and other receivables  |                      |                        |                    |                    |                     |                    |                      |
| Receivable from customers:   |                      |                        |                    |                    |                     |                    |                      |
| Consumer                     | 787,469,618          | 370,592,766            | 120,345,764        | 167,947,583        | 361,817,691         | 86,345,287         | 1,107,049,091        |
| Services                     | 201,797,159          | 120,453,700            | 26,060,309         | 44,819,720         | 118,411,763         | 9,304,738          | 319,050,230          |
| Other receivables            | 12,217,653           | 12,224,471             | —                  | —                  | —                   | 168,200            | 12,392,671           |
| Security deposits            | 3,731,292            | —                      | —                  | —                  | 3,731,292           | —                  | 3,731,292            |
| Financial assets at FVOCI*   | 80,000               | —                      | —                  | —                  | —                   | 80,000             | 80,000               |
|                              | <b>1,077,599,542</b> | <b>575,574,757</b>     | <b>146,406,073</b> | <b>212,767,303</b> | <b>483,960,746</b>  | <b>95,898,225</b>  | <b>1,514,607,104</b> |
| <b>Financial Liabilities</b> |                      |                        |                    |                    |                     |                    |                      |
| Notes payable                | 564,706,556          | 308,275,999            | 60,675,999         | 153,702,227        | 42,052,331          | —                  | 564,706,556          |
| Accounts payable             | 35,722,757           | 35,722,757             | —                  | —                  | —                   | —                  | 35,722,757           |
| Accrued expenses**           | 22,831,211           | 22,831,211             | —                  | —                  | —                   | —                  | 22,831,211           |
|                              | <b>623,260,524</b>   | <b>366,829,967</b>     | <b>60,675,999</b>  | <b>153,702,227</b> | <b>42,052,331</b>   | <b>—</b>           | <b>623,260,524</b>   |
| <b>Net liquidity gap</b>     | <b>P454,339,018</b>  | <b>P208,744,790</b>    | <b>P85,730,074</b> | <b>P59,065,076</b> | <b>P441,908,415</b> | <b>P95,898,225</b> | <b>P891,346,580</b>  |

\*Includes investments in golf shares which is presented under "Other asset"

\*\*Excluding government payables

|                              | 2020                 |                        |                    |                    |                     |                    | Total                |
|------------------------------|----------------------|------------------------|--------------------|--------------------|---------------------|--------------------|----------------------|
|                              | Carrying Amount      | Contractual Maturities |                    |                    |                     |                    |                      |
|                              |                      | Up to 3 Months         | 3 to 6 Months      | 6 to 12 Months     | 1 to 3 Years        | More than 3 Years  |                      |
| <b>Financial assets</b>      |                      |                        |                    |                    |                     |                    |                      |
| Cash and cash equivalents    | P71,177,889          | P71,177,889            | P—                 | P—                 | P—                  | P—                 | P71,177,889          |
| Loans and other receivables  |                      |                        |                    |                    |                     |                    |                      |
| Receivable from customers:   |                      |                        |                    |                    |                     |                    |                      |
| Consumer                     | 881,039,777          | 336,748,833            | 127,914,219        | 190,215,172        | 410,372,541         | 82,761,586         | 1,148,012,351        |
| Services                     | 237,569,351          | 117,932,586            | 28,083,531         | 48,140,924         | 125,345,058         | 10,016,077         | 329,518,176          |
| Other receivables            | 14,098,275           | 12,905,093             | —                  | —                  | —                   | 1,053,218          | 13,958,311           |
| Security deposits            | 3,780,959            | —                      | —                  | —                  | 3,780,959           | —                  | 3,780,959            |
| Financial assets at FVOCI*   | 80,000               | —                      | —                  | —                  | —                   | 80,000             | 80,000               |
|                              | <b>1,207,746,251</b> | <b>538,764,401</b>     | <b>155,997,750</b> | <b>238,356,096</b> | <b>539,498,558</b>  | <b>93,910,881</b>  | <b>1,566,527,686</b> |
| <b>Financial Liabilities</b> |                      |                        |                    |                    |                     |                    |                      |
| Notes payable                | 686,393,001          | 137,141,100            | 137,141,100        | 274,282,200        | 137,828,601         | —                  | 686,393,001          |
| Accounts payable             | 19,212,094           | 19,212,094             | —                  | —                  | —                   | —                  | 19,212,094           |
| Accrued expenses**           | 36,454,343           | 36,454,343             | —                  | —                  | —                   | —                  | 36,454,343           |
|                              | <b>742,059,438</b>   | <b>192,807,537</b>     | <b>137,141,100</b> | <b>274,282,200</b> | <b>137,828,601</b>  | <b>—</b>           | <b>742,059,438</b>   |
| <b>Net liquidity gap</b>     | <b>P465,686,813</b>  | <b>P345,956,864</b>    | <b>P18,856,650</b> | <b>P35,926,104</b> | <b>P401,669,957</b> | <b>P93,910,881</b> | <b>P824,468,248</b>  |

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

\*\*excluding government payable

### Market Risk

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

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





### Interest Rate Risk

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

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

### Sensitivity of Net Interest Income

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

Presented below are the interest-bearing financial instruments:

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

\*excluding miscellaneous receivables

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

|      | Increase/Decrease in Interest Rate<br>(in basis points) | Effect to Total Comprehensive<br>Income before Income and Final Tax |
|------|---|---|
| 2021 | +100bps   | <b>₱3,676,459</b>   |
|      | -100bps   | <b>(3,676,459)</b>  |
| 2020 | +100bps   | 3,658,041   |
|      | -100bps   | (3,658,041)   |



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

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

The following are the tax information required for the taxable year ended December 31, 2021 based on Revenue Regulation No. 15-2010:

### A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under 'Taxes and Licenses' account in the Company's statement of comprehensive income. Details for year 2021 consist of the following:

|   |                         |
|---|-------------------------|
| Gross Receipts Tax (GRT)                      | P9,878,337              |
| Documentary Stamp Tax (DST)                   | 2,352,184               |
| Capital gains taxes on sale of capital assets | -                       |
| License and Permit Fees                       | 1,468,072               |
|   | <hr/> <hr/> P13,698,593 |

As at December 31, 2021, accrued GRT and DST amounted to P3,175,865 and P843,728, respectively.

### B. Withholding taxes

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

|  |                       |
|--|-----------------------|
| Expanded withholding taxes                     | P5,631,062            |
| Withholding taxes on compensation and benefits | 3,186,282             |
|  | <hr/> <hr/> 8,817,344 |

### C. Tax Cases

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

### D. Tax Assessment

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

#### Revenue Regulation (RR) No. 34-2020

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



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**REPORTS ON SEC FORM 17-C**

**ANNEX B**



**MAKATI FINANCE**  
CORPORATION  
MORE THAN JUST FINANCING

July 29, 2021

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

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

**The Disclosure Department**  
**THE PHILIPPINE STOCK EXCHANGE, INC.**  
Philippine Stock Exchange Tower  
5<sup>th</sup> Avenue cor. 28<sup>th</sup> Street  
BGC, Taguig City

Attention: **MS. JANET A. ENCARNACION**  
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 Regular Meeting and Annual Stockholders' Meeting. Held today, July 29, 2021 via online communication using Zoom application.

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:



**MARCOSE LAROSA**  
Chief Finance Officer / CIO

# COVER SHEET

|  |  |   |   |   |   |   |  |  |  |  |
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S.E.C. Registration Number

M A K A T I F I N A N C E C O R P O R A T I O N

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(Company's Full Name)

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

A V E N U E M A K A T I C I T Y 1 2 3 1

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

**MARCOS E. LAROSA**

Contact Person

**(02) 7751-8132**

Company Telephone Number

|   |   |
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Month

|   |   |
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Day

Fiscal Year

**2021**

**SEC Form 17-C**

FORM TYPE

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Month

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Day

Annual Meeting

**Every last Thursday of July**

**Financing**

Secondary License Type, If Applicable

**M S R D**

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Amended Articles Number/Section

**109**

Total No. of Stockholders

Total Amount of Borrowings

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Foreign

To be accomplished by SEC Personnel concerned

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**STAMPS**

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**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. **July 29, 2021**

(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**  6. (SEC Use Only)

Province, country or other jurisdiction of  
incorporation

Industry Classification Code:

7. **3F Mazda Makati Bldg., 2301 Chino Roces Ave. Brgy. Magallanes, Makati City 1231**

Address of principal office

Postal Code

8. **(0632) 7751-8132**

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       | <b>264,204,047</b>  |

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

**I. The Regular Meeting of the Board of Directors of MAKATI FINANCE CORPORATION (“MFIN”) was held on 29 July 2021. The following were approved by the Board of Directors:**

- a. Minutes of the Regular Board Meeting held on **29 April 2021**.
- b. Stock Dividends amounting to **0.6100941997%** of the outstanding capital stock equivalent to a maximum of **1,624,095.45** shares of stock, to be issued out of the un-issued capital stock to stockholders of record as of **26 August 2021** with a payment date not later than **21 September 2021**. Fractional shares of **44.45** 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 **26 August 2021**.

- c. Cash Dividends in the amount of **Php1,624,095.45** or an equivalent of **Php 0.006100941997** per share (**0.6100941997%**) to stockholders of record as of **26 August 2021** with a payment date of **21 September 2021**. Both dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2020.
- d. The Next Board meeting was scheduled on **October 28, 2021 (Thursday) at 9:00 a.m.**

**II. The Annual Stockholders' Meeting was held via remote communication. The following were approved by the Stockholders of the Corporation:**

- a. Minutes of the Annual Stockholders' Meeting held on 30 July 2020.
- b. The 2020 Annual Report and 2020 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 30 July 2020.
- 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:

RENE B. BENITEZ  
MAX FRANCISCO JOSE O. BORROME  
MAXCY FRANCISCO JOSE R. BORROME  
JOEL S. FERRER  
ERIC B. BENITEZ  
JOSE DANIEL R. BORROME  
\*ALAN MICHAEL R. CRUZ  
ROBERT CHARLES M. LEHMANN  
\*ASTERIO L. FAVIS, JR.  
VINCENT EE  
CRISTINO L. PANLILIO

Mr. Alan Michael R. Cruz and Mr. Asterio L. Favis, Jr. were elected as independent directors.

- e. Appointment of BDO Roxas Tagle and Co. as the Corporation's External Auditor for the Year 2021.
- f. Stock Dividends amounting to **0.6100941997%** of the outstanding capital stock equivalent to a maximum of **1,624,095.45** shares of stock, to be issued out of the un-issued capital stock to stockholders of record as of **26 August 2021** with a payment date not later than **21 September 2021**. Fractional shares of **44.45** 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 **26 August 2021**.
- g. Cash Dividends in the amount of **Php1,624,095** or an equivalent of **Php 0.006100941997** per share (**0.6100941997%**) to stockholders of record as of **26 August 2021** with a payment date of **21 September 2021**. Both dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2020.

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

The following officers and committee chairmen/members were elected.

