

April 11, 2017

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

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

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

Attention : **Ms. Janet A. Encarnacion**  
Head, Disclosure Department

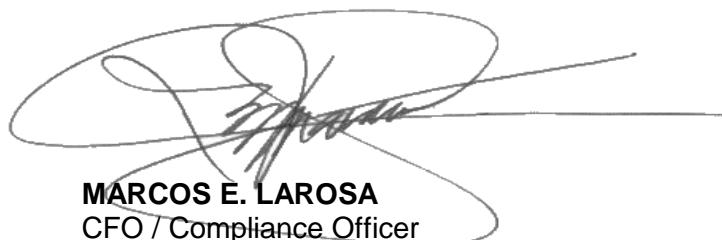
Gentlemen:

We are sending herewith a copy of Makati Finance Corporation SEC 17-A for the year ended December 31, 2016.

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**  
CFO / Compliance Officer

# 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

(Company's Full Name)

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

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

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

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

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

**MARCOS E. LAROSA**  
 Contact Person

**(02) 751-8132**  
 Company Telephone Number

1	2
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3	1
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*Month Day*  
 Fiscal Year

**2016**

**SEC Form 17-A**  
 FORM TYPE

0	7
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*Month Day*  
 Annual Meeting

**Every last Thursday of July**

**Financing**  
 Secondary License Type, If Applicable

**C R M D**  
 Dept. Requiring this Doc.

Amended Articles Number/Section

**103**  
 Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

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 To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

**Remarks = pls. Use black ink for scanning purposes**

**MAKATI FINANCE CORPORATION  
TABLE OF CONTENTS  
SEC FORM 17-A**

	<u>PAGE</u>
<b>PART I – BUSINESS AND GENERAL INFORMATION</b>	
<b>Item 1</b>	<b>Business</b> <span style="float:right"><b>05 -09</b></span>
<b>Item 2</b>	<b>Properties</b> <span style="float:right"><b>09</b></span>
<b>Item 3</b>	<b>Legal Proceedings</b> <span style="float:right"><b>09</b></span>
<b>Item 4</b>	<b>Submission of Matters to a Vote of Security Holders</b> <span style="float:right"><b>09</b></span>
<b>PART II – OPERATIONAL AND FINANCIAL INFORMATION</b>	
<b>Item 5</b>	<b>Market for Issuer’s Common Equity and Related Stockholder Matters</b> <span style="float:right"><b>10 - 14</b></span>
<b>Item 6</b>	<b>Management’s Discussion and Analysis or Plan of Operation</b> <span style="float:right"><b>14 - 18</b></span>
<b>Item 7</b>	<b>Financial Statements</b> <span style="float:right"><b>19</b></span>
<b>Item 8</b>	<b>Changes in and Disagreements With Accountants on Accounting And Financial Disclosure</b> <span style="float:right"><b>19-20</b></span>
<b>PART III – CONTROL AND COMPENSATION INFORMATION</b>	
<b>Item 9</b>	<b>Directors and Executive Officers of the Issuer</b> <span style="float:right"><b>21 - 24</b></span>
<b>Item 10</b>	<b>Executive Compensation</b> <span style="float:right"><b>25</b></span>
<b>Item 11</b>	<b>Security Ownership of Certain Beneficial Owners and Management</b> <span style="float:right"><b>26 - 7</b></span>
<b>Item 12</b>	<b>Certain Relationships and Related Transactions</b> <span style="float:right"><b>27</b></span>
<b>PART IV – CORPORATE GOVERNANCE</b>	
<b>Item 13</b>	<b>Corporate Governance</b> <span style="float:right"><b>28</b></span>
<b>PART V – EXHIBITS AND SCHEDULES</b>	
<b>Item 14</b>	<b>a. Exhibits</b> <span style="float:right"><b>28</b></span>
	<b>b. Reports on SEC Form 17-C (Current Report)</b> <span style="float:right"><b>28</b></span>

**SIGNATURES**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

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, 2016
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      6.  (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) 751-8132 local 111  
Issuer's telephone number, including area code
9. 2/F Makati Finance Building, 7823 Makati Avenue, Makati City  
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Stock</b>	<b>216,462,556</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

**PART I - BUSINESS AND GENERAL INFORMATION**

**Item 1. Business**

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

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

**Corporate Mission Statement**

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

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

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

- *In-depth market penetration*
- *Creativity in the provision of competent solutions*

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

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

## **History and Background**

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

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

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

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

Effective collection efforts and recovery of long outstanding accounts resulted to 13.0% increase in net interest income to P169.6M in 2014 from P150M in 2013, and an increase in net income after tax to P41.7M in 2014 from P23.1M in 2013, or about 80.4% growth.

In 2015, MFC continued to improve other product lines as part of its efforts to diversify its loan portfolio. Although MC financing loan releases increased by 4% from P508.5 million in 2014 to Php 528.8 million in 2015, MC financing loans receivable portfolio slightly dropped from 85.7% in 2014 to 79.42% in 2015. This is mainly due to the increase of Rx Cashline Loan from 6.2% in 2014 to 7.32% in 2015, while MFC Factors and Business Loans increased from 8.13% in 2014 to 13.26% in 2015.

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

In 2016, MFC continued to grow its Business Loan portfolio or the real estate backed loans, which increased by P97.6 million from P69.2 million in 2015 to P166.8 million in 2016 as part of the Company's continued efforts to diversify its loan portfolio.

The company posted a net income amounting to P46.3 million in 2016, higher by 0.76% from same period last year of P46.0 million. This is mainly due to the increase in share in net income from of an associate by P6.4 million from P40.8 million in 2015 to P47.2 million in 2016 and a one time gain from sale of investment in an associate amounting to P84.6 million.

### **Operating Departments and Units**

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

#### **Rx Cashline Group**

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

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

#### **MFC Factors Group**

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

#### **MC Financing Group**

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

#### **Business Operations**

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

##### *Sales and Marketing*

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

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

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

#### *Loan Evaluation and Approval Process*

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

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

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

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

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

#### *Loan Collection Process*

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

Customers that do not remit payment on the due date are classified as past due accounts while those that are more than 90 days past due are reclassified as delinquent accounts. Legal action or foreclosure of collateral may be endorsed for accounts that turn delinquent. Motorcycle units are



repossessed by MFC from loan accounts which are over 60 days past due. Clients may redeem upon payment of amortization in arrears.

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

### Employees

As of December 31, 2016, the Company accounted for a total of 286 employees, distributed as follows:

<u>Rank</u>	<u>2016 No. of Employees</u>	<u>Projected 2017 No. of Employees</u>
Officers	3	3
Managerial/Supervisory	33	26
Rank and File	235	187
<b>Total</b>	<b>271</b>	<b>216</b>

<u>Employment Status</u>	<u>No. of Employees</u>
Regular	243
Probationary	28
<b>Total</b>	<b>271</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, 2016</b>		
<b>Location</b>	<b>Size(s.qm)</b>	<b>Description</b>
Capitol Homesite Subd., Brgy. Cotta, Lucena City (2 lots)	561	Transferred
Bo. De Ocampo, Trece Martires City, Cavite	1,410	Transferred
LF Flores, Teachers Village, Brgy. Cotta, Lucena City (6 lots)	900	Transferred
<b>TOTAL</b>	<b>2,871</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 2016.

## **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 P300,000,000, divided into 300,000,000 Common Shares, with a par value of P1.00 per share, out of which P216,462,556, divided into 216,462,556 shares are issued and outstanding as at December 31, 2016.

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 P100,000,000, with a subscribed and paid-up capital of P45,149,780 to P9,949,040 with a subscribed and paid-up capital of P2,487,260. There was no return of capital, thus, the surplus arising from the reduction in the capital amounting to P42,662,520 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 P9,949,040 to P127,000,000, divided into 12,700,000 common shares with a par value of P10 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 P87,078,288, resulting to an additional paid-in capital of P55,092,938.

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 P97,781,211 as of that date was applied against the Company's deficit as of July 31, 2000 amounting to P97,781,211.

On December 11, 2001, the BOD and stockholders approved the reduction in the Company's authorized capital stock from P127,000,000 to P100,000,000 and from par value of P10 per share to P1 per share. On March 11, 2002, the BOD and stockholders amended the proposed reduction in the Company's authorized capital stock from P127,000,000 to P90,000,000 and from par value of P10 per share to P1 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 P90,000,000 divided into 90,000,000 shares, with a par value of P1.00 per share, to P300,000,000, divided into 300,000,000 shares, with a par value of P1.00 per share.

### Stock Dividends

On July 31, 2014, the BOD and stockholders approved the declaration of 1.73% stock dividends in the amount of P3,465,553 to stockholders of record as of August 28, 2014 with distribution date not later than September 23, 2014. On the same date, the BOD also approved the declaration of cash dividends amounting to P3,465,589. Fractional shares related to this declaration were settled in cash amounting to P36.00.

On July 30, 2015, the BOD and stockholders approved the declaration of 3.075% stock dividends in the amount of P6,252,776.85 to stockholders of record as of August 27, 2015 with distribution date not later than September 22, 2015. On the same date, the BOD also approved the declaration of cash dividends amounting to P6,252,776.85. Fractional shares related to this declaration were settled in cash amounting to P67.00.

On July 28, 2016, the BOD and stockholders approved the declaration of 3.29% stock dividends in the amount of P6,897,073 to stockholders of record as of August 26, 2016 with distribution date not later than September 21, 2016. On the same date, the BOD also approved the declaration of cash dividends amounting to P6,897,073. Fractional shares related to this declaration were settled in cash amounting to P61.00.

The movements in the number of shares and capital stock amount for the years ended December 31, 2016, 2015 and 2014 as follow:

	2016		2015		2014	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of year	209,565,483	P209,565,483	203,312,773	P203,312,773	199,847,220	P199,847,210
Stock dividends	6,897,073	6,897,073	6,252,710	6,252,710	3,465,553	3,465,553
Balance at end of year	216,462,556	P216,462,556	209,565,483	P209,565,483	203,312,773	P203,312,773

### 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 P90 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 P300 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 P2.84 per share as of December 29, 2016. The Company has not gone into a business combination nor any reorganization for the year 2016.

**Share Prices:**

The latest available price information on Makati Finance's stock price is P2.93 per share as of April 5, 2017.