**a. OFFICERS:**

Mr. Rene B. Benitez – Chairman  
 Mr. Max Francisco Jose O. Borrromeo – Vice Chairman  
 Mr. Maxcy Francisco Jose R. Borrromeo - 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:**

| <b>Executive Committee</b>  | <b>Compensation Committee</b>  |
|---|--|
| Mr. Max Francisco Jose O. Borrromeo, <i>Chairman</i><br>Mr. Rene B. Benitez<br>Mr. Maxcy Francisco Jose R. Borrromeo<br>Mr. Robert Charles M. Lehmann<br>Mr. Cristino L. Panlilio | Mr. Joel S. Ferrer, <i>Chairman</i><br>Mr. Jose Daniel R. Borrromeo<br>Mr. Alan Michael R. Cruz *<br>Mr. Asterio L. Favis, Jr. *<br>Mr. Cristino L. Panlilio |
| <b>Nomination / Corporate Governance Committee</b>  | <b>Audit / Related Party Transactions / Board Risk Oversight Committee</b>   |
| Mr. Alan Michael R. Cruz *, <i>Chairman</i><br>Mr. Rene B. Benitez<br>Mr. Asterio L. Favis, Jr.*  | Mr. Asterio L. Favis, Jr. *, <i>Chairman</i><br>Mr. Max Francisco Jose O. Borrromeo<br>Mr. Alan Michael R. Cruz *  |

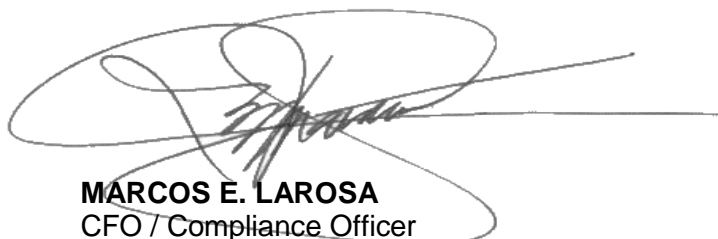
\* Independent Directors

**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**  
 CFO / Compliance Officer

Date: 29 July 2021





**MAKATI FINANCE**  
CORPORATION  
MORE THAN JUST FINANCING

October 28, 2021

*via electronic mail*

[ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph)

**SECURITIES AND EXCHANGE COMMISSION**

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

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

**The Disclosure Department**

**THE PHILIPPINE STOCK EXCHANGE, INC.**

3<sup>rd</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention: **MS. JANET A. ENCARNACION**  
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 held today, October 28, 2021 via remote communication.

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

Very truly yours,

**Makati Finance Corporation**  
Registrant

By:

  
**MARCOS E. LAROSA**  
CFO / Compliance Officer

# 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)

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B U I L D I N G 2 3 0 1 C H I N O R O C E S

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

A V E N U E M A K A T I C I T Y 1 2 3 1

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

MARCOS E. LAROSA

Contact Person

(02) 7751-8132

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

2021

SEC Form 17-C

FORM TYPE

0 7

Month

Day

Annual Meeting

Every last  
Thursday of July

Financing

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

111

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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STAMPS

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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 28, 2021**  
(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. **(632) 7751-8132**  
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       | <b>267,828,098</b>  |

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

The regular quarterly meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFIN") was held on October 28, 2021, at which at least a majority of the members of the Board of Directors was present and acting throughout.

There were no material items discussed nor approved in MFIN's Board Meeting.

The next Board meeting was later set on January 26, 2022 at 9 o'clock in the morning.

**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**  
CFO/Compliance Officer / CIO

Date: 28 October 2021

**INTEGRATED ANNUAL CORPORATE GOVERNANCE  
REPORT**

**(I-ACGR) – 2020**  
**Date Filed to SEC : June 14, 2021**

**ANNEX C**

# COVER SHEET

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(Company's Full Name)

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

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| <b>MARCOS E. LAROSA</b> |
|-------------------------|

Contact Person

|                       |
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| <b>(02) 7751-8132</b> |
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Company Telephone Number

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Annual Meeting

**Every last  
Thursday of July**

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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| <b>109</b> |
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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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**SEC FORM – I-ACGR  
INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

1. For the fiscal year ended **December 31, 2020**
2. SEC Identification Number **28788**
3. BIR Tax Identification No. **000-473-966-000**
4. Exact name of issuer as specified in its charter – **MAKATI FINANCE CORPORATION**
5. **Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6. (SEC Use Only)   
Industry Classification Code:
7. **3/F Mazda Makati Building 2301 Chino Roces Ave., Brgy. Magallanes, Makati City**  
Address of principal office  
**1231**  
Postal Code
8. **+632 77518132**  
Issuer's telephone number, including area code
9. **7823 Makati Avenue, Poblacion Makati City 1210**  
Former name, former address, and former fiscal year, if changed since last report.

| INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT   |                           |   |             |
|---|---------------------------|---|-------------|
|   | COMPLIANT / NON-COMPLIANT | ADDITIONAL INFORMATION  | EXPLANATION |
| <b>The Board's Governance Responsibilities</b>  |                           |   |             |
| <b>Principle 1:</b> The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders. |                           |   |             |
| <b>Recommendation 1.1</b>   |                           |   |             |
| 1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.   | <b>COMPLIANT</b>          | Provide information or link/reference to a document containing information on the following: <ul style="list-style-type: none"> <li>Academic qualifications, industry knowledge, professional experience, expertise and relevant trainings of directors</li> </ul>  |             |
| 2. Board has an appropriate mix of competence and expertise.  | <b>COMPLIANT</b>          | <ul style="list-style-type: none"> <li>Qualification standards for directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of its performance</li> </ul>   |             |
| 3. Directors remain qualified for their positions individually and collectively to enable them to fulfil their roles and responsibilities and respond to the needs of the organization.   | <b>COMPLIANT</b>          | <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020<br/><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=9cfbc8cf2bcceebf0de8473cebbd6407">https://edge.pse.com.ph/openDiscViewer.do?edge_no=9cfbc8cf2bcceebf0de8473cebbd6407</a></li> <li><b>SEC FORM 17A - Annual Report 2020</b><br/><a href="https://www.makatifinance.ph/pdf/Sec%20Form%2017-A/SEC%20Form%2017-A%202020.pdf">https://www.makatifinance.ph/pdf/Sec%20Form%2017-A/SEC%20Form%2017-A%202020.pdf</a></li> <li><b>SEC FORM 20-IS - Definitive Information Statement 2020</b><br/><a href="https://www.makatifinance.ph/pdf/Sec%20Form%20IS/2020%20Definitive%20Information%20Statement%C2%A0.pdf">https://www.makatifinance.ph/pdf/Sec%20Form%20IS/2020%20Definitive%20Information%20Statement%C2%A0.pdf</a></li> </ul> |             |



| Recommendation 1.2   |                  |  |  |
|--|------------------|--|--|
| 1. Board is composed of a majority of non-executive directors.   | <b>COMPLIANT</b> | <p>Identify or provide link/reference to a document identifying the directors and the type of their directorships</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> <li>• <b>SEC FORM 17A</b> -Annual Report 2020</li> <li>• <b>SEC FORM 17C</b> –Current Report (Date of Disclosure: July 30, 2020) Disclosure on the Results of Organizational Meeting, 30 July 2020</li> </ul> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=96b81765fdc014fb0de8473cebbd6407">https://edge.pse.com.ph/openDiscViewer.do?edge_no=96b81765fdc014fb0de8473cebbd6407</a></p> |  |
| Recommendation 1.3   |                  |  |  |
| 1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors. | <b>COMPLIANT</b> | <p>Provide link or reference to the company's Board Charter and Manual on Corporate Governance relating to its policy on training of directors.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| 2. Company has an orientation program for first time directors.  | <b>COMPLIANT</b> | <p>Provide information or link/reference to a document containing information on the orientation program and trainings of directors for the previous year, including the number of hours attended and topics covered.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| 3. Company has relevant annual continuing training for all directors.  | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li>• <b>SEC FORM 17-C</b> Current Report 2020 (Date of Disclosure: December 31, 2020) Disclosure on the Certificates of Attendance for having attended Corporate Governance seminar, 19 November 2020</li> </ul> <p><a href="https://edge.pse.com.ph/downloadHtml.do?file_id=840610">https://edge.pse.com.ph/downloadHtml.do?file_id=840610</a></p>  |  |

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| <b>Recommendation 1.4</b>  |                  |   |  |
| 1. Board has a policy on board diversity.  | <b>COMPLIANT</b> | Provide information on or link/reference to a document containing information on the company's board diversity policy.<br><br>Indicate gender composition of the board<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended, par.1, p.1</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>  |  |
| <b>Optional: Recommendation 1.4</b>  |                  |   |  |
| 1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives. | <b>COMPLIANT</b> | Provide information on or link/reference to a document containing the company's policy and measurable objectives for implementing board diversity.<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended, par. 1, p.1</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| <b>Recommendation 1.5</b>  |                  |   |  |
| 1. Board is assisted by a Corporate Secretary.   | <b>COMPLIANT</b> | Provide information on or link/reference to a document containing information on the Corporate Secretary, including his/her name, qualifications, duties and functions.<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 17A</b> - Annual Report 2020</li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> <li>• <b>SEC FORM 17-C</b> Current Report 2020 (Date of Disclosure July 30, 2020) Disclosure on the appointment<br/><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=96">https://edge.pse.com.ph/openDiscViewer.do?edge_no=96</a></li> </ul> |  |
| 2. Corporate Secretary is a separate individual from the Compliance Officer.   | <b>COMPLIANT</b> |   |  |
| 3. Corporate Secretary is not a member of the Board of Directors.  | <b>COMPLIANT</b> |   |  |

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|   |                  | <a href="#">b81765fdc014fb0de8473cebbd6407</a>   |  |
| 4. Corporate Secretary attends training/s on corporate governance.  | <b>COMPLIANT</b> | Provide information or link/reference to a document containing information on the corporate governance training attended, including number of hours and topics covered <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>  |  |
| <b>Optional: Recommendation 1.5</b>   |                  |  |  |
| 1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.                       | <b>COMPLIANT</b> | Provide proof that corporate secretary distributed board meeting materials at least five business days before scheduled meeting <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• All materials to be discussed on the monthly board meetings have been emailed 5 days before the scheduled meeting.</li> </ul>   |  |
| <b>Recommendation 1.6</b>   |                  |  |  |
| 1. Board is assisted by a Compliance Officer.   | <b>COMPLIANT</b> | Provide information on or link/reference to a document containing information on the Compliance Officer, including his/her name, position, qualifications, duties and functions. <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 17C</b> –Current Report 2020 (Date of Disclosure: July 30, 2020) Disclosure on the appointment of Compliance Officer, 30 July 2020.<br/><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=96b81765fdc014fb0de8473cebbd6407">https://edge.pse.com.ph/openDiscViewer.do?edge_no=96b81765fdc014fb0de8473cebbd6407</a></li> </ul> |  |
| 2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. | <b>COMPLIANT</b> |  |  |
| 3. Compliance Officer is not a member of the board.   | <b>COMPLIANT</b> |  |  |

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|   |                  | <ul style="list-style-type: none"> <li>• <b>SEC FORM 20-IS - Definitive Information Statement 2020</b></li> </ul>   |  |
| 4. Compliance Officer attends training/s on corporate governance. | <b>COMPLIANT</b> | <p>Provide information on or link/reference to a document containing information on the corporate governance training attended, including number of hours and topics covered</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM 17-C Current Report 2020</b> (Date of Disclosure December 31, 2020) Disclosure on the Certificates of Attendance for having attended Corporate Governance seminar, 19 November 2020<br/> <a href="https://edge.pse.com.ph/downloadHtml.do?file_id=840610">https://edge.pse.com.ph/downloadHtml.do?file_id=840610</a></li> </ul> |  |