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 2017	2.93	2.93
December 2016	2.84	2.83
September 2016	3.20	3.20
June 2016	3.30	3.30
March 2016	3.67	3.58
December 2015	3.05	2.81
September 2015	3.31	3.31
June 2015	7.50	6.00
March 2015	4.20	3.60
December 2014	6.50	2.76
September 2014	12.50	4.14
June 2014	15.00	4.00

**HOLDERS OF COMMON STOCK as of April 5, 2017**  
**TOP 20 Stockholders**

**There are a total of 103 stockholders as of April 5, 2017.**

Name	Nat	Class	No. of Shares	Percentage
AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	91,913,955	42.46%
MOTOR ACE PHILIPPINES, INC.	FIL	A	54,115,654	25.00%
PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	17,267,152	7.98%
MICHAEL WEE	FOR	A	8,957,039	4.14%
MF PIKEVILLE HOLDINGS, INC.	FIL	A	7,654,524	3.54%
BORROMEO BROS. ESTATE INC.	FIL	A	7,073,475	3.27%
ERIC B. BENITEZ	FIL	A	6,036,843	2.79%
MELLISSA B. LIMCAOCO	FIL	A	5,418,081	2.50%
GLENN B. BENITEZ	FIL	A	5,158,586	2.38%
RENE B. BENITEZ	FIL	A	4,952,476	2.29%
JOEL FERRER	FIL	A	2,180,569	1.01%
RODOLFO B. HERRERA / MAX BORROMEO / CARMEN MERCADO	FIL	A	1,068,645	0.49%
REYES, MARY GRACE V.	FIL	A	642,753	0.30%
TERESITA B. BENITEZ	FIL	A	421,005	0.19%
MERG REALTY DEVELOPMENT	FIL	A	374,032	0.17%
MELLISSA B. LIMCAOCO ITF DANIELLE B. LIMCAOCO	FIL	A	257,902	0.12%
MELLISSA B. LIMCAOCO ITF MICHAELA LIMCAOCO	FIL	A	257,902	0.12%
GLENN BENITEZ ITF ANDREA C. BENITEZ	FIL	A	257,902	0.12%
GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	257,902	0.12%
RENE BENITEZ ITF CARMELA L. BENITEZ	FIL	A	257,902	0.12%
SUB-TOTAL			214,524,299	99.10%
OTHER STOCKHOLDERS (83)			1,938,257	0.90%
GRAND TOTAL (103 stockholders)			216,462,556	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 13.59% 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 2014, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to P3,465,589. Fractional shares were settled in cash. For the year 2015, the BOD and Stockholders approved the declaration of cash dividends amounting to P6,252,776.85. Fractional shares were settled in cash. For the year 2016, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to P6,897,133.50. Fractional shares were settled in cash.

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

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

## **EXEMPTION FROM REGISTRATION CLAIMED**

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

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

### Plans and Prospects for 2017

MFC intends to continue on capitalizing on the expected hefty growth of the local motorcycle industry. The Company believes that there continuous to be big room for growth given the rising use of motorcycle in the country. The Philippine's double digit motorcycle density ratio as compared to the single digit density ratio of our other Asian neighbors provide the huge potential for growth in the Philippine motorcycle industry in the coming years. Likewise, the traffic in the metropolis has made purchasing motorcycles the more practical alternative to taking daily commutes.

MFC shall continue to expand Rx Cashline, Business Loan and MFC Factoring portfolio and explore other financial products such as Salary Loan and Multipurpose loan for Overseas Filipino Workers (OFWs) and Seamen as part of its diversification to balance the product portfolio. MFC reiterates its commitment to providing source of funding for consumers and businesses which are considered partners to their improved livelihood.

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

### **Funds Generation**

We currently have a P364.9 million facility with Amalgamated Investment Bancorporation (AIB) and P288.4 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 2017.

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

### ***Discussion of Past Financial Performance***

#### **As of December 31, 2016**

#### **Results of Operation**

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

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

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

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

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

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

#### **Interest Income**

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

#### **Net Interest Income**

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

#### **Other Income**

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

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

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

#### **Net Income**

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

### **As of December 31, 2015**

#### **Results of Operation**

Net Income after Tax for the year ending December 31, 2015, as reflected in the audited financial statements had increased by 10.3% to P46.0 million in 2015 from P41.7 million in 2014. This is mainly due to the increase in income tax benefit by P2.6 million.

Total operating income slightly improved from P185.2 million in 2014 to P186.3 million in 2015. Total expenses in 2015 ended at P185.0 million which was 0.36% higher from P184.4 million expenses in 2014.

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

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

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

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

### **Interest Income**

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

### **Net Interest Income**

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

### **Other Income**

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

### **Income Before Income Tax**

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

### **Net Income**

The Company posted a net income of P46.0 million in 2015, higher versus P41.7 million in 2014 or an increase of 10.3%.

### **As of December 31, 2014**

### **Results of Operation**

Net Income after Tax for the year ending December 31, 2014, as reflected in the audited financial statements had increased by 80.4% to P41.7 million in 2014 from P23.1 million in 2013 or an increase in an absolute amount of P18.6 million.

Total operating income rose from P179.7 million in 2013 to P185.2 million in 2014 or 3.1% increase from 2013 performance. Total expenses in 2014 ended at P184.4 million which was 7.1% lower from P198.54 million expenses in 2013.

Interest income in 2014 amounted to P220.19 million; major breakdown of which is P21.5 million from Rx, P5.4 million from Factors and P189.8 million from MC Financing.



With higher income in 2014, Earnings Per Share went up at P0.21 compared to P0.11 in 2013.

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

In 2014 total assets declined by P32.98 million as against that in 2013, from P1,293.14 million to P1,260.16 million due primarily to the decrease in motorcycle financing loan releases in 2014 due to stringent credit scoring policy. There was also a noticeable decline in our notes payable by P63.25 million as compared to that in 2013.

### **Interest Income**

The interest income this year was up by 10.87% or P21.6 million in absolute amounts from P198.6 million in 2013 to P220.2 million in 2014.

### **Net Interest Income**

Net interest income increased by 13.03% or by P19.56 million, interest expense increased by 4.18% or P2.0 million to P50.6 million in 2014 from P48.5 million. Interest income increased due to effective collection efforts and aggressive recovery of long overdue accounts in 2014.

### **Other Income**

Other income decreased by P14.00 million or 47.30% from 2013 due mainly to a one time gain on sale of available for sale financial assets in 2013 amounting to P12.23 million.

### **Income Before Income Tax**

Due to the slight increase in interest income and reduction in operating expenses due to lower provision for credit losses, income before income tax increased to P0.86 million from loss before tax of P18.88 million in 2013.

### **Net Income**

The Company posted a net income of P41.69 million in 2014 compared to ₱ 23.10 million in 2013 or an increase of 80.42%.

**KEY PERFORMANCE INDICATORS:**

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

**EXHIBIT VI  
MAKATI FINANCE CORPORATION  
SCHEDULE SHOWING FINANCIAL SOUNDNESS  
PURSUANT TO SRC RULE 68, AS AMENDED  
DECEMBER 31, 2016**

	2016	2015
<b>SOLVENCY AND LIQUIDITY RATIOS</b>		
Current ratio	94.77%	116.42%
Debt to equity ratio	166.81%	214.36%
Quick ratio	114.39%	92.39%
<b>PROFITABILITY RATIOS</b>		
Return on assets	3.77%	3.48%
Return on equity	10.07%	10.94%
Net profit margin	16.97%	24.68%
<b>ASSET TO EQUITY RATIO</b>	<b>266.81%</b>	<b>314.36%</b>
<b>INTEREST RATE COVERAGE RATIO</b>	<b>1.44</b>	<b>1.94</b>
<b>OTHER RELEVANT RATIOS</b>		
Ratio or percentage of total real estate investments to total assets	0.21%	0.20%
Total receivables to total assets	69.16%	71.75%
Total DOSRI receivables to net worth	0.04%	8.61%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	0.22%	0.25%
Honda Motor World, Inc.	0.29%	0.25%
Amalgamated Investment Bancorporation	0.02%	0.02%
MAPI Lending Investors, Inc.	0.01%	0.01%

Computation for the Ratios:

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

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

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

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

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

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

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

#### **CAPITAL EXPENDITURES**

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

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

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

#### **SEASONAL ASPECTS**

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

#### **Item 7. Financial Statements**

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

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

There are none.

## **INDEPENDENT PUBLIC ACCOUNTANTS**

The auditing firm of R.G. Manabat & Co. is the incumbent external auditor of the Company for the calendar year 2016. The Company has complied with SRC Rule 68 (3)(b)(iv), regarding rotation of external auditors or engagement partners every five years. Mr. Dennis I. Ilan, the partner in charge, is the lead auditor of the Company. It is expected that R.G. Manabat & Co. will be reappointed as the Company's external auditor for year 2017.

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

There had been no disagreements with R.G. Manabat & Co. with regard to accounting policies and financial disclosures of the Company.

Audit Committee is comprised of the following – Mr. Francisco C. Eizmendi Jr. as Chairman and Mr. Juan Carlos Del Rosario, Mr. Jose V. Cruz and Mr. Lawrence EE as members.

## **INFORMATION ON EXTERNAL AUDITOR**

There had been no disagreements with R.G. Manabat & Co. with regard to accounting policies and financial disclosures of the Company. Mr. Dennis I. Ilan, the Partner, is the newly appointed auditor of the Company for the Calendar Year ending December 31, 2016, and has not yet completed the five-year cap requirement of SEC.

For the annual statutory and regulatory engagements including out-of-pocket expenses, MFC has engaged R.G. Manabat & Co. for a service fee of P630,000 for 2016 audit period. The Company has not engaged R.G. Manabat & Co. for any tax-related service or any other professional services. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the BOD. Recommendations by the audit committee are then deliberated during the Board meetings.

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Issuer

#### Directors and Executive Officers

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

**Dr. Isidro B. Benitez**, 89, *Filipino*, is the *Chairman Emeritus*. Dr. Benitez has served as a Director since the Company's incorporation. He is also the Chairman of Obstetrics and Gynecology of the Makati Medical Center, MERG Realty Corporation and Amalgamated Development Corporation. Concurrently, Dr. Benitez is the Vice-Chairman of AIB and a Director of Nationwide Health Systems. He was formerly the Chairman of Obstetrics and Gynecology of the University of the Philippines / Philippine General Hospital where he worked from 1955 to 1988. He is presently the Chairman of the Examining Board of SGOP, Philippines, and a member of the American College of Surgeons, the Philippine College of Surgeons and the Philippine OB-Gyne Society. He obtained his Doctor of Medicine degree from the University of the Philippines, specialized in Obstetrics and Gynecology at John Hopkins University, Baltimore, Maryland and took courses in the Senior Executive MBA Program of the Ateneo de Manila University. He is also a director of Dearborn Motors, Inc. and Vice Chairman of Amalgamated Investment Bancorporation.

**Ms. Teresita B. Benitez**, 81, *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**, 54, *Filipino*, is the Company's *Vice-Chairman* and has been a director since 1996. Prior to assuming his role as Vice-Chairman, Mr. Benitez has served in various board and senior executive capacities. Mr. Benitez is also Chairman, FCA Orbita LLC, a real estate asset management company based in New York. He is Executive Committee Chairman of Amalgamated Investment Bancorporation, and Vice Chairman of the Dearborn Motors Group of car dealerships. Mr. Benitez is a highly experienced director, currently serving in various international boards, among them are FPC 30 Green Energy Fund, a public power generation company in Australia, and the Yale Graduate School Alumni Association in New Haven, CT. To help the start up ecosystem, he recently co-founded the Manila Angel Investors Network. Mr. Benitez graduated with a dual major in Business Economics and Organizational Studies from Pitzer College of the Claremont Colleges, and has a master's degree in International and Development Economics from Yale University in New Haven, CT.

**Mr. Max O. Borromeo**, 67, *Filipino*, is the Company's *President*. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo is currently a Director in the following companies: Honda Motor World, Inc., HMW Lending Investors, Dearborn Motors Co., Inc, Astron Gestus, Inc., Visayas Auto Ventures, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Cebu Parkland, Inc., and Salud Borromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

**Mr. Juan Carlos del Rosario**, 66, Filipino, has served as a *Director* since 1996. Mr. Del Rosario is currently the Chairman of AIB and Inter Global Alliances Inc. He was formerly the Senior Vice President and Chief Investment Officer of the Philippine American Life Insurance Co. (AIG Philippines) where he served as a member of the Board of Directors in several of its subsidiaries and affiliated companies. He was a Director of AIG Investment Corporation (Asia) Ltd., Cosmos Bottling Co., Bacnotan Cement Corporation, Investment Capital Corporation of the Philippines and Science Park of the Philippines Inc. Prior to joining the AIG/Philamlife Group, he had worked for 17 years for Chase Manhattan Bank in New York Head Office, and overseas postings in Saudi Arabia, Brazil and the Philippines. He is a graduate of De La Salle University, Manila with Bachelor of Arts (History) and Bachelor of Science (Commerce) degrees. He received his MBA (Finance and Marketing) from Columbia University, New York City and also completed the Executive Development Program at Cornell University Graduate School of Management Ithaca, New York and the Strategic Business Economics Program at the University of Asia and the Pacific, Manila.

**Mr. Joel S. Ferrer**, 62, Filipino, is the Company's *Treasurer*. He has been a Director since 1998. Mr. Ferrer is currently the President of PARMAN Inc., a staffing company serving local and international clients. At the same time he also managing interests in real estate and agribusiness. Previous to this, he had worked for ERECSA, Inc. where he was the Executive Vice President. His other work experience includes being an investment executive at the Summa International Bank of Indonesia and a Lending Officer at the Bank of America. He obtained his Masters Degree in Business Management from the Asian Institute of Management and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

**Mr. Francisco C. Eizmendi Jr.**, 80, Filipino, is one of the Independent Directors of the Company. He was elected as a Director in the recent Stockholders' Meeting of Makati Finance Corporation and concurrently an Independent Director of Sun Life Grepa Financial and Member of Board Advisers of East West Seed (Philippines). Mr. Eizmendi had been the President and Chief Operating Officer of San Miguel Corporation for 15 years. He also had been a member of the Advisory Board of Rizal Commercial Banking Corporation. Mr. Eizmendi graduated with a Bachelor of Science in Chemical Engineering Degree from the University of Santo Tomas in 1956.

**Atty. Eugenio E. Reyes**, 79, Filipino, is one of the Independent Directors of the Company. He was elected as a Director only in the last quarter of 2003. Atty. Reyes is with Union Bank of the Philippines as Legal Consultant, concurrently as Independent Director of Securities Investors Protection Fund, Inc., AIB Money Market Mutual Fund, Inc., Bernad Securities, Inc., First Union Plans, Inc.; Executive Secretary of Philippine Association of Securities Brokers and Dealers, Inc., and Corporate Secretary of UPY Realty Corporation and UnionBank Condominium Association, Inc. He was also a former Department Director of the Securities and Exchange Commission (SEC) for fifteen (15) years, Executive Director for four (4) years and capping his 25-year stint at SEC as General Counsel, compulsorily retiring in 2001. Atty. Reyes finished his Bachelor of Laws at the University of Southern Philippines in Cebu City.

**Mr. Michael Wee Soon Lock**, 80, Singaporean, has served as a Director since 1998. Mr. Wee is a senior ASEAN banker and retired Executive Chairman of Development Bank of Singapore Securities Holding PTE Ltd. He has held the positions of the Chairman of NatSteel Ltd., Deputy Chairman of DBS Land, Executive Vice President of the Development Bank of Singapore, General Securities Investments Ltd., Singapore Bus Services Ltd., Laguna National Golf and Country Club, Ltd. Mr. Wee graduated with a Bachelor of Science Degree in Chemical Engineering from the University of London. He obtained his Masters Degree in Finance from the University of Birmingham and Masters Degree in Business Administration from the University of British Columbia, Canada.

**Mr. Jose V. Cruz**, 70, Filipino, has served as a Director since 2010. Mr. Cruz is currently the President and CEO of Amalgamated Investment Bancorporation (“AIB”). Prior to joining AIB, he has had extensive experience in foreign and local investment banking, commercial banking, and capital market operations, having been based in New York, London, the Middle East, Singapore, and Hongkong. He was formerly Managing Director in AIA Capital Corporation, a Hongkong based regional investment bank (focused on corporate finance in Asia) previously owned by the publicly listed pan-Asian insurance group, AIA Group Limited. He was also a Board Member of AIA Capital’s investment banking subsidiaries located in Taiwan, India, and the Philippines. Prior to AIA Capital, he was Senior Vice President of AFC Merchant Bank, a Singapore-based consortium bank owned by leading Southeast Asian banks, including DBS Bank, Bangkok Bank, and Malayan Bank. He was previously Vice President and CFO of MERALCO and a Board member of Royal Dutch Shell’s subsidiary in the Philippines. He started his career as an officer in the 1970s in Citigroup (then called Citibank) head office, New York. He received his MBA from Columbia University, New York City.

**Mr. Eric B. Benitez**, 49, Filipino, has served as a Director since 2011. Mr. Benitez was formerly a Director in Credit Risk Management at Eurohypo AG (wholly-owned subsidiary of Commerzbank AG) in New York. Prior to Eurohypo, Mr. Benitez was a senior consultant within the Real Estate Business Advisory Services Group at the New York office of PricewaterhouseCoopers, LLP. He began his career in 1988 as an analyst in the trust department at Sanwa Bank (now part of The Bank of Tokyo-Mitsubishi UFJ) in San Francisco, CA. Previously, Mr. Benitez was formerly a Board Member of the Philippine Finance Association. He earned his BA in Applied Mathematics from the University of California, Berkeley and his MS in Real Estate from Columbia University in New York.

**Mr. Lawrence Hock Leong Ee**, 74, Singaporean, has been a Director since 2014. He is currently Senior Adviser and Board of Director of Amalgamated Investment Bancorporation and lifetime member of the Institute of Singapore Chartered Accountants.

#### Independent Directors

Among the Directors, Messrs. Francisco C. Eizmendi Jr. and Atty. Eugenio E. Reyes were elected as the two (2) Independent Directors of the Company at the 2016 Annual Stockholders’ Meeting.

#### Senior Management

**Mr. Maxcy Francisco Jose R. Borrromeo**, 42, *Filipino, is the Company’s Chief Operating Officer (COO)*. He was also elected as Director of Makati Finance last July 28, 2016. Aside from being a COO of the Company, Mr. Borrromeo is also a Director of Honda Motor World, Inc., HMW Lending Investors, Inc., Motor Ace Philippines, Inc., MAPI Lending Investors, Inc., Astron Gestus, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation and Borrromeo Brother’s Estate, Inc. He is also a member of the Board of Trustees of Salud Borrromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Political Science from the Ateneo de Manila University. He completed the following courses from the Asian Institute of Management, Professional Management Development Course, Strategic Management, Operations Management, and Financial Management. He obtained his Master’s degree in Applied Finance with a focus on banking from the University of Wollongong, Australia.

**Mr. Marcos E. Larosa, CPA** – *Chief Finance Officer, 37, 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*, 47, Filipino. Atty. Co has been serving the Corporation as its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer Ang-Co & Gonzales Law Offices. He is also a Director, Legal Counsel, Corporate Secretary and/or Asst. Corporate Secretary of several other Philippine corporations, such as Art Provenance Philippines Inc., Amalgamated Investment Bancorporation, Anvaya Cove Beach and Nature Club, Concepts Unplugged: Business Environment Solutions (CUBES), Inc., Dearborn Motors Co., Inc., Kalayaan College Inc., Now Corporation, The Studio of Secret 6 Inc., and Western Roadhouse Foods Inc. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

#### **FAMILY RELATIONSHIP**

Dr. Isidro B. Benitez and Ms. Teresita B. Benitez are spouses, and Mr. Rene B. Benitez and Eric B. Benitez are their sons.

#### **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, 2017. 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 Honda Motor World for advice and assistance in the MC Financing product assisted by Mr. Max O. Borromeo, President and with Pikeville, 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
2017 (Estimate)	Top 5 Executive Officers: Rene B. Benitez – Vice Chairman Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,682,640	2,211,493	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,682,640	5,134,204	2,250,000
2016 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Vice Chairman Teresita Benitez – Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,682,640	2,211,493	650,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,682,640	5,134,204	2,250,000
2015 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Vice Chairman Teresita Benitez – Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,375,920	1,376,191	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,375,920	4,063,003	2,200,000
2014 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Teresita Benitez – Vice Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	6,821,891	1,165,657	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	7,854,908	1,945,350	2,200,000

## IDENTITY OF SIGNIFICANT EMPLOYEES

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

## Item 11. Security Ownership of Certain Beneficial Owners and Management

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

Title of class	Name, address of record owner and relationship	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percent Held
	<b><i>DIRECT</i></b>				
Common	Amalgamated Investment Bancorporation 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	91,913,955	42.4600%
Common	Motor Ace Phils. Inc. (UNDER : PCD NOMINEE CORP-FILIPINO) MC Briones St. Hi-way Magukay, Mandaue City	Record and beneficial owner	Filipino	54,115,654	25.0000%
Common	Pikeville Bancshares Inc. 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	7,654,524	3.5362%

### Security ownership of BOD and Officers with Direct Ownership

Title of class	Name, address of record owner and relationship	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percent Held
Common	Michael Wee Son Lock 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Beneficial owner	Singaporean	8,957,039	4.1300%
Common	Eric B. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	6,036,843	2.7862%
Common	Rene B. Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	4,952,476	2.2857%
Common	Rene B. Benitez ITF Carmela Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	257,657	0.1190%
Common	Rene B. Benitez ITF Lorenzo Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	257,657	0.1190%
Common	Rene B. Benitez ITF Matias Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	247,365	0.1100%
Common	Joel S. Ferrer 2137 Lourdes St. San Miguel Village, Makati City	Beneficial owner	Filipino	2,178,495	1.0100%
Common	Maxcy Francisco Jose R. Borromeo 66 Gorordo Avenue, Cebu City	Beneficial owner	Filipino	2,029	0.0000%

Common	Max O. Borromeo Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	435,900	0.2014%
Common	Juan Carlos Del Rosario Unit 9 17-A, Mckinley Road, Forbes Park, Makati City	Beneficial owner	Filipino	29	0.00002%
Common	Francisco C. Eizmendi, Jr. 34 Celery Drive, Valle Verde 5, Pasig City	Beneficial owner	Filipino	15	0.00001%
Common	Atty. Eugenio E. Reyes 39 Road A St., Anthony Village, Quezon City	Beneficial owner	Filipino	15	0.00001%
Common	Jose V. Cruz 11F Multinational Bancorporation Bldg., 6805 Ayala Avenue, Makati City	Beneficial owner	Filipino	1	0.00000%
Common	Lawrence Ee Hock Leong Residence 34, Dunbar Walk, Singapore	Beneficial owner	Singaporean	1	0.00000%

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

#### **Item 12. Certain Relationships and Related Transactions**

Dr. Isidro B. Benitez and Ms. Teresita B. Benitez are spouses, and Mr. Rene B. Benitez and Eric B. Benitez are their sons.