**Principle 2:** The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

**Recommendation 2.1**

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| 1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company. | <b>COMPLIANT</b> | <p>Provide information or reference to a document containing information on how the directors performed their duties (can include board resolutions, minutes of meeting)</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• Minutes of the Meetings of the Corporation.</li> </ul> |  |
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**Recommendation 2.2**

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| 1. Board oversees the development, review and approval of the company's business objectives and strategy. | <b>COMPLIANT</b> | <p>Provide information or link/reference to a document containing information on how the directors performed this function (can include board resolutions, minutes of meeting)</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• Minutes of the Meetings of the Corporation</li> </ul> |  |
| 2. Board oversees and monitors the implementation of the company's business objectives and strategy.      | <b>COMPLIANT</b> |   |  |

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|  |                  | Indicate frequency of review of business objectives and strategy <ul style="list-style-type: none"> <li>The Board of Directors reviews the business objectives and strategy during its quarterly and special Board meetings, based on the reports provided by management.</li> </ul>  |  |
| <b>Supplement to Recommendation 2.2</b>  |                  |   |  |
| 1. Board has a clearly defined and updated vision, mission and core values.  | <b>COMPLIANT</b> | Indicate or provide link/reference to a document containing the company's vision, mission and core values.<br><br>Indicate frequency of review of the vision, mission and core values. <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li><b>MFIN WEBSITE</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> <li><b>SEC FORM 17A</b> -Annual Report 2020</li> </ul> |  |
| 2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture. | <b>COMPLIANT</b> | Provide information on or link/reference to a document containing information on the strategy execution process. CFA <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended, par. 1.1, p.1, par. 3.1.1, p.10 par. 3.2.1, p. 11</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>  |  |
| <b>Recommendation 2.3</b>  |                  |   |  |
| 1. Board is headed by a competent and qualified Chairperson.   | <b>COMPLIANT</b> | Provide information or reference to a document containing information on the Chairperson, including his/her name and qualifications <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li><b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> <li><b>SEC FORM 17A</b> - Annual Report 2020</li> </ul>   |  |

| <b>Recommendation 2.4</b>  |                  |  |  |
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| 1. Board ensures and adopts an effective succession planning program for directors, key officers and management. | <b>COMPLIANT</b> | Disclose and provide information or link/reference to a document containing information on the company's succession planning policies and programs and its implementation<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended, pars. 1.1, p.1</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• Succession Planning</li> </ul> |  |
| 2. Board adopts a policy on the retirement for directors and key officers.                                       | <b>COMPLIANT</b> |  |  |
| <b>Recommendation 2.5</b>  |                  |  |  |
| 1. Board aligns the remuneration of key officers and board members with long-term interests of the company.      | <b>COMPLIANT</b> | Provide information on or link/reference to a document containing information on the company's remuneration policy and its implementation, including the relationship between remuneration and performance.<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>              |  |
| 2. Board adopts a policy specifying the relationship between remuneration and performance.                       | <b>COMPLIANT</b> |  |  |
| 3. Directors do not participate in discussions or deliberations involving his/her own remuneration.              | <b>COMPLIANT</b> |  |  |
| <b>Optional: Recommendation 2.5</b>  |                  |  |  |
| 1. Board approves the remuneration of senior executives.   |                  |  |  |
| 2. Company has measurable standards to align the   | <b>COMPLIANT</b> | Provide information on or link/reference to a document containing measurable standards to align performance-based remuneration   |  |

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| <p>performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.</p>             |                  | <p>with the long-term interest of the company.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| <b>Recommendation 2.6</b>   |                  |   |  |
| <p>1. Board has a formal and transparent board nomination and election policy.</p>  | <b>COMPLIANT</b> | <p>Provide information or reference to a document containing information on the company's nomination and election policy and process and its implementation, including the criteria used in selecting new directors, how the shortlisted candidates and how it encourages nominations from shareholders.</p>                    |  |
| <p>2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.</p>  | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended, par. 1.1, p.2, par 2.2, p.6, par. 2.2.1 (a), p. 6, par. 2.2.1 (b), p.6, par. 2.4.1, p.10, par. and 10.1.6, p.21</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| <p>3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.</p>  | <b>COMPLIANT</b> | <p>Provide proof if minority shareholders have a right to nominate candidates to the board</p>  |  |
| <p>4. Board nomination and election policy includes how the board shortlists candidates.</p>  | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended, pars. 10.1.1 (a)(b), p.19</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| <p>5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.</p> | <b>COMPLIANT</b> | <p>Provide information if there was an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.</p> <ul style="list-style-type: none"> <li>• In discussing the shortlist of directors, as presented by the Nomination Committee, the Board passes upon the</li> </ul> |  |

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| 6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.   | <b>COMPLIANT</b>     | effectiveness of nomination and election process of directors  |   |
| <b>Optional: Recommendation to 2.6</b>   |                      |  |   |
| 1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors. | <b>NON-COMPLIANT</b> | Identify the professional search firm used or other external sources of candidates   | Not applicable. The Corporation does not use professional search firms or other external sources of candidates. |
| <b>Recommendation 2.7</b>  |                      |  |   |
| 2. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.               | <b>COMPLIANT</b>     | Provide information on or reference to a document containing the company's policy on related party transaction, including policy on review and approval of significant RPTs<br><br>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended, par 1.1, p.2</b><br>Adopted by the Board of Directors on 09 July 2020 |   |
| 3. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.  | <b>COMPLIANT</b>     | Identify transactions that were approved pursuant to the policy.   |   |
| 4. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.   | <b>COMPLIANT</b>     |  |   |



| Supplement to Recommendations 2.7  |                  |  |  |
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| <p>1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p> | <b>COMPLIANT</b> | <p>Provide information on a materiality threshold for RPT disclosure and approval, if any.</p> <p>Provide information on RPT categories</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 17A</b> -Annual Report 2020</li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> </ul> |  |
| <p>2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.</p>   | <b>COMPLIANT</b> | <p>Provide information on voting system, if any.</p> <ul style="list-style-type: none"> <li>• Non-related party shareholders are provided an opportunity to discuss, approve or disapprove the acts of the Directors and management, during the annual stockholders' meetings.</li> </ul>  |  |
| Recommendation 2.8   |                  |  |  |

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| <p>1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>   | <p><b>COMPLIANT</b></p> | <p>Provide information on or reference to a document containing the Board's policy and responsibility for approving the selection of management.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended, par. 1.1, p.2</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> <p>Identify the Management team appointed</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM 17-C Current Report 2020</b> (Date of Disclosure July 30, 2020)</li> </ul> |  |
| <p>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p> | <p><b>COMPLIANT</b></p> | <p>Provide information on or reference to a document containing the Board's policy and responsibility for assessing the performance of management.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> <p>Provide information on the assessment process and indicate frequency of assessment of performance.</p>  |  |
| <p><b>Recommendation 2.9</b></p>   |                         |  |  |
| <p>1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.</p>  | <p><b>COMPLIANT</b></p> | <p>Provide information on or link/reference to a document containing the Board's performance management framework for management and personnel.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| <p>2. Board establishes an effective performance management framework that ensures that</p>  | <p><b>COMPLIANT</b></p> | <ul style="list-style-type: none"> <li>• Succession Planning</li> </ul>  |  |

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| personnel's performance is at par with the standards set by the Board and Senior Management.   |                  |   |  |
| <b>Recommendation 2.10</b>   |                  |   |  |
| 1. Board oversees that an appropriate internal control system is in place.   | <b>COMPLIANT</b> | Provide information on or link/reference to a document showing the Board's responsibility for overseeing that an appropriate internal control system is in place and what is included in the internal control system    |  |
| 2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.                            | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended, pars. 1.1, p.2 and par 4, p.13</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>                    |  |
| 3. Board approves the Internal Audit Charter.  | <b>COMPLIANT</b> | Provide reference or link to the company's Internal Audit Charter   |  |
| <b>Recommendation 2.11</b>   |                  |   |  |
| 1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.             | <b>COMPLIANT</b> | Provide information on or link/reference to a document showing the Board's oversight responsibility on the establishment of a sound enterprise risk management framework and how the board was guided by the framework. |  |
| 2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended, par. 1.1, p.2</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>                                     |  |

| Recommendation 2.12  |                  |   |  |
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| 1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role. | <b>COMPLIANT</b> | Provide link to the company's website where the Board Charter is disclosed. <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended,</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> |  |
| 2. Board Charter serves as a guide to the directors in the performance of their functions.   | <b>COMPLIANT</b> |   |  |
| 3. Board Charter is publicly available and posted on the company's website.  | <b>COMPLIANT</b> |   |  |
| Additional Recommendation to Principle 2   |                  |   |  |
| 1. Board has a clear insider trading policy.   | <b>COMPLIANT</b> | Provide information on or link/reference to a document showing company's insider trading policy.  | <p>The Corporation currently does not have an express insider trading policy.</p> <p>However, under the Corporation's New Manual on Corporate Governance, every director shall ensure that it conducts fair business transactions with the</p> |

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|  |  |  | Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation. |
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**Principle 3:** Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

**Recommendation 3.1**

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| 1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. | <b>COMPLIANT</b> | Provide information or link/reference to a document containing information on all the board committees established by the company. <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 17C</b> –Current Report 2020(Date of Disclosure: July 30, 2020)</li> </ul> |  |
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**Recommendation 3.2**

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| 1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal | <b>COMPLIANT</b> | Provide information or link/reference to a document containing information on the Audit Committee, including its functions. <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended,</b></li> </ul> |  |
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| <p>and external audit processes, and compliance with applicable laws and regulations.</p>   |                         | <p><b>par. 2.1, p.2 and par 2.1.1, p.3</b><br/>Adopted by the Board of Directors on 09 July 2020</p> <p>Indicate if it is the Audit Committee's responsibility to recommend the appointment and removal of the company's external auditor.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended, par. 2.1.1, p.5</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• It is the Audit Committee's responsibility to recommend appointment and removal of an External Auditor.</li> </ul> |  |
| <p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p> | <p><b>COMPLIANT</b></p> | <p>Provide information or link/reference to a document containing information on the members of the Audit Committee, including their qualifications and type of directorship</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended, par.21, p.3</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 17-C Current Report 2020</b> (Date of Disclosure July 30, 2020)</li> </ul>   |  |
| <p>3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.</p>           | <p><b>COMPLIANT</b></p> | <p>Provide information or link/reference to a document containing information on the background, knowledge, skills, and/or experience of the members of the Audit Committee.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM 17A - Annual Report 2020</b></li> <li>• <b>SEC FORM 20-IS - Definitive Information Statement 2020</b></li> </ul>  |  |
| <p>4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.</p>   | <p><b>COMPLIANT</b></p> | <p>Provide information or link/reference to a document containing information on the Chairman of the Audit Committee</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM 17-C Current Report 2020</b>(Date of Disclosure July 30,</li> </ul>   |  |

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|   |                      | 2020) Disclosed on the Result of the Annual Stockholders' Meeting and Organizational Meeting, 30 July 2020.   |  |
| <b>Supplement to Recommendation 3.2</b>   |                      |   |  |
| 1. Audit Committee approves all non-audit services conducted by the external auditor.   | <b>COMPLIANT</b>     | Provide proof that the Audit Committee approved all non-audit services conducted by the external auditor. <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 17A - Annual Report 2020 Annex A</b></li> </ul>  |  |
| 2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present. | <b>COMPLIANT</b>     | Provide proof that the Audit Committee conducted regular meetings and dialogues with the external audit team without anyone from management present. <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 17A - Annual Report 2020 Annex A</b></li> </ul>   |  |
| <b>Optional: Recommendation 3.2</b>   |                      |   |  |
| 1. Audit Committee meet at least four times during the year.  | <b>NON-COMPLIANT</b> | Indicate the number of Audit Committee meetings during the year and provide proof   |  |
| 2. Audit Committee approves the appointment and removal of the internal auditor.  | <b>COMPLIANT</b>     | Provide proof that the Audit Committee approved the appointment and removal of the internal auditor. <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 17-C Current Report 2020</b> (Date of Disclosure July 30, 2020) Disclosed on the Result of the Annual Stockholders' Meeting and Organizational Meeting, 30 July 2020.</li> <li>• <b>SEC FORM 20-IS - Definitive Information Statement 2020</b></li> </ul> |  |
| <b>Recommendation 3.3</b>   |                      |   |  |

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| <p>1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.</p> | <p><b>COMPLIANT</b></p>     | <p>Provide information or reference to a document containing information on the Corporate Governance Committee, including its functions</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par.2.4, p.9</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> <p>Indicate if the Committee undertook the process of identifying the quality of directors aligned with the company's strategic direction, if applicable.</p> |  |
| <p>2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.</p>   | <p><b>COMPLIANT</b></p>     | <p>Provide information or link/reference to a document containing information on the members of the Corporate Governance Committee, including their qualifications and type of directorship.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par.2.4, p.9</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>  |  |
| <p>3. Chairman of the Corporate Governance Committee is an independent director.</p>   | <p><b>COMPLIANT</b></p>     | <p>Provide information or link/reference to a document containing information on the Chairman of the Corporate Governance Committee.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par.2.4, p.9</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>  |  |
| <p><b>Recommendation 3.4</b></p>   |                             |   |  |
| <p>1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a</p>   | <p><b>NON-COMPLIANT</b></p> | <p>Provide information or link/reference to a document containing information on the Board Risk Oversight Committee (BROC), including its functions</p>   | <p>In the absence of BROC, the Audit</p> |



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| <p>company's Enterprise Risk Management system to ensure its functionality and effectiveness.</p>                                   |                             |   | <p>Committee performs the functions of the said committee.<br/><b>(SEC FORM Manual on Corporate Governance (MCG) Amended, p.5, (r)</b></p>                                   |
| <p>2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.</p> | <p><b>NON-COMPLIANT</b></p> | <p>Provide information or link/reference to a document containing information on the members of the BROC, including their qualifications and type of directorship</p> | <p>In the absence of BROC, the Audit Committee performs the functions of the said committee.<br/><b>(SEC FORM Manual on Corporate Governance (MCG) Amended, p.5, (r)</b></p> |
| <p>3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.</p>                                      | <p><b>NON-COMPLIANT</b></p> | <p>Provide information or link/reference to a document containing information on the Chairman of the BROC</p>   | <p>In the absence of BROC, the Audit Committee performs the functions of</p>   |

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|   |                      |   | the said committee.<br><b>(SEC FORM Manual on Corporate Governance (MCG) Amended, p.5, (r))</b>  |
| 4. At least one member of the BROCC has relevant thorough knowledge and experience on risk and risk management.   | <b>NON-COMPLIANT</b> | Provide information or link/reference to a document containing information on the background, skills, and/or experience of the members of the BROCC.  | In the absence of BROCC, the Audit Committee performs the functions of the said committee.<br><b>(SEC FORM Manual on Corporate Governance (MCG) Amended, p.5, (r))</b> |
| <b>Recommendation 3.5</b>   |                      |   |  |
| 1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company. | <b>COMPLIANT</b>     | Provide information or link/reference to a document containing information on the Related Party Transactions (RPT) Committee, including its functions. <ul style="list-style-type: none"> <li>The Audit Committee, as authorized under the Manual (Par. 2.1.1(r)), performs the functions of the Related Party Transactions Committee.</li> </ul> |  |
| 2. RPT Committee is composed of at least three non-executive  | <b>COMPLIANT</b>     | Provide information or link/reference to a document containing information on the members of the RPT Committee, including their   |  |

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| <p>directors, two of whom should be independent, including the Chairman.</p>  |                             | <p>qualifications and type of directorship.</p> <ul style="list-style-type: none"> <li>The Audit Committee, which is authorized to act as the RPT Committee is composed of at least 3 non-executive directors, two of whom are independent, including the Chairman.</li> </ul>   |  |
| <b>Recommendation 3.6</b>   |                             |  |  |
| <p>1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.</p> | <p><b>COMPLIANT</b></p>     | <p>Provide information on or link/reference to the company's committee charters, containing all the required information, particularly the functions of the Committee that is necessary for performance evaluation purposes.</p> <ul style="list-style-type: none"> <li>P.3, 2 of the Manual enumerates the Board Committees and their respective charters.</li> </ul> |  |
| <p>2. Committee Charters provide standards for evaluating the performance of the Committees.</p>  | <p><b>NON-COMPLIANT</b></p> |  | <p>Committee Charters provide standards for evaluating the performance of the Committees but the Board conducts a regular periodic self-assessment of its performance including the performance of the Committees. (p.17, 6.1,</p> |

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| 3. Committee Charters were fully disclosed on the company's website. | <b>COMPLIANT</b> | Provide link to company's website where the Committee Charters are disclosed. <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul> |         |

**Principle 4:** To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

**Recommendation 4.1**

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| 1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission. | <b>COMPLIANT</b> | Provide information or link/reference to a document containing information on the process and procedure for tele/videoconferencing board and/or committee meetings. <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par.1.1, p.2</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> Provide information or link/reference to a document containing information on the attendance and participation of directors to Board, Committee and shareholders' meetings. <ul style="list-style-type: none"> <li>• Advisement Letter on the Attendance of Directors in Board Meetings, filed annually with the SEC</li> </ul> |  |
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| 2. The directors review meeting materials for all Board and Committee meetings.  | <b>COMPLIANT</b> | In Board and Committee meetings, the director shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations ( <b>SEC FORM Manual on Corporate Governance (MCG) Amended, par. 1.1, p.2</b> )  |  |
| 3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.  | <b>COMPLIANT</b> | Provide information or link/reference to a document containing information on any questions raised or clarification/explanation sought by the directors<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par.1.1, p.2</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| <b>Recommendation 4.2</b>  |                  |  |  |
| 1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company. | <b>COMPLIANT</b> | Disclose if the company has a policy setting the limit of board seats that a non-executive director can hold simultaneously.<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par.1.1, p.2</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> Provide information or reference to a document containing information on the directorships of the company's directors in both listed and non-listed companies. |  |
| <b>Recommendation 4.3</b>  |                  |  |  |
| 1. The directors notify the company's board before accepting a directorship in another company.  | <b>COMPLIANT</b> | Provide copy of written notification to the board or minutes of board meeting wherein the matter was discussed.<br><br><ul style="list-style-type: none"> <li>• The Manual requires that "A director should notify the Board before accepting a directorship in another company, which may conflict with or affect the performance of his duties as a</li> </ul>   |  |

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|  |                  | <p>Director of the Corporation."</p> <ul style="list-style-type: none"> <li>There has been no instance where a Director accepted another Board position from the time of the adoption of the current Manual on Corporate Governance</li> </ul>  |  |
| <b>Principle 5:</b> The board should endeavour to exercise an objective and independent judgment on all corporate affairs                        |                  |   |  |
| <b>Recommendation 5.1</b>  |                  |   |  |
| 1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.                   | <b>COMPLIANT</b> | <p>Provide information or link/reference to a document containing information on the number of independent directors in the board</p> <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended par.5.2, p.15</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>  |  |
| <b>Recommendation 5.2</b>  |                  |   |  |
| 1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.                             | <b>COMPLIANT</b> | <p>Provide information or link/reference to a document containing information on the qualifications of the independent directors.</p> <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended par.5.2, p.15</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>  |  |
| <b>Supplement to Recommendation 5.2</b>  |                  |   |  |
| 1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently. | <b>COMPLIANT</b> | <p>Provide link/reference to a document containing information that directors are not constrained to vote independently.</p> <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>The discussion in the minutes of the meetings show that there are no such constraints.</li> </ul> |  |
| <b>Recommendation 5.3</b>  |                  |   |  |

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| 1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).  | <b>COMPLIANT</b> | Provide information or link/reference to a document showing the years IDs have served as such.<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 17C</b> –Current Report 2020 (Date of Disclosure: June 30, 2020) Disclosure of Certification of Independent Director<br/><br/> <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=80a2b507c31e3bab0de8473cebbd6407">https://edge.pse.com.ph/openDiscViewer.do?edge_no=80a2b507c31e3bab0de8473cebbd6407</a> </li> </ul> |  |
| 2. The company bars an independent director from serving in such capacity after the term limit of nine years.   | <b>COMPLIANT</b> | Provide information or link/reference to a document containing information on the company's policy on term limits for its independent director<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par.5.5, p.16</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>  |  |
| 3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting. | <b>COMPLIANT</b> | Provide reference to the meritorious justification and proof of shareholders' approval during the annual shareholders' meeting.<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• None of the Independent Directors has reached its ninth year in the Board seat.</li> </ul>  |  |
| <b>Recommendation 5.4</b>   |                  |   |  |
| 1. The positions of Chairman of the Board and Chief Executive Officer are held by separate  | <b>COMPLIANT</b> | Identify the company's Chairman of the Board and Chief Executive Officer<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG)</b></li> </ul>  |  |

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| individuals.  |                  | <p><b>Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM 17C</b> –Current Report 2020 (Date of Disclosure: July 30, 2020) Disclosure on the Results of the Annual Stockholders' Meeting and Organization Meeting, 30July 2020 <ul style="list-style-type: none"> <li>• <i>Rene B. Benitez nominated and elected as Chairman of the Board</i></li> <li>• <i>Maxcy Francisco Jose R. Borromeo nominated and elected as President</i></li> </ul> </li> </ul>                                       |  |
| 2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.                                       | <b>COMPLIANT</b> | <p>Provide information or link/reference to a document containing information on the roles and responsibilities of the Chairman of the Board and Chief Executive Officer.</p> <p>Identify the relationship of Chairman and CEO.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• Chairman of the Board and President are not related</li> </ul>   |  |
| <b>Recommendation 5.5</b>   |                  |   |  |
| 1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors. | <b>COMPLIANT</b> | <p>Provide information or link/reference to a document containing information on a lead independent director and his roles and responsibilities, if any</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par.5.3, p.15</b></li> </ul> <p>Adopted by the Board of Directors on 09 July 2020</p> <p>Indicate if Chairman is independent.</p> <ul style="list-style-type: none"> <li>• The Chairman is not an independent Director. The lead independent director is the most senior independent director.</li> </ul> |  |
| <b>Recommendation 5.6</b>   |                  |   |  |
| 1. Directors with material interest in  | <b>COMPLIANT</b> | Provide proof of abstention, if this was the case   |  |