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

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

Affiliates are other companies linked indirectly to the Company through interlocking directorship or officership and those under common significant influence and common control. For the details on the related party transactions, refer to Note 21 of the audited financial statements.

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

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

#### **COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE**

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

Measures undertaken by MFC for full compliance with the adopted leading practices on good corporate governance includes election of independent directors and creation of the Nomination Committee starting year 2003 and continued up to the present time. Each incumbent director of MFC underwent seminars on good corporate governance in year 2003 up to the present. To monitor compliance, the board of directors designated Mr. Marcos E. Larosa as Compliance Officer. The Company submitted to the SEC its Revised Anti-Money Laundering Manual as mandated by Republic Act 9160, as amended by Republic Act. No. 9194 on October 28, 2004. Also, The Company submitted the Audit Charter Manual. Lastly, the Company’s By-Laws shall be amended to incorporate provisions on inde 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”.**

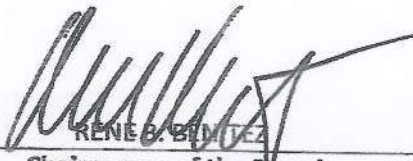
#### **(b) Reports on SEC Form 17-C**

**The reports on SEC Form 17-C filed during the last six months ended December 31, 2016 are hereby attached “ANNEX B”.**

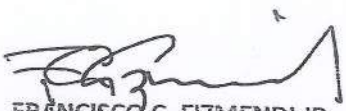
**Quarterly Financial Reports ending March 31, 2016 were submitted to the SEC on May 16, 2016; quarterly ending June 30, 2016 on August 12, 2016 and for the quarter ending September 30, 2016 on November 14, 2016.**

Pursuant to the requirement of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Makati on APR 10 2017

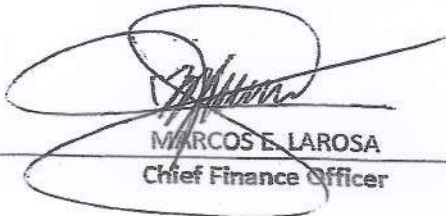
SIGNATURES

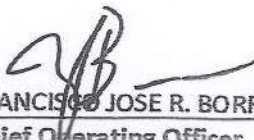
  
 RENE B. BENITEZ  
 Chairperson of the Board

  
 MAX O. BORROMEEO  
 President

  
 FRANCISCO C. EIZMENDI JR.  
 Independent Director

  
 EUGENIO E. REYES  
 Independent Director

  
 MARCOS E. LAROSA  
 Chief Finance Officer

  
 MAXCY FRANCISCO JOSE R. BORROMEEO  
 Chief Operating Officer

APR 10 2017

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ , affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

<u>NAME/NO.</u>	<u>GOVT.I.D.</u>	<u>PLACE OF ISSUE</u>
RENE B. BENITEZ	TIN:137-438-326	
MAX O. BORROMEEO	TIN: 108-479-305	
FRANCISCO C. EIZMENDI JR.	TIN: 119-132-505	
EUGENIO E. REYES	TIN : 116-244-865	
MARCOS E. LAROSA	TIN : 206-361-568	
MAXCY FRANCISCO JOSE R. BORROMEEO	TIN : 153-065-629	

  
 RUBEN T. M. RAMIREZ  
 NOTARY PUBLIC  
 Until Dec. 31, 2017

IBP No. 1052369/ CY-2017 Appt. No. M-23  
 Roll No. 28947/ MCLE - 4 No. 006324, 06-19-12  
 PTR No. MKT. 5909562/ 01-03-17

Doc No. 118  
 Page No. 29  
 Book No. 199  
 Series of 2/7

**ANNEX A**



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

**FINANCIAL STATEMENTS**  
December 31, 2016 and 2015





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

## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Makati Finance Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2016, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards (PFRSs).

#### *Basis for Opinion*

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



JAN 17 2017



## *Key Audit Matters*

Key audit matters are those matters 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.

### *Revenue Recognition (P203.65 million)*

Refer to Note 9 to the financial statements.

#### *The risk*

The application of the requirement in Philippine Accounting Standards (PAS) 39, *Financial Instruments*, to recognize revenue on loans using effective interest method leads to complexity in the valuation of revenue recognized.

The application of effective interest method requires significant judgment by management to determine key assumptions, in particular the expected life of each loan and related cash flows. Any inappropriate judgment could result in a material misstatement of revenue. There is also a risk that management may influence the said significant judgments in order to meet market expectation.

#### *Our response*

We tested the operating effectiveness of controls in relation to revenue recognition, and the mathematical accuracy of the models used to calculate the EIR. This involved recalculation of a sample loan product and EIR based upon an extract of source data from the core lending system. We also tested the completeness and accuracy of cash flow information included within the models.

We assessed the appropriateness of management's key assumptions used in the recognition of revenue using the effective interest method as described in the accounting policies by comparison against historical customer behavior and by performing analytical procedures to assess the sensitivity of changing the chosen rate.

### *Valuation of Loans and Receivables (P92.61 million)*

Refer to Note 9 to the financial statements.

#### *The risk*

The Company has significant loans and receivable balances as at year end which comprise the largest portion of the Company's total assets. There is a risk that some of the loans and receivables may not be recoverable due to possible inappropriate judgments on the expected future cash flows and the estimation of the allowance and this could result to a material misstatement of the impairment provisions on loans.

#### *Our response*

Our audit procedures included, among others, testing the operating effectiveness of the Company's controls over loans impairment process, assessing the appropriateness of the methodology used in the computation of impairment and evaluating whether the methodology is aligned with the provisions of the appropriate financial reporting standard.

We tested the operating effectiveness of controls over the provisioning process, including using Information Technology (IT) specialists within the audit team to test the key IT controls over the systems in which the source loan data is maintained. We also tested the extraction of source data from the core lending systems to identify whether the data was accurate and complete.



We also evaluated the appropriateness of management's key assumptions used in the impairment calculations for loans and receivables, including the estimation of customer default rates and expected future cash flows for each portfolio. This involved assessing management's tests of historical forecasting accuracy, and reperforming a sample of these tests using independent extracts of collections data. We also challenged the appropriateness of historical data used to predict future collections performance by reference to internal and external factors affecting the business. In addition, we recalculated a sample of portfolio carrying values in accordance with the approved impairment provisioning policy and tested the accuracy of the arrears status of loans and receivables.

*Valuation of Motorcycle Inventories (P64.34 million)*

Refer to Note 13 to the financial statements.

*The risk*

Motorcycle inventories are carried at the lower of cost and net realizable value ("NRV"). The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become obsolete, or if their selling prices have declined.

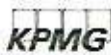
Management determines the lower of cost and NRV of inventories by considering the ageing profile, inventory obsolescence and estimated selling price of individual inventory items. This requires the use by the management of significant judgments and assumptions that may result to material misstatement if inappropriate. As such, it is identified as a key risk to focus on the audit.

We have identified the key risk to be the estimation of provision for inventories as this involve significant management judgments and various uncertainties as a result of customer demand and competitors actions.

*Our response*

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

- Understood and assessed the control procedures performed by management, including its procedures in estimating the NRV of the inventories and conducting periodic review on inventory obsolescence;
- Observed inventory counts to identify whether there is any damaged or obsolete inventory;
- Tested on a sampling basis, the accuracy of the ageing profile of individual inventory items by checking to the underlying procurement correspondence and invoice; and
- Tested on a sampling basis, the NRV of selected inventory items, by comparing the selling price subsequent to the year end, against the carrying values of these individual inventories.



### *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, 2016, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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



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

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

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

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

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



**Report on the Supplementary Information Required Under Revenue Regulations  
No. 15-2010 of the Bureau of Internal Revenue**

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

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

**R.G. MANABAT & CO.**

DENNIS I. ILAN

Partner

CPA License No. 089564

SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018

Tax Identification No. 161-313-405

BIR Accreditation No. 08-001987-28-2014

Issued September 26, 2014; valid until September 25, 2017

PTR No. 5904928MD

Issued January 3, 2017 at Makati City

April 4, 2017

Makati City, Metro Manila



APR 17 2017



**To Management of Makati Finance Corporation**

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

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

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

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

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



**AVELITO T. BAUTISTA**

CPA No. 0099255

TIN No. 205-710-848-000

PTR No. 0908767, January 16, 2017, Dagupan City, Pangasinan

BOA Reg. No. 4227

CDA Reg. No. 1102

BIR AN 01-004607-001-2015 (November 15, 2015 to 2018)

April 4, 2017

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of Makati Finance Corporation is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

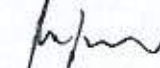
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

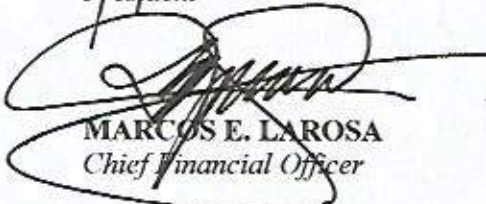
The Board of Directors is responsible for overseeing the Company's financial reporting process.

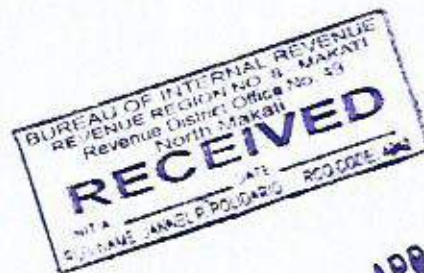
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

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

  
**MAX O. BORROMEEO**  
President

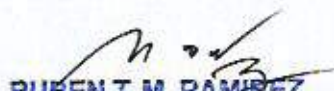
  
**MARCOS E. LAROSA**  
Chief Financial Officer



**APR 17 2017**

**SUBSCRIBED AND SWORN TO  
BEFORE ME THIS APR 11 2017  
DAY OF \_\_\_\_\_  
AT MAKATI CITY**

Signed this **APR 11 2017** day of April 2017

  
**RUBEN T. M. RAMIREZ**  
Notary Public  
Until Dec. 31, 2017



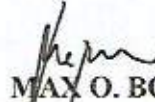
## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of Makati Finance Corporation is responsible for all information and representations contained in the annual income tax return for the year ended December 31, 2016. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2016 and the accompanying Annual Income Tax Return are in accordance with the books and records of *Makati Finance Corporation*, complete and correct in all material respects. Management likewise affirms that:

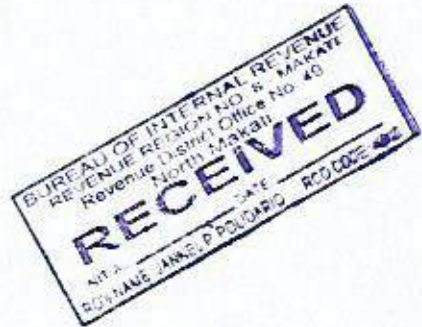
- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e. Philippine Financial Reporting Standards, or those applicable to Non-Publicly Accountable Entities) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) *Makati Finance Corporation* has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

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

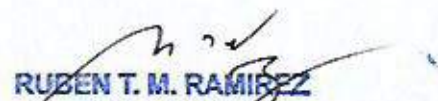
  
**MAX O. BORROMELO**  
 President

  
**MARCOS E. LAROSA**  
 Chief Financial Officer

Signed this 1 day of April 2017



SUBSCRIBED AND SWORN TO  
 BEFORE ME THIS APR 11 2017  
 DAY OF MAKATI CITY  
 AT \_\_\_\_\_

  
**RUBEN T. M. RAMIREZ**  
 Notary Public  
 Until Dec. 31, 2017

Doc. No. 142  
 Page No. 29  
 Book No. 144  
 Series No. 2017



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

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

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

We have audited the accompanying financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 2016, on which we have rendered our report dated April 4, 2017.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has eighty six (86) stockholders owning one hundred (100) or more shares each.