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| a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.  |                  | <ul style="list-style-type: none"> <li>There are no readily available documents on this point.</li> </ul>   |  |
| <b>Recommendation 5.7</b>  |                  |   |  |
| 1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.   | <b>COMPLIANT</b> | Provide proof and details of said meeting, if any.<br><br>Provide information on the frequency and attendees of meetings. <ul style="list-style-type: none"> <li>The Audit Committee is Chaired by the lead independent director and all of its members are NED's. They meet with the external auditor and other heads at least once a year, to discussing audit, compliance and risk matters.</li> </ul> |  |
| 2. The meetings are chaired by the lead independent director.  | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li>The Chairman, Vice Chairman and Treasurer are likewise NED's who meet with the foregoing at least once per quarter.</li> </ul>   |  |
| <b>Optional: Principle 5</b>   |                  |   |  |
| 1. None of the directors is a former CEO of the company in the past 2 years.   |                  | Provide name/s of company CEO for the past 2 years <ul style="list-style-type: none"> <li><b>Max O. Borrromeo, 2016</b></li> <li><b>Maxcy Francisco Jose R. Borrromeo, 2018</b></li> </ul>  |  |
| <b>Principle 6:</b> The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies. |                  |   |  |
| <b>Recommendation 6.1</b>  |                  |   |  |
| 1. Board conducts an annual self-assessment of its performance as a whole.   | <b>COMPLIANT</b> | Provide proof of self-assessments conducted for the whole board, the individual members, the Chairman and the Committees <ul style="list-style-type: none"> <li>There are no readily available documents on this point.</li> </ul>  |  |
| 2. The Chairman conducts a self-assessment of his performance.   | <b>COMPLIANT</b> |   |  |
| 3. The individual members conduct a self-assessment of their performance.  | <b>COMPLIANT</b> |   |  |

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| 4. Each committee conducts a self-assessment of its performance.   | <b>COMPLIANT</b>     |   |  |
| 5. Every three years, the assessments are supported by an external facilitator.  | <b>NON-COMPLIANT</b> | Identify the external facilitator and provide proof of use of an external facilitator.  | Within 3 years from the adoption of its current Manual on Corporate Governance, the company plans to engaged the services of an external service provider. |
| <b>Recommendation 6.2</b>  |                      |   |  |
| 1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees. | <b>NON-COMPLIANT</b> | Provide information or link/reference to a document containing information on the system of the company to evaluate the performance of the board, individual directors and committees, including a feedback mechanism from shareholders | This system is currently being developed by the Board.   |
| 2. The system allows for a feedback mechanism from the shareholders.   | <b>NON-COMPLIANT</b> |   |  |
| <b>Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.</b>                    |                      |   |  |
| <b>Recommendation 7.1</b>  |                      |   |  |
| 1. Board adopts a Code of Business Conduct and Ethics, which provide standards for   | <b>NON-COMPLIANT</b> | Provide information on or link/reference to the company's Code of Business Conduct and Ethics.  | The Manual provides that The Board, at   |

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| <p>professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.</p> |                             |  | <p>its discretion, may adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings.</p> <p>The Board shall consider the adoption of the Code of Business Conduct and Ethics in future meetings.</p> |
| <p>2. The Code is properly disseminated to the Board, senior management and employees.</p>  | <p><b>NON-COMPLIANT</b></p> | <p>Provide information on or discuss how the company disseminated the Code to its Board senior management and employees.</p> | <p>The Board has not yet adopted a Code at this time.</p>   |

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| 3. The Code is disclosed and made available to the public through the company website.   | <b>NON-COMPLIANT</b> | Provide a link to the company's website where the Code of Business Conduct and Ethics is posted/ disclosed.   | The Board has not yet adopted a Code at this time. |
| <b>Supplement to Recommendation 7.1</b>  |                      |   |  |
| 1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.   | <b>COMPLIANT</b>     | Provide information on or link/reference to a document containing information on the company's policy and procedure on curbing and penalizing bribery <ul style="list-style-type: none"> <li>• <b>Makati Finance Corporation Code of Conduct</b></li> </ul>                                       |  |
| <b>Recommendation 7.2</b>  |                      |   |  |
| 1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.  | <b>NON-COMPLIANT</b> | Provide proof of implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.  | The Board has not yet adopted a Code at this time. |
| 2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.  | <b>NON-COMPLIANT</b> | Indicate who are required to comply with the Code of Business Conduct and Ethics and any findings on non-compliance.  | The Board has not yet adopted a Code at this time. |
| <b>Disclosure and Transparency</b>   |                      |   |  |
| <b>Principle 8:</b> The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.        |                      |   |  |
| <b>Recommendation 8.1</b>  |                      |   |  |
| 1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair | <b>COMPLIANT</b>     | Provide information on or link/reference to the company's disclosure policies and procedures including reports distributed/made available to shareholders and other stockholders <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b></li> </ul> |  |

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| and complete picture of a company's financial condition, results and business operations.  |                  | <b>par.7.1, p.17</b><br>Adopted by the Board of Directors on 09 July 2020  |  |
| <b>Supplement to Recommendations 8.1</b>   |                  |  |  |
| 1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period. | <b>COMPLIANT</b> | Indicate the number of days within which the consolidated and interim reports were published, distributed or made available from the end of the fiscal year and end of the reporting period, respectively. <ul style="list-style-type: none"> <li>• <b>SEC FORM 17A</b> - Annual Report 2020</li> <li>• <b>SEC FORM 17Q</b> – Quarterly Report 2020<br/><a href="https://www.makatifinance.ph/disclosure#">https://www.makatifinance.ph/disclosure#</a></li> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul>   |  |
| 2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.                | <b>COMPLIANT</b> | Provide link or reference to the company's annual report where the following are disclosed: <ul style="list-style-type: none"> <li>• principal risks to minority shareholders associated with the identity of the company's controlling shareholders;</li> <li>• cross-holdings among company affiliates; and</li> <li>• any imbalances between the controlling shareholders' voting power and overall equity position in the company.</li> </ul> <ul style="list-style-type: none"> <li>• <b>SEC FORM 17A</b> - Annual Report 2020<br/><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=4b11f832965eb3575d542af6f1e997b9">https://edge.pse.com.ph/openDiscViewer.do?edge_no=4b11f832965eb3575d542af6f1e997b9</a></li> </ul> |  |
| <b>Recommendation 8.2</b>  |                  |  |  |
| 3. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.   | <b>COMPLIANT</b> | Provide information on or link/reference to the company's policy requiring directors and officers to disclose their dealings in the company's share. <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b></li> </ul>  |  |
| 4. Company has a policy requiring  | <b>COMPLIANT</b> |  |  |

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| <p>all officers to disclose/report to the company any dealings in the company's shares within three business days.</p>   |                  | <p>Adopted by the Board of Directors on 09 July 2020</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM 23-A</b><br/>Disclosure on Initial Statement of Beneficial Ownership<br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul> <p>Indicate actual dealings of directors involving the corporation's shares including their nature, number/percentage and date of transaction.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM 23-B</b><br/>Disclosure on Statement of Beneficial Ownership<br/><a href="https://www.makatifinance.ph/disclosure#">https://www.makatifinance.ph/disclosure#</a></li> </ul>                         |  |
| <b>Supplement to Recommendation 8.2</b>  |                  |   |  |
| <p>1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).</p> | <b>COMPLIANT</b> | <p>Provide information on or link/reference to the shareholdings of directors, management and top 100 shareholders.</p> <p>Provide link or reference to the company's Conglomerate Map.</p> <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> <li>• <b>SEC FORM 17A</b> - Annual Report 2020</li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> <li>• <b>PSE Form 17-12</b> List of Top 100 Stockholders 2020</li> </ul> <p><a href="https://edge.pse.com.ph/downloadHtml.do?file_id=839957">https://edge.pse.com.ph/downloadHtml.do?file_id=839957</a></p> |  |
| <b>Recommendation 8.3</b>  |                  |   |  |
| <p>1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any</p>  | <b>COMPLIANT</b> | <p>Provide link or reference to the directors' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended.</p>   |  |

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| potential conflicts of interest that might affect their judgment.  |                  | <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> <li>• <b>SEC FORM 17A</b> - Annual Report 2020</li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> </ul>  |  |
| 2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment. | <b>COMPLIANT</b> | <p>Provide link or reference to the key officers' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended.</p> <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> <li>• <b>SEC FORM 17A</b> - Annual Report 2020</li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> </ul> |  |
| <b>Recommendation 8.4</b>  |                  |  |  |
| 1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.  | <b>COMPLIANT</b> | <p>Disclose or provide link/reference to the company policy and practice for setting board remuneration</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| 2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.  | <b>COMPLIANT</b> | <p>Disclose or provide link/reference to the company policy and practice for determining executive remuneration</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| 3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.   | <b>COMPLIANT</b> | <p>Provide breakdown of director remuneration and executive compensation, particularly the remuneration of the CEO.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM 17A</b> - Annual Report 2020</li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> </ul>  |  |
| <b>Recommendation 8.5</b>  |                  |  |  |
| 1. Company discloses its policies  | <b>COMPLIANT</b> | Disclose or provide reference/link to company's RPT policies   |  |

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| <p>governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.</p> |                         | <ul style="list-style-type: none"> <li>• <b>SEC FORM Revised Material Related Party Transactions Policy</b><br/><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=a9b2db17a1ebb92a0de8473cebbd6407">https://edge.pse.com.ph/openDiscViewer.do?edge_no=a9b2db17a1ebb92a0de8473cebbd6407</a></li> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par.1.1, p.2</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> <p>Indicate if the director with conflict of interest abstained from the board discussion on that particular transaction.</p> <ul style="list-style-type: none"> <li>• Any director with a conflict of interest abstained from discussion on that particular matter, except in certain cases, to simply describe the transaction.</li> </ul>   |  |
| <p>2. Company discloses material or significant RPTs reviewed and approved during the year.</p>  | <p><b>COMPLIANT</b></p> | <p>Provide information on all RPTs for the previous year or reference to a document containing the following information on all RPTs:</p> <ol style="list-style-type: none"> <li>1. name of the related counterparty;</li> <li>2. relationship with the party;</li> <li>3. transaction date;</li> <li>4. type/nature of transaction;</li> <li>5. amount or contract price;</li> <li>6. terms of the transaction;</li> <li>7. rationale for entering into the transaction;</li> <li>8. the required approval (i.e., names of the board of directors approving, names and percentage of shareholders who approved) based on the company's policy; and</li> <li>9. other terms and conditions</li> </ol> <ul style="list-style-type: none"> <li>• <b>SEC FORM 17A</b> - Annual Report 2020<br/>Full Disclosure in Notes to Financial Statements</li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> </ul> |  |

**Supplement to Recommendation 8.5**



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| 1. Company requires directors to disclose their interests in transactions or any other conflict of interests.   | <b>COMPLIANT</b>     | Indicate where and when directors disclose their interests in transactions or any other conflict of interests.<br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> |  |
| <b>Recommendation 8.6</b>   |                      |  |  |
| 1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. | <b>COMPLIANT</b>     | Provide link or reference where this is disclosed<br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>  |  |
| 2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.  | <b>NON-COMPLIANT</b> | Identify independent party appointed to evaluate the fairness of the transaction price<br><br>Disclose the rules and procedures for evaluating the fairness of the transaction price, if any.  | These transactions are subject to approval by the Board which has enough numbers of Independent Directors, and with the recommendation of Executive Committee. |
| <b>Supplement to Recommendation 8.6</b>   |                      |  |  |
| 1. Company discloses the  | <b>COMPLIANT</b>     | Provide link or reference where these are disclosed.   |  |

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| existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company. |                  | <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| <b>Recommendation 8.7</b>   |                  |  |  |
| 1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).  | <b>COMPLIANT</b> | Provide link to the company's website where the Manual on Corporate Governance is posted. <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> |  |
| 2. Company's MCG is submitted to the SEC and PSE.   | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul>   |  |
| 3. Company's MCG is posted on its company website.  | <b>COMPLIANT</b> |  |  |
| <b>Supplement to Recommendation 8.7</b>   |                  |  |  |
| 1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.   | <b>COMPLIANT</b> | Provide proof of submission. <ul style="list-style-type: none"> <li>• Company Website, under Corporate Governance<br/><a href="https://www.makatifinance.ph/governance">https://www.makatifinance.ph/governance</a></li> </ul>                                   |  |
| <b>Optional: Principle 8</b>  |                  |  |  |
| 1. Does the company's Annual Report disclose the following information:   | <b>COMPLIANT</b> | Provide link or reference to the company's Annual Report containing the said information.  |  |

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|   |                  | <ul style="list-style-type: none"> <li>• <b>SEC FORM 17A</b> - Annual Report 2020</li> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul> <p>Advisement Letter on the Attendance of Directors in Board meetings held in 2020</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> </ul> |  |
| a. Corporate Objectives   | <b>COMPLIANT</b> |   |  |
| b. Financial performance indicators   | <b>COMPLIANT</b> |   |  |
| c. Non-financial performance indicators   | <b>COMPLIANT</b> |   |  |
| d. Dividend Policy  | <b>COMPLIANT</b> |   |  |
| e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors | <b>COMPLIANT</b> |   |  |
| f. Attendance details of each director in all directors meetings held during the year   | <b>COMPLIANT</b> |   |  |
| g. Total remuneration of each member of the board of directors  | <b>COMPLIANT</b> |   |  |
| 2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and    | <b>COMPLIANT</b> |   |  |

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| explains reason for each such issue.  |                  |  |  |
| 3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems. | <b>COMPLIANT</b> |  |  |
| 4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.                          | <b>COMPLIANT</b> |  |  |
| 5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).                                    | <b>COMPLIANT</b> |  |  |

**Principle 9:** The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

**Recommendation 9.1**

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| 1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors. | <b>COMPLIANT</b> | Provide information or link/reference to a document containing information on the process for approving and recommending the appointment, reappointment, removal and fees of the company's external auditor.<br><br>• <b>SEC FORM Manual on Corporate Governance (MCG)</b> |  |
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|   |                  | <b>Amended,<br/>pars. (f), p.5</b><br>Adopted by the Board of Directors on 09 July 2020  |  |
| 2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.   | <b>COMPLIANT</b> | Indicate the percentage of shareholders that ratified the appointment, reappointment, removal and fees of the external auditor. <ul style="list-style-type: none"> <li>100% of all shareholders present approved the appointment of the external auditor as recommended by the Audit Committee.</li> </ul> |  |
| 3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.  | <b>COMPLIANT</b> | Provide information on or link/reference to a document containing the company's reason for removal or change of external auditor.  |  |
| <b>Supplement to Recommendation 9.1</b>   |                  |  |  |
| 1. Company has a policy of rotating the lead audit partner every five years.  | <b>COMPLIANT</b> | Provide information on or link/reference to a document containing the policy of rotating the lead audit partner every five years. <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>     |  |
| <b>Recommendation 9.2</b>   |                  |  |  |
| 1. Audit Committee Charter includes the Audit Committee's responsibility on: <ul style="list-style-type: none"> <li>a. assessing the integrity and independence of external auditors;</li> <li>b. exercising effective oversight to review and</li> </ul> | <b>COMPLIANT</b> | Provide link/reference to the company's Audit Committee Charter <ul style="list-style-type: none"> <li>p. 3, (a)(c), Manual</li> <li>The section in the Manual is effectively the Audit Committee Charter.</li> </ul>  |  |

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| monitor the external auditor's independence and objectivity; and<br>c. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. |                  |  |  |
| 2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.   | <b>COMPLIANT</b> | Provide link/reference to the company's Audit Committee Charter<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par. 2.1</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> |  |
| <b>Supplement to Recommendations 9.2</b>  |                  |  |  |
| 1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.  | <b>COMPLIANT</b> | Provide link/reference to the company's Audit Committee Charter<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par. 2.1</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> |  |
| 2. Audit Committee ensures that the external auditor has adequate quality control procedures.   | <b>COMPLIANT</b> | Provide link/reference to the company's Audit Committee Charter<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended par. 2.1</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> |  |
| <b>Recommendation 9.3</b>   |                  |  |  |
| 3. Company discloses the nature   | <b>COMPLIANT</b> | Disclose the nature of non-audit services performed by the external  |  |

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| of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.  |                      | auditor, if any.<br><ul style="list-style-type: none"> <li><b>SEC FORM 17A</b> - Annual Report 2020</li> </ul>  |   |
| 4. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity. | <b>COMPLIANT</b>     | Provide link or reference to guidelines or policies on non-audit services<br><ul style="list-style-type: none"> <li>The Company has not engaged any non-audit services with the external auditor</li> </ul>   |   |
| <b>Supplement to Recommendation 9.3</b>  |                      |   |   |
| 1. Fees paid for non-audit services do not outweigh the fees paid for audit services.  | <b>NON-COMPLIANT</b> | Provide information on audit and non-audit fees paid.   | The Company has not engaged any non-audit services with the external auditor. |
| <b>Additional Recommendation to Principle 9</b>  |                      |   |   |
| 1. Company's external auditor is duly accredited by the SEC under Group A category.  | <b>COMPLIANT</b>     | Provide information on company's external auditor, such as:<br><ol style="list-style-type: none"> <li>Name of the audit engagement partner;</li> <li>Accreditation number;</li> <li>Date Accredited;</li> <li>Expiry date of accreditation; and</li> <li>Name, address, contact number of the audit firm.</li> </ol> <ul style="list-style-type: none"> <li><b>ROXAS CRUZ TAGLE AND CO.</b><br/> <b>SEC Accreditation No. 0007-FR-5</b><br/> <b>(Group A) July 05, 2018, valid until July 04, 2021</b></li> </ul> |   |

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|   |                      | <ul style="list-style-type: none"> <li>• <b>Mr. Aljuver R. Gamao</b><br/>Partner<br/>CPA License No. 0126931<br/>SEC Accreditation No. 1776-A<br/>(Group A) September 10, 2019,<br/>valid until September 09, 2022</li> <li>• <b>ROXAS CRUZ TAGLE AND CO.</b><br/>2/F Multinational Bancorporation Centre<br/>6805 Ayala Avenue<br/>Makati City 1226<br/>Telephone No. +63 (2) 8844 2016</li> </ul> |  |
| 2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA). | <b>NON-COMPLIANT</b> | Provide information on the following: <ol style="list-style-type: none"> <li>1. Date it was subjected to SOAR inspection, if subjected;</li> <li>2. Name of the Audit firm; and</li> <li>3. Members of the engagement team inspected by the SEC.</li> </ol>   | To the best of its knowledge, the Corporation is not aware that its external auditor agreed to be subject to the SOAR inspection program conducted by the SEC. |
| <b>Principle 10:</b> The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.  |                      |   |  |
| <b>Recommendation 10.1</b>  |                      |   |  |
| 1. Board has a clear and focused policy on the disclosure of non-   | <b>NON-COMPLIANT</b> | Disclose or provide link on the company's policies and practices on the disclosure of non-financial information, including EESG issues.   | The Corporation  |



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| financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. |                      |   | currently does not adopt a policy on disclosure of non-financial information, including EESG issues.                 |
| 2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.   | <b>NON-COMPLIANT</b> | Provide link to Sustainability Report, if any. Disclose the standards used. | The Corporation currently does not adopt a policy on disclosure of non-financial information, including EESG issues. |

**Principle 11:** The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

**Recommendation 11.1**

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| 1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors. | <b>COMPLIANT</b> | Disclose and identify the communication channels used by the company (i.e., website, Analyst's briefing, Media briefings /press conferences, Quarterly reporting, Current reporting, etc.)<br>Provide links, if any.<br><br><ul style="list-style-type: none"> <li><b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul> |  |
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**Supplemental to Principle 11**

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| 1. Company has a website disclosing up-to-date information on the following: | <b>COMPLIANT</b> | Provide link to company website<br><ul style="list-style-type: none"> <li><b>SEC Form 17Q – 3<sup>rd</sup> Quarter 2020 under Company Disclosures – SEC Filings</b></li> </ul> |  |
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|  |                      |  |                                 |
| a. Financial statements/reports (latest quarterly)   | <b>COMPLIANT</b>     | <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=2ef5c26fb53946580de8473cebbd6407">https://edge.pse.com.ph/openDiscViewer.do?edge_no=2ef5c26fb53946580de8473cebbd6407</a> <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> <li>• <b>SEC Form 17A</b> Annual Report 2020 under Company Disclosures – SEC Filings<br/><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=4b11f832965eb3575d542af6f1e997b9">https://edge.pse.com.ph/openDiscViewer.do?edge_no=4b11f832965eb3575d542af6f1e997b9</a></li> <li>• <b>Notice of ASM</b> under Company Disclosures – SEC Filings<br/><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=96e0534e260209a00de8473cebbd6407">https://edge.pse.com.ph/openDiscViewer.do?edge_no=96e0534e260209a00de8473cebbd6407</a></li> </ul> |                                 |
| b. Materials provided in briefings to analysts and media   | <b>COMPLIANT</b>     |  |                                 |
| c. Downloadable annual report  | <b>COMPLIANT</b>     |  |                                 |
| d. Notice of ASM and/or SSM  | <b>COMPLIANT</b>     |  |                                 |
| e. Minutes of ASM and/or SSM   | <b>NON-COMPLIANT</b> |  | In the process of establishing. |
| f. Company's Articles of Incorporation and By-Laws   | <b>COMPLIANT</b>     |  |                                 |
| <b>Additional Recommendation to Principle 11</b>   |                      |  |                                 |
| 1. Company complies with SEC-prescribed website template.  | <b>COMPLIANT</b>     | <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul>   |                                 |
| <b>Internal Control System and Risk Management Framework</b>   |                      |  |                                 |
| <b>Principle 12:</b> To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework. |                      |  |                                 |
| <b>Recommendation 12.1</b>   |                      |  |                                 |
| 1. Company has an adequate and effective internal control system in the conduct of its business.   | <b>COMPLIANT</b>     | List quality service programs for the internal audit functions.<br><br>Indicate frequency of review of the internal control system   |                                 |
| 2. Company has an adequate and effective enterprise risk   | <b>COMPLIANT</b>     | Identify international framework used for Enterprise Risk Management   |                                 |