**R.G. MANABAT & CO.**

DENNIS I. ILAN

Partner

CPA License No. 089564

SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018

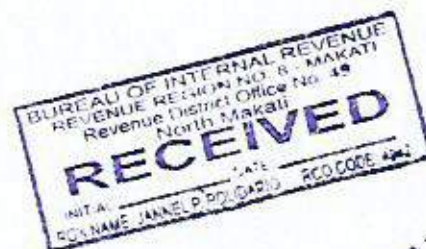
Tax Identification No. 161-313-405

BIR Accreditation No. 08-001987-28-2014

Issued September 26, 2014; valid until September 25, 2017

PTR No. 5904928MD

Issued January 3, 2017 at Makati City



APR 17 2017

April 4, 2017  
Makati City, Metro Manila

**MAKATI FINANCE CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2016	2015
<b>ASSETS</b>			
Cash and Cash Equivalents	8	P97,617,641	P18,406,119
Loans and Other Receivables - net	9	849,023,273	947,784,722
Investment in an Associate	10	94,962,090	123,089,357
Property and Equipment - net	11	14,823,832	3,853,741
Investment Properties - net	12	2,604,468	2,604,468
Deferred Tax Assets - net	20	57,706,296	29,290,203
Other Assets - net	13	110,848,563	195,936,875
		<b>P1,227,586,163</b>	<b>P1,320,965,485</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Notes payable	14, 21	P711,186,458	P843,249,466
Accounts payable	21	15,717,788	27,970,499
Accrued expenses	15	37,550,118	28,565,011
Income tax payable		1,489,950	355,757
Retirement liability	18	1,549,370	613,221
		<b>767,493,684</b>	<b>900,753,954</b>
<b>Equity</b>			
Capital stock	17	216,462,556	209,565,483
Additional paid-in capital		5,803,922	5,803,922
Retained earnings		233,334,355	200,796,673
Remeasurement gains on defined benefit obligation	18	4,491,589	4,045,396
Share in other comprehensive income of an associate		57	57
		<b>460,092,479</b>	<b>420,211,531</b>
		<b>P1,227,586,163</b>	<b>P1,320,965,485</b>

See Notes to the Financial Statements.



**APR 17 2017**

**MAKATI FINANCE CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31		
	Note	2016	2015	2014
<b>INTEREST INCOME</b>	7, 8, 9	P209,486,415	P211,417,274	P220,193,623
<b>INTEREST EXPENSE</b>	7, 14, 21	44,983,569	44,966,237	50,571,236
<b>NET INTEREST INCOME</b>		164,502,846	166,451,037	169,622,387
<b>OTHER INCOME</b>				
Gain on sale of investment in an associate	10, 21	84,634,527	-	-
Service charges		5,318,829	4,575,355	1,928,561
Miscellaneous	19	18,644,061	15,297,738	13,664,680
<b>TOTAL OTHER INCOME</b>		108,597,417	19,873,093	15,593,241
<b>TOTAL OPERATING INCOME</b>		273,100,263	186,324,130	185,215,628
<b>OPERATING EXPENSES</b>				
Loss from sale and inventory write-down of motorcycles	13	104,700,890	44,002,083	48,726,019
Salaries and employee benefits	18, 21	75,142,379	66,891,192	57,565,340
Provision for credit losses	9	36,699,617	19,227,999	17,443,569
Taxes and licenses	24	30,334,036	16,496,293	16,088,488
Occupancy costs	23	19,233,030	9,434,067	6,753,016
Management and professional fees	21	9,211,200	9,338,660	8,754,751
Travel and transportation		5,863,569	6,400,814	11,875,483
Commission		5,455,875	2,814,857	2,855,901
Depreciation and amortization	11	3,683,681	2,415,193	2,517,144
Entertainment, amusement and recreation	20	608,917	235,719	1,744,266
Amortization of software costs	13	330,328	394,958	367,646
Miscellaneous	19	9,074,614	7,374,395	9,664,667
<b>TOTAL OPERATING EXPENSES</b>		300,338,136	185,026,230	184,356,290
<b>INCOME (LOSS) BEFORE SHARE IN NET INCOME OF AN ASSOCIATE AND INCOME TAX</b>		(27,237,873)	1,297,900	859,338
<b>SHARE IN NET INCOME OF AN ASSOCIATE</b>	10, 21	47,222,206	40,787,135	39,545,382
<b>INCOME BEFORE INCOME TAX</b>		19,984,333	42,085,035	40,404,720
<b>INCOME TAX BENEFIT</b>	20	26,347,616	3,895,856	1,280,459
<b>NET INCOME</b>		46,331,949	45,980,891	41,685,179

Forward



APR 17 2017

		Years Ended December 31		
	Note	2016	2015	2014
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that may not be reclassified to profit or loss</b>				
Remeasurement gains on defined benefit obligation, net of deferred tax of P0.76 million, P0.27 million and P0.50 million in 2016, 2015 and 2014, respectively	18, 20	446,193	934,404	1,904,861
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P46,778,142</b>	<b>P46,915,295</b>	<b>P43,590,040</b>
Basic/Diluted Earnings Per Share	22	<b>P0.21</b>	P0.22	P0.21

*See Notes to the Financial Statements.*

**MAKATI FINANCE CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 17)	Additional Paid-in Capital	Retained Earnings (Note 17)	Remeasurement Gains on Defined Benefit Obligation (Note 18)	Share in Other Comprehensive Income of an Associate	Total Equity
Balance at January 1, 2016	P209,665,483	P5,803,922	P200,796,673	P4,046,396	-	P420,211,531
Stock dividends including fractional shares	6,897,073	-	(6,897,073)	-	-	-
Total comprehensive income	-	-	(6,897,194)	-	-	(6,897,194)
Net income	-	-	46,331,949	-	-	46,331,949
Other comprehensive income	-	-	-	446,193	-	446,193
Balance at December 31, 2016	P216,462,556	P5,803,922	P233,334,355	P4,491,589	-	P460,092,479
Balance at January 1, 2015	P203,312,773	P5,803,922	P167,321,336	P3,110,992	-	P379,549,080
Stock dividends including fractional shares	6,252,710	-	(6,252,710)	-	-	-
Total comprehensive income	-	-	45,980,891	-	-	45,980,891
Net income	-	-	45,980,891	934,404	-	934,404
Other comprehensive income	-	-	-	934,404	-	934,404
Balance at December 31, 2015	P209,565,483	P5,803,922	P200,796,673	P4,046,396	-	P420,211,531
Balance at January 1, 2014	P199,847,220	P5,803,922	P132,567,334	P1,206,131	-	P339,424,664
Stock dividends including fractional shares	3,465,553	-	(3,465,553)	-	-	-
Total comprehensive income	-	-	41,685,179	-	-	41,685,179
Net income	-	-	41,685,179	1,904,861	-	1,904,861
Other comprehensive income	-	-	-	1,904,861	-	1,904,861
Balance at December 31, 2014	P203,312,773	P5,803,922	P167,321,336	P3,110,992	-	P379,549,080

See Notes to the Financial Statements.

**MAKATI FINANCE CORPORATION**  
**STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P19,984,333	P42,085,035	P40,404,720
Adjustments for:				
Provision for credit losses	9	36,699,617	19,227,999	17,443,569
Depreciation and amortization	11	3,683,681	2,415,193	2,517,144
Retirement expense	18	2,147,236	1,939,618	1,884,903
Amortization of software costs	13	330,328	394,958	367,646
Gain on disposal of property and equipment	11	(14,047)	-	-
Share in net income of an associate	10, 21	(47,222,206)	(40,787,135)	(39,545,382)
Gain on sale of investment in an associate	10, 21	(84,634,527)	-	-
Operating income (loss) before changes in working capital		(69,025,585)	25,275,668	23,072,600
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Loans and other receivables		26,061,832	(86,130,373)	121,850,256
Other assets		85,397,962	(11,853,124)	(97,155,446)
Increase (decrease) in:				
Accounts payable		(12,252,711)	6,110,135	(26,235,757)
Accrued expenses		8,985,107	1,332,025	12,610,554
Net cash provided by (used in) operations		39,166,605	(65,265,669)	34,142,207
Income taxes paid		(1,699,178)	(6,898,473)	(6,356,354)
Net cash provided by (used in) operating activities		37,467,427	(72,164,142)	27,785,853
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of:				
Property and equipment	11	(15,159,421)	(557,664)	(2,365,230)
Software costs	13	(346,817)	(161,043)	(398,990)
Cash dividends received	10, 21	36,000,000	36,000,000	36,000,000
Proceeds from sale of:				
Property and equipment		226,536	-	-
Investment in an associate	10	159,984,000	-	-
Net cash provided by investing activities		180,704,298	35,281,293	33,235,780

Forward

		Years Ended December 31		
	Note	2016	2015	2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Availments of notes payable		P214,421,609	P289,046,219	P79,400,000
Settlement of notes payable		(346,484,618)	(273,879,455)	(138,563,485)
Cash dividends paid	17	(6,897,194)	(6,252,844)	(3,465,624)
Net cash provided by (used in) financing activities		(138,960,203)	8,913,920	(62,629,109)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		79,211,522	(27,968,929)	(1,607,476)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		18,406,119	46,375,048	47,982,524
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	8	P97,617,641	P18,406,119	P46,375,048
<b>OPERATIONAL CASH FLOWS FROM INTEREST</b>				
Interest received		P209,594,473	P227,133,408	P228,958,581
Interest paid		49,790,761	32,575,849	37,726,971

*See Notes to the Financial Statements.*



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**MAKATI FINANCE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1. General Information**

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

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

The Company's principal place of business is at 3/F Mazda Makati Bldg., 2301 Chino Roces Avenue, Makati City. Amalgamated Investment Bancorporation (AIB) owns 42.46% and 69.42% of the Company as at December 31, 2016 and 2015, respectively. The Company has an ownership in AIB of 20% and 36% as at December 31, 2016 and 2015, respectively.

On March 11, 2002, the Board of Directors (BOD) and stockholders approved the offer of up to 19,560,000 shares from the Company's unissued common stock through initial common public offering (IPO). The application for the IPO of the Company was approved by the SEC and the Philippine Stock Exchange (PSE), on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of P1.38 per share.

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**2. Basis of Preparation**

Statement of Compliance

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

Basis of Measurement

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

Functional and Presentation Currency

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

Approval of Issuance of Financial Statements

The accompanying financial statements of the Company were approved by the Audit Committee, as authorized for issue by the BOD, on April 4, 2017.

### 3. Summary of Significant Accounting Policies

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

#### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards and interpretations starting January 1, 2016 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets)*. The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated,' or when the intangible asset is expressed as a measure of revenue.

The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle*. This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.
- *Changes in method for disposal (Amendment to PFRS 5, Non-current Assets Held for Sale and Discontinued Operations)*. PFRS 5 is amended to clarify that:
  - if an entity changes the method of disposal of an asset (or disposal group) - i.e., reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and
  - if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

- *'Continuing involvement' for servicing contracts (Amendment to PFRS 7, Financial instruments: Disclosures)*. PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g., if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.'
- *Offsetting disclosures in condensed interim financial statements (Amendment to PFRS 7)*. PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of *PAS 34 Interim Financial Reporting* require their inclusion.
- *Discount rate in a regional market sharing the same currency - e.g., the Eurozone (Amendment to PAS 19, Employee Benefits)*. The amendment to PAS 19 clarifies that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not at the country level.
- *Disclosure of information 'elsewhere in the interim financial report' (Amendment to PAS 34, Interim Financial Reporting)*. PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e., incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g., management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.
- *Disclosure Initiative (Amendments to PAS 1, Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
  - Information should not be obscured by aggregating or by providing immaterial information.
  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
  - The list of line items to be presented in the statements of financial position and statements of comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

- An entity's share of other comprehensive income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

#### Interest income and expense

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

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

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

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

#### Revenue Recognition

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

#### *Service Charges*

Service charges are recognized only upon collection or accrued when there is reasonable certainty as to its collectability.

#### *Dividend Income*

Dividend income is recognized when the right to receive payment has been established.

#### *Miscellaneous Income*

Income from other sources is recognized when earned.

#### Expenses

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

### Cash and Cash Equivalents

Cash includes cash on hand, cash in banks and cash equivalents. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

### Financial Instruments

Financial assets and financial liabilities are accounted for as follows:

#### *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 the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

All financial instruments are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs that are attributable to its acquisition or issue.

#### *Classification and Measurement*

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, available-for-sale (AFS) financial assets, held-to-maturity (HTM) investments, and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2016 and 2015, the Company has no HTM investments, AFS financial assets and financial assets and liabilities at FVPL.

The measurement of financial instruments subsequent to initial recognition is described below:

a. *Financial Assets at FVPL*

Financial assets at FVPL consist of debt and private equity securities purchased and held principally with the intention of selling them in the near term. These securities are carried at fair market value; realized and unrealized gains and losses on these instruments are recognized in profit or loss of the Company. Quoted market prices, when available, are used to determine the fair value of these financial instruments. Interest earned is recorded in 'Interest Income' while dividend income is recorded in 'Other Income' in the Statements of Comprehensive Income according to the terms of the contract, or when the right of payment has been established.

b. *AFS Financial Assets*

AFS financial assets are those non-derivative financial assets that are designated as such or are not classified as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, any AFS financial assets are subsequently measured at fair value. Any unrealized gains or losses arising from the fair valuation of AFS financial assets are excluded from reported income and are reported as 'net unrealized loss on AFS financial assets in OCI.

When the AFS financial assets are disposed, the cumulative gain or loss previously recognized in OCI is recognized in profit or loss.

c. *HTM Investments*

HTM investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated as financial assets at FVPL or as AFS financial assets.

After initial measurement, HTM investments are carried at amortized cost using the effective interest method less any impairment losses. A sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments as AFS financial assets, and would prevent the Company from classifying investment securities as HTM for the current and the following two (2) financial years.

d. *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less allowance for impairment losses, 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 EIR. The amortization is included in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

Loans and receivables are classified as non-performing or considered impaired when the principal is past due, or when in the opinion of management, collection of interest and principal is doubtful. These receivables will not be reclassified as performing until interest and principal payments are brought current or the receivables are restructured and future payments appear assured.

Client's equity represents the amount withheld by the Company as protection against customer returns and allowances and other special adjustments, which is equivalent to 30% of the receivables factored. This is diminished proportionately as the receivables from factoring are collected.

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

Included in this category are 'Cash and cash equivalents', 'Loans and other receivables - net' and 'Security deposits' presented under 'Other assets - net' in the statements of financial position.

e. *Financial Liabilities at FVPL*

A financial liability is classified as at FVPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at FVPL are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

f. *Other Financial Liabilities*

This category pertains to financial liabilities not designated at FVPL where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

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

Included in this category are 'Notes payable', 'Accounts payable' and 'Accrued expenses' (excluding payable to government).

*Amortized Cost Measurement*

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

*Fair Value Measurement*

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Fair value measured using unadjusted quoted prices in active market for identical assets or liabilities.
- Level 2: Fair value measured using inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly of (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: Fair value measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that the difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustments of each of the individual instruments in the portfolio.

#### *Impairment of Financial Assets*

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at FVPL are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Company considers evidence of impairment at both specific asset and collective levels. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar credit risk characteristics.



Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that it would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in equity securities classified as AFS financial assets, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In assessing collective impairment, the Company uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that these remain appropriate.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the assets' original EIR. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in the impairment loss is reversed through profit or loss but only to the extent that the resulting carrying amount of the asset after the reversal of impairment loss does not exceed its amortized cost at the reversal date had no impairment loss been recognized.

Impairment losses on AFS financial assets are recognized by transferring the cumulative loss that has been recognized in OCI to profit or loss. The amount transferred is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value of money are reflected as a component of interest income.

If in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed to the extent of the carrying amount of the debt security had no impairment loss been recognized, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired AFS debt security is recognized in OCI.

The Company writes off certain loans and advances and securities when these are determined to be uncollectible.

## *Derecognition of Financial Assets and Liabilities*

### Financial Asset

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

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

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

### Financial Liability

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

### Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to set off the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

### Investment in an Associate

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

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

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

The aggregate of the Company's share of profit or loss of an associate is shown on the face of statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

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

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

#### Property and Equipment

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

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

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

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

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in profit or loss (see accounting policy on Impairment of Non-financial Assets).

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

#### Investment Properties

Investment properties are land held for capital appreciation or land held for currently undetermined future use. Investment properties are measured at cost, including transactions costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less any impairment in value.

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.

Foreclosed real estate properties are classified under investment properties on foreclosure date.

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.

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 of 15 years.

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

#### Motorcycle Inventories

The Company recognizes motorcycle inventories at the lower of cost and net realizable value (NRV) based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if the selling prices have declined. Likewise, management also considers whether estimated costs to be incurred to make the sale have increased. The cost of motorcycle inventories is determined using specific identification. The excess of the cost over the NRV is recognized as a loss from write-down of motorcycle inventories in profit or loss. Motorcycle inventories account is presented under 'Other asset – net' in the statements of financial position.

### Software Costs

Software costs that are not an integral part of the hardware are classified as intangible assets. This is included under "Other 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 asset for the current and comparative periods is three to five years.

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

### Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that its property and equipment, investment properties and other assets (excluding security deposits) may be impaired. When an indicator exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset or cash generating unit's (CGU's) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said 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 profit or loss. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

### Equity

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

#### Retained Earnings

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

#### Dividends on Common Shares

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

#### Foreign Currency Transactions and Translation

Foreign currency-denominated assets and liabilities are translated to Philippine peso at the prevailing Philippine Dealing & Exchange Corp closing rate at the reporting date while foreign-currency denominated income and expenses are translated into Philippine peso based on the weighted average rate at transaction dates. Foreign exchange gains or losses arising from such transactions, including restatements of foreign-currency denominated assets and liabilities, are charged against current operations.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios a, c, or d above; and at the date of renewal or extension period for scenario b.

#### *Company as Lessee*

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

#### *Company as Lessor*

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments received are recognized as an income in profit or loss on a straight line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

### Employee Benefits

#### *Defined Benefit Plan*

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

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

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

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

#### *Short-term Employee Benefits*

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

### Borrowing Costs

Borrowing costs consist of interest which the Company incurs in connection to borrowing of funds. These are recognized in profit or loss in the year in which the costs are incurred.

### Income Taxes

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

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

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

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

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

#### Provisions

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

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

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

#### Contingent Assets and Contingent Liabilities

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

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

#### Earnings Per Share

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



### Segment Reporting

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 7.

### Events After the Reporting Date

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016 and have not been applied in preparing these financial statements. Based on management's assessment, none of these is expected to have a significant impact on the Company's financial statements.

#### *To be Adopted January 1, 2017*

- *Disclosure initiative (Amendments to PAS 7, Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes).* The amendments clarify that:
  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

*To be Adopted January 1, 2018*

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

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

The Company will assess the potential impact on its financial statements resulting from the application of PFRS 9.

*To be Adopted January 1, 2019*

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

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 Revenue from Contracts with Customers at or before the date of initial application of PFRS 16. The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

*Deferral of the local implementation of Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investment in Associate: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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#### **4. Significant Accounting Judgments and Estimates**

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

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

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

##### Judgments

###### *(a) Classification of Financial Instruments*

The Company classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statements of financial position. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

(b) *Operating Leases*

*Company as a Lessee*

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

Estimates

(a) *Impairment of Loans and Other Receivables*

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

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

The Company assessed that allowance for impairment loss necessary for its loans and receivables as at December 31, 2016 and 2015 amounted to P92.61 million and P55.91 million, respectively (see Note 9).

The carrying value of loans and receivables amounted to P849.02 million and P947.78 million as at December 31, 2016 and 2015, respectively, net of allowance for credit losses (see Note 9).

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

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

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

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

As at December 31, 2016 and 2015, the Company did not recognize impairment on investment in an associate, property and equipment, investment properties and software costs.

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

(c) *Write-down of Motorcycle Inventories to NRV*

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

As at December 31, 2016 and 2015, the carrying value of motorcycle inventories amounted to P103.18 million and P191.21 million, respectively (see Note 13).

(d) *Recognition of Deferred Tax Assets*

The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 20.

(e) *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.

(f) *Valuation of Retirement Liability*

The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement liability are provided in Note 18.

In determining the appropriate discount rate, management considers the interest rates of Philippine government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rate.

As at December 31, 2016 and 2015, the net retirement liability amounted to P1.55 million and P0.61 million, respectively (see Note 18).

*(g) 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 risk and uncertainties into account.