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| <p>management framework in the conduct of its business.</p>   |                         | <p>Provide information or reference to a document containing information on:</p> <ol style="list-style-type: none"> <li>1. Company's risk management procedures and processes</li> <li>2. Key risks the company is currently facing</li> <li>3. How the company manages the key risks</li> </ol> <p>Indicate frequency of review of the enterprise risk management framework.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 17A</b> - Annual Report 2020 <i>Notes to Financial Statements</i></li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> </ul> |  |
| <b>Supplement to Recommendations 12.1</b>   |                         |  |  |
| <p>1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p> | <p><b>COMPLIANT</b></p> | <p>Provide information on or link/reference to a document containing the company's compliance program covering compliance with laws and relevant regulations.</p> <p>Indicate frequency of review.</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 17A</b> - Annual Report 2020 <i>Notes to Financial Statements</i></li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> </ul>  |  |
| <b>Recommendation 12.2</b>  |                         |  |  |
| <p>1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting</p>  | <p><b>COMPLIANT</b></p> | <p>Disclose if the internal audit is in-house or outsourced. If outsourced, identify external firm.</p> <ul style="list-style-type: none"> <li>• <b>In-house Internal Audit Group</b></li> </ul>   |  |

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| services designed to add value and improve the company's operations.   |                      |  |   |
| <b>Recommendation 12.3</b>   |                      |  |   |
| 1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.   | <b>COMPLIANT</b>     | Identify the company's Chief Audit Executive (CAE) and provide information on or reference to a document containing his/her responsibilities. <ul style="list-style-type: none"> <li>• <b>Mr. Francisco C. Eizmendi, Jr.</b></li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> </ul> |   |
| 2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.   | <b>COMPLIANT</b>     |  |   |
| 3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity. | <b>COMPLIANT</b>     | Identify qualified independent executive or senior management personnel, if applicable. <ul style="list-style-type: none"> <li>• <b>In-house Internal Audit Group</b></li> </ul>   |   |
| <b>Recommendation 12.4</b>   |                      |  |   |
| 1. Company has a separate risk management function to identify, assess and monitor key risk exposures.   | <b>NON-COMPLIANT</b> | Provide information on company's risk management function.   | The Corporation currently does not require assistance of external technical |

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|  |                      |  | support in risk management .   |
| <b>Supplement to Recommendation 12.4</b>   |                      |  |  |
| 1. Company seeks external technical support in risk management when such competence is not available internally.   | <b>NON-COMPLIANT</b> | Identify source of external technical support, if any.   | The Corporation currently does not require assistance of external technical support in risk management . |
| <b>Recommendation 12.5</b>   |                      |  |  |
| 1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).                                   | <b>NON-COMPLIANT</b> | Identify the company's Chief Risk Officer (CRO) and provide information on or reference to a document containing his/her responsibilities and qualifications/background. | The Corporation does not have a Chief Risk Officer.  |
| 2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.   | <b>NON-COMPLIANT</b> |  | The Corporation does not have a Chief Risk Officer.  |
| <b>Additional Recommendation to Principle 12</b>   |                      |  |  |
| 1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively. | <b>COMPLIANT</b>     | Provide link to CEO and CAE's attestation  |  |
| <b>Cultivating a Synergic Relationship with Shareholders</b>   |                      |  |  |

**Principle 13:** The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

**Recommendation 13.1**

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| 1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance. | <b>COMPLIANT</b> | Provide link or reference to the company's Manual on Corporate Governance where shareholders' rights are disclosed.<br><br><ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended, pars. 10.1, p.18</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> |  |
| 2. Board ensures that basic shareholder rights are disclosed on the company's website.              | <b>COMPLIANT</b> | Provide link to company's website<br><br><ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul>   |  |

**Supplement to Recommendation 13.1**

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| 1. Company's common share has one vote for one share.  | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG)</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>  |  |
| 2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights. | <b>COMPLIANT</b> | Provide information on all classes of shares, including their voting rights if any. <ul style="list-style-type: none"> <li>• Common Shares, with each share having the equivalent of one vote</li> <li>• <b>SEC FORM Manual on Corporate Governance (MCG)</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>  |  |
| 3. Board has an effective, secure, and efficient voting system.  | <b>COMPLIANT</b> | Provide link to voting procedure. Indicate if voting is by poll or show of hands. <ul style="list-style-type: none"> <li>• Definitive Information Statement (under Voting Procedures).</li> <li>• Unless required by law, or upon motion by any stockholder, voting need not be by ballot and will be done by show of hands and counted manually by the Corporate Secretary.</li> </ul> |  |
| 4. Board has an effective  | <b>COMPLIANT</b> | Provide information on shareholder voting mechanisms such as  |  |

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| <p>shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.</p> |                         | <p>supermajority or "majority of minority", if any.</p> <ul style="list-style-type: none"> <li>The company adopts the voting mechanism on cumulative voting on the election of Directors, as required under the law.</li> </ul>   |  |
| <p>5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.</p>               | <p><b>COMPLIANT</b></p> | <p>Provide information on how this was allowed by board (i.e., minutes of meeting, board resolution)</p> <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| <p>6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.</p>   | <p><b>COMPLIANT</b></p> | <p>Provide information or link/reference to the policies on treatment of minority shareholders</p> <ul style="list-style-type: none"> <li>The minority shareholders representing at least 15% of outstanding shares shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. (p. 19, (e), Manual)</li> </ul>   |  |
| <p>7. Company has a transparent and specific dividend policy.</p>   | <p><b>COMPLIANT</b></p> | <p>Provide information on or link/reference to the company's dividend Policy.</p> <ul style="list-style-type: none"> <li><b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul> <p>Indicate if company declared dividends. If yes, indicate the number of days within which the dividends were paid after declaration. In case the company has offered scrip-dividends, indicate if the company paid the dividends within 60 days from declaration</p> |  |

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|  |                  | <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020</li> <li>• <b>The Company declared dividends and were paid dividends within 60 days after declaration.</b></li> </ul>   |  |
| <b>Recommendation 13.2</b>   |                  |  |  |
| 1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting. | <b>COMPLIANT</b> | <p>Indicate the number of days before the annual stockholders' meeting or special stockholders' meeting when the notice and agenda were sent out</p> <p>Indicate whether shareholders' approval of remuneration or any changes therein were included in the agenda of the meeting.</p> <p>Provide link to the Agenda included in the company's Information Statement (SEC Form 20-IS)</p> <ul style="list-style-type: none"> <li>• All materials for the Annual Stockholders' Meeting were sent out at least 28 days before the meeting.</li> <li>• <b>Notice of Agenda of Annual Stockholders' Meeting</b><br/>Company Website<br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a><br/><i>Under Company Disclosure</i></li> <li>• <b>SEC FORM 20-IS</b> - Definitive Information Statement 2020<br/><br/><a href="https://www.makatifinance.ph/pdf/Sec%20Form%20IS/2020%20Definitive%20Information%20Statement%C2%A0.pdf">https://www.makatifinance.ph/pdf/Sec%20Form%20IS/2020%20Definitive%20Information%20Statement%C2%A0.pdf</a></li> </ul> |  |
| <b>Supplemental to Recommendation 13.2</b>   |                  |  |  |
| 1. Company's Notice of Annual Stockholders' Meeting contains the following information:  |                  | Provide link or reference to the company's notice of Annual Shareholders' Meeting  |  |



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|   |                  | <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul> <p>Under Company Disclosures/Notice of Annual Stockholders' Meeting 2019</p>   |  |
| 2. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies) | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul> <p>Under Company Disclosures/SEC Filings/Information Statement-SEC Form 20-IS/Definitive Information Statement 2020</p>  |  |
| 3. Auditors seeking appointment/re-appointment  | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul> <p>Under Company Disclosures/SEC Filings/Information Statement-SEC Form 20-IS/Definitive Information Statement 2020</p>  |  |
| 4. Proxy documents  | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul> <p>Under Company Disclosures/SEC Filings/Information Statement-SEC Form 20-IS/Definitive Information Statement 2020</p>  |  |
| <b>Optional: Recommendation 13.2</b>  |                  |   |  |
| 1. Company provides rationale for the agenda items for the annual stockholders meeting  | <b>COMPLIANT</b> | <p>Provide link or reference to the rationale for the agenda items</p> <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul> <p>Under Company Disclosures/SEC Filings/Information Statement-SEC Form 20-IS/Definitive Information Statement 2020</p> |  |
| <b>Recommendation 13.3</b>  |                  |   |  |
| 1. Board encourages active shareholder participation by making the result of the votes taken during the most recent                                   | <b>COMPLIANT</b> | <p>Provide information or reference to a document containing information on all relevant questions raised and answers during the ASM and special meeting and the results of the vote taken during the most recent ASM/SSM.</p>  |  |

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| Annual or Special Shareholders' Meeting publicly available the next working day.  |                  | <ul style="list-style-type: none"> <li>The foregoing are reflected in the minutes.</li> </ul>   |  |
| 2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.            | <b>COMPLIANT</b> | <p>Provide link to minutes of meeting in the company website.</p> <p>Indicate voting results for all agenda items, including the approving, dissenting and abstaining votes.</p> <p>Indicate also if the voting on resolutions was by poll.</p> <p>Include whether there was opportunity to ask question and the answers given, if any.</p> <ul style="list-style-type: none"> <li>The foregoing are reflected in the minutes.</li> </ul> |  |
| <b>Supplement to Recommendation 13.3</b>  |                  |   |  |
| 1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.                     | <b>COMPLIANT</b> | Indicate if the external auditor and other relevant individuals were present during the ASM and/or special meeting  |  |
| <b>Recommendation 13.4</b>  |                  |   |  |
| 1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. | <b>COMPLIANT</b> | <p>Provide details of the alternative dispute resolution made available to resolve intra-corporate disputes</p> <p>Under Par. 10.1.6 of the Manual, the Board provides the shareholders an option to avail of an alternative dispute mechanism, to be determined by the Board on a case-to-case basis.</p>  |  |

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| <p>2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.</p>            | <p><b>COMPLIANT</b></p> | <p>Provide link/reference to where it is found in the Manual on Corporate Governance</p> <ul style="list-style-type: none"> <li>Par. 10.1.16 of the Manual states that the Board may make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. Such mechanism shall be determined by the Board on a case-to-case basis (p.21, 10.1.6, Manual</li> </ul> |  |
| <p><b>Recommendation 13.5</b></p>   |                         |   |  |
| <p>1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.</p> | <p><b>COMPLIANT</b></p> | <p>Disclose the contact details of the officer/office responsible for investor relations, such as:</p> <ol style="list-style-type: none"> <li>Name of the person</li> <li>Telephone number</li> <li>Fax number</li> <li>E-mail address</li> </ol> <ul style="list-style-type: none"> <li><b>MARCOS E. LAROSA</b><br/><b>+63 (2) 7751 7132</b><br/><a href="mailto:mlarosa@makatifinance.com.ph">mlarosa@makatifinance.com.ph</a></li> </ul>             |  |
| <p>2. IRO is present at every shareholder's meeting.</p>  | <p><b>COMPLIANT</b></p> | <p>Indicate if the IRO was present during the ASM.</p> <ul style="list-style-type: none"> <li><b>Yes, Marcos E. Larosa is concurrently the Compliance Officer of the Corporation</b></li> </ul>   |  |

| Supplemental Recommendations to Principle 13   |                      |  |  |
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| 1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group | <b>COMPLIANT</b>     | Provide information on how anti-takeover measures or similar devices were avoided by the board, if any. <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended</b><br/>Adopted by the Board of Directors on 09 July 2020</li> </ul>   |  |
| 2. Company has at least thirty percent (30%) public float to increase liquidity in the market.   | <b>COMPLIANT</b>     | Indicate the company's public float. <ul style="list-style-type: none"> <li>• <b>15.48%</b></li> </ul>   |  |
| Optional: Principle 13   |                      |  |  |
| 1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting               | <b>COMPLIANT</b>     | Disclose or provide link/reference to policies and practices to encourage shareholders' participation beyond ASM. <p>A mechanism for employee participation shall be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance process. The Board should establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.<br/>(p. 23, 12, Manual)</p> <p>It is the company's policy to be open to any shareholder concern even if the same is communicated outside of the formal shareholders' meetings.</p> |  |
| 2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.   | <b>NON-COMPLIANT</b> | Disclose the process and procedure for secure electronic voting in absentia, if any.   | There is no practical system or technology |

available for this sole purpose.