As at December 31, 2016 and 2015, the Company did not recognize provisions nor contingencies related to legal obligations or claims.

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## 5. Fair Value Measurement

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

*Cash and Cash Equivalents*

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

*Loans and Other Receivables*

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

*Notes Payable*

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

*Accounts Payable and Accrued Interest Payable*

The carrying amounts of accounts payable and accrued interest payable approximate fair values due to their short-term maturities.

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## 6. Financial Risk Management Objectives and Policies

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

Credit Risk

*Credit Risk Management and Collateral and Other Credit Enhancements*

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

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

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

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

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

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

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

	2016			2015		
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
<b>Loans and Other Receivables</b>						
Cash and cash equivalents*	P96,800,856	P -	P96,800,856	P17,282,619	P -	P17,282,619
Receivable from customers:						
Consumer	770,797,008	746,006,867	24,790,141	808,827,773	737,555,733	69,272,040
Services	151,855,672	7,155,357	144,700,315	143,957,957	5,853,008	138,004,949
Dividend receivable	-	-	-	36,000,000	-	36,000,000
Other receivables	18,982,734	-	18,982,734	17,011,516	-	17,011,516
Security deposits**	3,384,627	-	3,384,627	1,054,245	-	1,064,245
	<b>P1,041,820,897</b>	<b>P753,162,224</b>	<b>P288,658,673</b>	<b>P1,022,044,110</b>	<b>P743,408,741</b>	<b>P278,635,369</b>

\*Excluding cash on hand

\*\*Presented under 'Other assets - net'

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

	Neither Past Due nor Impaired			2016	Impaired	Total
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired		
<b>Loans and Other Receivables</b>						
Cash and cash equivalents*	P96,800,856	P -	P -	P -	P -	P96,800,856
Receivable from customers:						
Consumer	490,990,459	-	13,924,086	165,398,649	100,483,814	770,797,008
Services	-	-	121,621,267	-	30,234,405	151,855,672
Dividend receivable	-	-	-	-	-	-
Other receivables	-	-	18,982,734	-	-	18,982,734
Security deposits	-	-	3,384,627	-	-	3,384,627
Other investments**	-	-	80,000	-	-	80,000
	<b>P587,791,315</b>	<b>P -</b>	<b>P157,982,714</b>	<b>P165,398,649</b>	<b>P130,718,219</b>	<b>P1,041,900,897</b>

\*Excluding cash on hand

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

	Neither Past Due nor Impaired			2015		Total
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	
				P -	P -	
Loans and Other Receivables						
Cash and cash equivalents*	P17,262,619	P -	P -	P -	P -	P17,262,619
Receivable from customers:						
Consumer Services	456,992,205	-	17,671,417	212,939,832	119,224,319	808,827,773
Dividend receivable	6,628,125	-	116,486,793	13,570,793	7,172,246	143,857,957
Other receivables	36,000,000	-	-	-	-	36,000,000
Security deposits	-	-	17,011,516	-	-	17,011,516
Other investments**	-	-	1,064,245	-	-	1,064,245
	-	-	80,000	-	-	80,000
	P516,902,949	P -	P152,313,971	P226,510,625	P126,396,565	P1,022,124,110

\* Excluding cash on hand

\*\* Includes investments in golf shares which is presented under 'Other assets - not'

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 which have high probability of collection, as evidenced AIB's the 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.

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

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

	2015					Total
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than 120 Days	
Consumer Services	P96,894,524	P68,971,320	P23,533,457	P13,004,335	P10,536,196	P212,939,832
	7,965,317	3,579,304	200,770	1,136,555	688,847	13,570,793
	P104,859,841	P72,550,624	P23,734,227	P14,140,890	P11,225,043	P226,510,625

#### Impairment Assessment

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

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



### Liquidity Risk

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

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

	Carrying Amount	Contractual Maturities 2016					Total
		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	P97,617,641	P97,617,641	P -	P -	P -	P -	P97,617,641
Loans and other receivables							
Receivable from customers							
Consumer	770,797,008	164,121,114	145,715,459	261,538,969	467,306,510	31,965,890	1,070,647,942
Services	151,855,672	125,865,817	14,019,601	24,617,913	44,192,353	12,533,948	221,229,632
Other receivables	18,982,734	4,943,263	4,943,263	9,886,527	-	-	19,773,053
Dividend receivable	-	-	-	-	-	-	-
Security deposits	3,384,627	-	-	-	-	3,384,627	3,384,627
Other investments*	80,000	-	-	-	-	80,000	80,000
	P1,042,717,682	P392,547,835	P164,678,323	P296,043,409	P511,498,863	P47,964,465	P1,412,732,895
<b>Financial Liabilities</b>							
Notes payable	711,186,458	64,476,724	82,776,724	543,933,010	20,000,000	-	711,186,458
Accounts payable	15,717,788	15,717,788	-	-	-	-	15,717,788
Accrued interest	11,194,105	11,194,105	-	-	-	-	11,194,105
	738,098,351	91,388,617	82,776,724	543,933,010	20,000,000	-	738,098,351
<b>Net liquidity gap</b>	<b>P304,619,331</b>	<b>P301,159,218</b>	<b>P81,901,599</b>	<b>(P247,889,601)</b>	<b>P491,498,863</b>	<b>P47,964,465</b>	<b>P674,634,544</b>

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

	Carrying Amount	Contractual Maturities 2015					Total
		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	P 18,406,119	P 18,406,119	P -	P -	P -	P -	P18,406,119
Loans and other receivables							
Receivable from customers							
Consumer	806,827,772	178,295,166	158,329,828	255,720,308	535,951,046	15,613,419	1,143,919,767
Services	143,857,957	125,828,747	16,261,025	24,623,569	31,727,328	8,447,201	206,887,870
Other receivables	17,011,517	4,326,514	4,326,514	4,326,514	4,326,515	-	17,306,057
Dividend receivable	36,000,000	-	36,000,000	-	-	-	36,000,000
Security deposits	1,064,245	-	-	-	-	1,064,245	1,064,245
Other investments*	80,000	-	-	-	-	80,000	80,000
	P1,023,247,610	P326,856,546	P214,917,367	P284,570,391	P572,014,889	P25,204,865	P1,423,664,058
<b>Financial Liabilities</b>							
Notes payable	P843,249,466	P205,199,920	P231,318,103	P319,636,205	P87,095,238	P -	P843,249,466
Accounts payable	27,970,499	27,970,499	-	-	-	-	27,970,499
Accrued interest	16,001,297	16,001,297	-	-	-	-	16,001,297
	P887,221,262	P249,171,716	P231,318,103	P319,636,205	P87,095,238	P -	P887,221,262
<b>Net liquidity gap</b>	<b>P136,026,348</b>	<b>P77,684,830</b>	<b>(P16,400,736)</b>	<b>(P34,965,814)</b>	<b>P484,919,651</b>	<b>P25,204,865</b>	<b>P536,442,796</b>

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

#### *Interest Rate Risk*

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

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

#### *Foreign Exchange Rate Risk*

The Company's exposure to foreign exchange rate risk is deemed minimal for the years ended December 31, 2016 and 2015.

#### *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.

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## **7. Segment Information**

#### *Operating Segments*

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

#### *Rx Cashline Group*

The Rx Cashline Group is tasked with the sales and promotion of the Rx cash line product - loans tailored to medical professionals, and assist in the credit application, investigation, evaluation and approval and loan collection processes.

#### *MFC Factors Group*

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

#### *MC Financing Group*

The MC Financing Group is tasked with the sales and promotion of the MC Financing product - loans to motorcycle buyers, and assist in the credit application, investigation, evaluation and approval and loan collection processes.

#### *Other Segments*

This segment includes real estate-backed business loans and other segments that provide support to its core activities.

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

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

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

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

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

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

Financial information about operating segments follows:

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

	2015				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
<b>Loans and Other Receivables</b>	P100,827,484	P106,060,386	P1,074,691,884	P122,533,940	P1,404,113,694
<b>Results of operation</b>					
Revenues					
Interest income	P21,166,205	P9,148,621	P174,244,436	P6,858,012	P211,417,274
Other income	1,607,058	2,578,232	15,687,803	40,787,135	60,660,228
	22,773,263	11,726,853	189,932,239	47,645,147	272,077,502
Expenses					
Interest expense	4,164,611	2,514,794	36,480,099	1,706,733	44,866,237
Provision for credit losses	2,506,270	1,950,760	14,770,969	-	19,227,999
Operating expenses	4,380,847	1,716,527	159,700,857	-	165,798,231
	11,051,728	6,282,081	210,951,925	1,706,733	229,992,467
Net operating income (loss)	11,721,535	5,444,772	(21,019,686)	45,938,414	42,085,035
Less: Income tax expense (benefit)	4,268,341	2,218,660	(11,928,241)	1,545,384	(3,895,856)
Net income (loss)	P7,453,194	P3,226,112	(P9,091,445)	P44,393,030	P45,980,891
<b>Statement of financial position</b>					
Total assets	P64,132,978	P71,449,222	P930,113,391	P255,269,894	P1,320,965,485
Total liabilities	P64,681,910	P68,038,672	P689,426,339	P78,606,633	P900,753,954
<b>Other segment information</b>					
Capital expenditures	P -	P -	P673,561	P44,275	P717,836
Depreciation and amortization	P -	P -	P1,021,301	P1,393,892	P2,415,193

	2014				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
<b>Loans and Other Receivables</b>	P77,834,119	P75,736,750	P1,040,772,261	P20,448,448	P1,214,791,578
<b>Results of operation</b>					
Revenues					
Interest income	P21,455,935	P5,403,389	P189,802,656	P3,531,643	P220,193,623
Other income	1,785,593	5,167,238	8,013,224	40,172,568	55,138,623
	23,241,528	10,570,627	197,815,880	43,704,211	275,332,246
Expenses					
Interest expense	3,454,545	2,731,296	43,538,099	847,295	50,571,236
Provision for credit losses	4,074,910	260,540	13,108,119	-	17,443,569
Operating expenses	7,094,236	1,398,226	157,634,099	786,160	166,912,721
	14,623,692	4,390,062	214,280,317	1,633,455	234,927,526
Net operating income (loss)	8,617,836	6,180,565	(16,464,437)	42,070,756	40,404,720
Less: Income tax expense (benefit)	2,585,351	1,854,169	(7,284,884)	1,564,905	(1,280,459)
Net income (loss)	P6,032,485	P4,326,396	(P9,179,553)	P40,505,851	P41,685,179
<b>Statement of financial position</b>					
Total assets	P54,149,192	P55,048,544	P942,066,655	P208,903,928	P1,260,168,319
Total liabilities	P36,992,545	P37,606,946	P665,442,330	P140,577,418	P880,619,239
<b>Other segment information</b>					
Capital expenditures	P -	P -	P -	P -	P -
Depreciation and amortization	P6,051	P1,836	P1,252,470	P1,256,787	P2,517,144

## 8. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	2016	2015
Cash equivalents	21	P74,554,022	P -
Cash in banks		22,246,834	17,282,619
Cash on hand		816,785	1,123,500
		<b>P97,617,641</b>	<b>P18,406,119</b>

Cash equivalents include short-term placements with AIB with maturities from three (3) to twelve (12) days at 3.4% interest per annum. Interest income on cash equivalents amounted to P0.26 million and nil in 2016 and 2015, respectively.