**Duties to Stakeholders**

**Principle 14:** The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

**Recommendation 14.1**

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| <p>1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.</p> | <p><b>COMPLIANT</b></p> | <p>Identify the company's shareholder and provide information or reference to a document containing information on the company's policies and programs for its stakeholders.</p> <ul style="list-style-type: none"> <li>The company has identified its stakeholders, including customers, employees, suppliers, shareholders, investors, creditors, the community the company operates in, society, the government, regulators, competitors, external auditors, and those similarly situated</li> <li>In formulating the company's strategic and operational decisions affecting its wealth, growth and sustainability, due consideration is given to those who have an interest in the company and are directly affected by its operations. (p.21, 10.1.7, Manual)</li> </ul> |  |
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**Recommendation 14.2**

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| <p>1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.</p> | <p><b>COMPLIANT</b></p> | <p>Identify policies and programs for the protection and fair treatment of company's stakeholders</p> <ul style="list-style-type: none"> <li>Under Par. 10.1.17 of the Manual, in formulating the company's strategic and operational decisions affecting its wealth, growth and sustainability, due consideration is given to those who have an interest in the company and are directly affected by its operations, particularly its stakeholders.</li> </ul> |  |
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**Recommendation 14.3**

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| <p>1. Board adopts a transparent framework and process that allow stakeholders to</p> | <p><b>COMPLIANT</b></p> | <p>Provide the contact details (i.e., name of contact person, dedicated phone number or e-mail address, etc.) which stakeholders can use to voice their concerns and/or complaints for possible violation of their</p> |  |
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| <p>communicate with the company and to obtain redress for the violation of their rights.</p>  |                  | <p>rights.</p> <p>Provide information on whistle blowing policy, practices and procedures for stakeholders</p> <ul style="list-style-type: none"> <li>Under Par. 12.3 it is the policy of the company The Board shall establish a suitable framework for whistle blowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have a direct access to an independent member of the Board or a unit created to handle whistle blowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement. (p. 12, 12.3, Manual</li> </ul> |  |
| <b>Supplement to Recommendation 14.3</b>  |                  |  |  |
| <p>1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.</p>   | <b>COMPLIANT</b> | <p>Provide information on the alternative dispute resolution system established by the company.</p> <ul style="list-style-type: none"> <li>Under Par. 10.1.6 of the Manual, the Board provides the shareholders an option to avail of an alternative dispute mechanism, to be determined by the Board on a case-to-case basis.</li> </ul>  |  |
| <b>Additional Recommendations to Principle 14</b>   |                  |  |  |
| <p>1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being</p> | <b>COMPLIANT</b> | <p>Disclose any requests for exemption by the company and the reason for the request.</p> <ul style="list-style-type: none"> <li><b>No such exemption is sought.</b></li> </ul>  |  |

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| taken to finally comply with the applicable law, rule or regulation.   |                      |  |  |
| 2. Company respects intellectual property rights.  | <b>COMPLIANT</b>     | Provide specific instances, if any   |  |
| <ul style="list-style-type: none"> <li>• <b>The Company respects the law and rights of all stakeholders</b></li> </ul>   |                      |  |  |
| <p><b>Principle 15:</b> A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.</p> |                      |  |  |
| <p><b>Recommendation 15.1</b></p>  |                      |  |  |
| 1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.                                     | <b>COMPLIANT</b>     | Provide information on or link/reference to company policies, programs and procedures that encourage employee participation.   |  |
| <ul style="list-style-type: none"> <li>• <b>Company Website</b><br/><a href="https://www.makatifinance.ph">https://www.makatifinance.ph</a></li> </ul>   |                      |  |  |
| <p><b>Supplement to Recommendation 15.1</b></p>  |                      |  |  |
| 1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.   | <b>NON-COMPLIANT</b> | Disclose if company has in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders. |  |
| 2. Company has policies and practices on health, safety and welfare of its employees.  | <b>COMPLIANT</b>     | Disclose and provide information on policies and practices on health, safety and welfare of employees. Include statistics and data, if any.  |  |
| <ul style="list-style-type: none"> <li>• <b>EMPLOYEE'S HANDBOOK</b></li> </ul>   |                      |  |  |

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| 3. Company has policies and practices on training and development of its employees.   | <b>COMPLIANT</b> | <p>Disclose and provide information on policies and practices on training and development of employees.<br/>Include information on any training conducted or attended.</p> <ul style="list-style-type: none"> <li>• <b>CREDIT AND COLLECTION TRAINING</b></li> <li>• <b>CUSTOMER'S SERVICE TRAINING</b></li> <li>• <b>GENERAL ORIENTATION TRAINING</b></li> <li>• <b>LEADERSHIP TRAINING</b></li> </ul> |  |
| <b>Recommendation 15.2</b>  |                  |   |  |
| 1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.        | <b>COMPLIANT</b> | <p>Identify or provide link/reference to the company's policies, programs and practices on anti-corruption</p> <ul style="list-style-type: none"> <li>• <b>SEC FORM Manual on Corporate Governance (MCG) Amended, par. 12.2, p.23</b><br/>Adopted by the Board of Directors on 09 July 2020</li> <li>• <b>MAKATI FINANCE CORPORATION CODE OF CONDUCT</b></li> </ul>                                     |  |
| 2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.         | <b>COMPLIANT</b> | <p>Identify how the board disseminated the policy and program to employees across the organization</p> <ul style="list-style-type: none"> <li>• <b>Through issuance of business memorandum</b></li> </ul>   |  |
| <b>Supplement to Recommendation 15.2</b>  |                  |   |  |
| 1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes. | <b>COMPLIANT</b> | <p>Identify or provide link/reference to the company policy and procedures on penalizing employees involved in corrupt practices.</p> <ul style="list-style-type: none"> <li>• <b>MAKATI FINANCE CORPORATION CODE OF CONDUCT</b></li> </ul> <p>Include any finding of violations of the company policy.</p>   |  |



| <b>Recommendation 15.3</b>   |                  |  |  |
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| 1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation  | <b>COMPLIANT</b> | <p>Disclose or provide link/reference to the company whistle-blowing policy and procedure for employees.</p> <p>Indicate if the framework includes procedures to protect the employees from retaliation.</p> <p>Provide contact details to report any illegal or unethical behavior.</p> <ul style="list-style-type: none"> <li>• <b>Whistle Blowing Policy</b></li> </ul> |  |
| 2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.  | <b>COMPLIANT</b> | <ul style="list-style-type: none"> <li>• <b>Whistle Blowing Policy</b></li> </ul>  |  |
| 3. Board supervises and ensures the enforcement of the whistleblowing framework.   | <b>COMPLIANT</b> | <p>Provide information on how the board supervised and ensured enforcement of the whistleblowing framework, including any incident of whistleblowing</p> <ul style="list-style-type: none"> <li>• <b>Whistle Blowing Policy</b></li> </ul>   |  |
| <b>Principle 16:</b> The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development. |                  |  |  |
| <b>Recommendation 16.1</b>   |                  |  |  |
| 1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business,   | <b>COMPLIANT</b> | <p>Provide information or reference to a document containing information on the company's community involvement and environment-related programs.</p>  |  |

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| while contributing to the advancement of the society where it operates.   |                  |  |  |
| <b>Optional: Principle 16</b>   |                  |  |  |
| 1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development | <b>COMPLIANT</b> | Identify or provide link/reference to policies, programs and practices to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development. |  |
| 2. Company exerts effort to interact positively with the communities in which it operates                                   | <b>COMPLIANT</b> | Identify or provide link/reference to policies, programs and practices to interact positively with the communities in which it operates.   |  |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Commission, this Integrated Annual Corporate Governance Report (I-ACGR) is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 28 MAY 2021.

By:



RENE B. BENITEZ  
Chairman of the Board



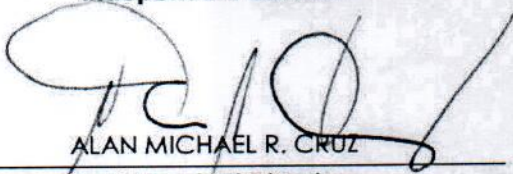
MAX O. BORROMELO  
Vice-Chairman



FRANCISCO C. EIZMENDI JR.  
Independent Director



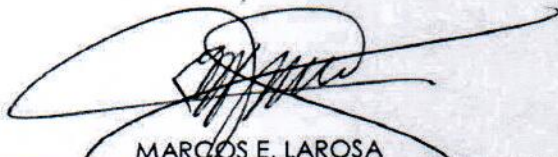
MAXCY FRANCISCO JOSE R. BORROMELO  
President



ALAN MICHAEL R. CRUZ  
Independent Director



LAWRENCE HOCK LEONG EE  
Independent Director



MARCOS E. LAROSA  
CFO/Compliance Officer



DANILO ENRIQUE O. CO  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 28 MAY 2021 day of \_\_\_\_\_ 2021, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

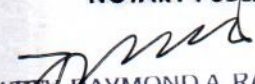
NAME/NO.  
RENE B. BENITEZ  
MAX O. BORROMELO  
FRANCISCO C. EIZMENDI JR.  
ALAN MICHAEL R. CRUZ  
LAWRENCE HOCK LEONG EE  
MAXCY FRANCISCO JOSE R. BORROMELO  
MARCOS E. LAROSA  
DANILO ENRIQUE O. CO

GOVT.I.D.  
[REDACTED]

PLACE OF ISSUE

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Book No. 168  
Series of 2021

**NOTARY PUBLIC**



ATTY. RAYMOND A. RAMOS  
COMMISSION NO M-239  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL JUNE 30, 2021 per B.M. No. 3795  
11 KALAYAAN AVENUE/EXTENSION,  
BARANGAY WEST REMBO, MAKATI CITY  
SC Roll No. 62179/04-26-2013  
IBP NO. 137312/01-04-2021/Pasig City  
PTR NO. MKT 8531022/01-04-2021/Makati City  
MCLE Compliance No. VI-0007678/04-06-2018