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.02% to 0.25% per annum in 2016 and 0.02% to 0.56% per annum in 2015, respectively. Interest income on cash in banks amounted to P0.03 million and P0.04 million in 2016 and 2015, respectively.

## 9. Loans and Other Receivables

This account consists of:

	<i>Note</i>	2016	2015
Receivable from customers:			
Consumer		<b>P1,070,647,942</b>	P1,143,919,767
Services		<b>221,229,632</b>	206,887,870
Other receivables	21	<b>19,773,053</b>	17,306,057
Dividend receivable	21	-	36,000,000
		<b>1,311,650,627</b>	<b>1,404,113,694</b>
Unearned interest income		<b>(337,437,669)</b>	(368,598,332)
Client's equity		<b>(32,577,544)</b>	(31,818,116)
Allowance for credit losses		<b>(92,612,141)</b>	(55,912,524)
		<b>P849,023,273</b>	<b>P947,784,722</b>

The classes of receivable from customers are subdivided according to loans granted to different industries.

Loans and receivables according to product type:

	Note	2016	2015
Motorcycle financing		P895,162,741	P1,065,245,505
Receivables purchased		108,591,813	106,060,386
Rx cash line		111,172,314	100,052,367
Business loans		166,837,270	69,227,883
		<b>1,281,764,138</b>	<b>1,340,586,141</b>
Unearned interest income		(337,437,669)	(368,598,332)
Client's equity		(32,577,544)	(31,818,116)
		<b>911,748,925</b>	<b>940,169,693</b>
Accrued interest receivable		10,113,436	10,221,496
Sales contract receivable		205,064	205,064
Advances to officers and employees		632,061	517,655
Due from affiliates		101,007	101,007
Miscellaneous receivables	21	18,834,921	16,482,331
Dividend receivable	21	-	36,000,000
		<b>941,635,414</b>	<b>1,003,697,246</b>
Allowance for credit losses		(92,612,141)	(55,912,524)
		<b>P849,023,273</b>	<b>P947,784,722</b>

Dividend receivable pertains to the dividends declared by AIB in October 2015 and received by the Company in April 2016 amounting to P36.00 million. AIB has no dividend declarations in 2016.

Miscellaneous receivables consist of receivables from employees resulting from Company loans, other related parties and other non-related parties.

Client's equity represents the amount withheld by the Company as protection against customer returns and allowances and other special adjustments, which is equivalent to 30.00% of the receivables factored.

Interest rates on loans receivable ranges from 1.2% to 2.6% add-on rate per month plus gross receipts tax. Interest income earned from receivable from customers amounted to P209.20 million and P211.41 million in 2016 and 2015, respectively.

Movements in allowance for credit losses follow:

	December 31, 2016				
	Receivable from Customers				
	Construction	Services	Consumer	Others	Total
At January 1	P2,793,048	P5,482,709	P46,687,767	P949,000	P55,912,524
Provisions during the year	-	8,225,600	26,258,203	2,215,814	36,699,617
At December 31	P2,793,048	P13,708,309	P72,945,970	P3,164,814	P92,612,141
Total Impairment	P2,793,048	P13,708,309	P72,945,970	P3,164,814	P92,612,141

	December 31, 2015				
	Receivable from Customers				
	Construction	Services	Consumer	Others	Total
At January 1	P842,288	P2,976,439	P31,916,798	P949,000	P36,684,525
Provisions during the year	1,950,760	2,506,270	14,770,969	-	19,227,999
At December 31	P2,793,048	P5,482,709	P46,687,767	P949,000	P55,912,524
Total Impairment	P2,793,048	P5,482,709	P46,687,767	P949,000	P55,912,524

	December 31, 2014				
	Receivable from Customers			Others	Total
	Construction	Services	Consumer		
At January 1	P581,749	P2,776,062	P29,866,278	P949,000	P34,173,089
Provisions during the year	260,539	4,074,910	13,108,120	-	17,443,569
Recoveries	-	-	18,790,820	-	18,790,820
Write-off	-	(3,874,533)	(29,848,420)	-	(33,722,953)
At December 31	P842,288	P2,976,439	P31,916,798	P949,000	P36,684,525
Total impairment	P842,288	P2,976,439	P31,916,798	P949,000	P36,684,525

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

Under Section 9 of R.A. 8556, a 100% allowance for probable loss should be set up for the following:

- a) Clean loans and advances past due for a period of more than six (6) months;
- b) Past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50% without the borrower offering additional collateral for the loans;
- c) Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;
- d) When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;
- e) Accrued interest receivable that remain uncollected after six (6) months from the maturity date of such loans to which it accrues; and
- f) Accounts receivable past due for 361 days or more.

The Company's recorded provisions are in compliance with the provisioning requirements set out by R.A. No. 8556.

## 10. Investment in an Associate

This account consists of investment in 20% and 36% shares of stock of AIB as at December 31, 2016 and 2015, respectively:

	Note	2016	2015
Cost at the beginning of the year		P75,000,000	P75,000,000
Shares sold (16%)		(33,333,333)	-
Cost at the end of the year		41,666,667	75,000,000
Accumulated equity in net earnings			
Balance at the beginning of the year		48,089,357	79,302,222
Share in net income	21	47,222,206	40,787,135
Dividends	21	-	(72,000,000)
Shares sold		(42,016,140)	-
Balance at the end of the year		53,295,423	48,089,357
		P94,962,090	P123,089,357

In a BOD resolution dated October 27, 2016, a committee was formed and authorized to negotiate, and enter into agreements, including but not limited to contract to sell, deeds of assignment, and such other documents, for the sale of the shares of stock of AIB owned by the Company, under such terms and conditions as may be mutually acceptable to the parties. On December 19, 2016, the Company transferred, assigned and conveyed 4.80 million (16%) shares of stocks of AIB, with a par value of P10.00 per share, for an aggregate par value of P48.00 million, in favor of AIB, for and in consideration of a total purchase price of P159.98 million or P33.33 per share which resulted to a gain of P84.63 million (see Note 21). The related capital gains tax amounting to P12.00 million was accrued as at December 31, 2016 (see Note 15).

The following illustrates the summarized financial information of AIB:

	2016	2015
Total assets	P2,309,304,217	P4,822,108,958
Total liabilities	1,801,390,540	4,170,398,520
	507,913,677	651,710,438
Net unrealized gain on the Company's shares held and classified by AIB as AFS financial assets	(195,985,211)	(308,128,392)
	311,928,466	343,582,046
Proportion of the Company's ownership	20%	36%
Company's share of AIB's net assets	P62,385,693	P123,689,537
Income	P320,871,726	P295,824,997
Expenses	174,734,019	168,821,566
Income before income tax	146,137,707	127,003,431
Provision for income tax	13,019,810	13,705,835
Net income	P133,117,897	P113,297,596
Share in net income		
36%*	P46,346,911	P40,787,135
20%**	875,295	-
Total share in net income	P47,222,206	P40,787,135

\*36% from January 1, 2016 to December 19, 2016

\*\*20% from December 20, 2016 to December 31, 2016

Share in net income in 2015 represents 36% ownership. In 2016, share in net income represents 36% ownership until date of sale and 20% ownership subsequent to the sale until year-end.



## 11. Property and Equipment

The rollforward analysis of this account follows:

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

	2015			Total
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	
<b>Cost</b>				
At January 1	P9,679,749	P1,383,237	P4,650,299	P15,713,285
Additions	471,945	41,444	204,447	717,836
Disposals	-	-	-	-
At December 31	10,151,694	1,424,681	4,854,746	16,431,121
<b>Accumulated Depreciation and Amortization</b>				
At January 1	7,348,381	694,959	2,118,847	10,162,187
Depreciation and amortization	1,560,340	194,140	660,713	2,415,193
Disposals	-	-	-	-
At December 31	8,908,721	889,099	2,779,560	12,577,380
<b>Carrying Amount</b>	<b>P1,242,973</b>	<b>P535,582</b>	<b>P2,075,186</b>	<b>P3,853,741</b>

Motorcycle inventories are transferred to transportation equipment when these are used in the business operations by the employees (see Note 13). The transportation equipment is valued at the inventory's carrying amount. In 2016 and 2015, the Company transferred motorcycle inventories amounting to P0.67 million and P0.16 million, respectively (shown as additions). In 2016, the Company transferred from transportation equipment to motorcycle inventories amounting to P0.96 million (shown as disposals).

As at December 31, 2016 and 2015, the Company has fully depreciated property and equipment that are still in use with original cost amounting to P2.28 million and P1.75 million, respectively.

As at December 31, 2016 and 2015, there were no property and equipment pledged as collateral for liabilities.

## 12. Investment Properties - net

This account consists of cost of land:

	2016	2015
Cost	P3,544,001	P3,544,001
Allowance for impairment losses		
Balance at beginning of the year	(939,533)	(939,533)
Balance at end of the year	(939,533)	(939,533)
	P2,604,468	P2,604,468

The aggregate fair value of the investment properties of the Company amounted to P4.33 million as at December 31, 2016 and 2015. No sale of investment property occurred in 2016 and 2015. The fair value of the Company's investment properties was estimated on the basis of recent sales of similar properties in the same areas taking into account the economic conditions prevailing at the time the valuations were made. The unit of comparison applied by the Company is the price per square meter. The fair value of the investment properties is based on Level 2 hierarchy.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to P2,906 and P1,171 in 2016 and 2015 reported under 'Taxes and licenses' in the statements of comprehensive income.

No income was generated relating to these investment properties in 2016 and 2015.

## 13. Other Assets - net

This account consists of:

	Note	2016	2015
Motorcycle inventories	11	P103,177,184	P191,205,760
Prepaid expenses		3,722,630	3,119,237
Security deposits		3,384,627	1,064,245
Software costs		484,122	467,633
Other investments		80,000	80,000
		P110,848,563	P195,936,875

Motorcycle inventories pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. These units are intended for immediate resale. Loss from sale and write-down of motorcycle inventories included in profit or loss amounted to P104.70 million, P44.00 million and P48.73 million in 2016, 2015 and 2014, respectively.

The movements in software costs follow:

	2016	2015
<b>Cost</b>		
At January 1	P4,523,179	P4,362,136
Additions	346,817	161,043
At December 31	4,869,996	4,523,179
<b>Accumulated Amortization</b>		
At January 1	4,055,546	3,660,588
Amortization for the year	330,328	394,958
Accumulated amortization	4,385,874	4,055,546
At December 31	P484,122	P467,633

#### 14. Notes Payable

This account consists of:

	Note	2016	2015
Related parties	21	P413,106,895	P563,153,363
Banks		288,379,563	270,096,103
Individuals		9,700,000	10,000,000
		P711,186,458	P843,249,466

Interest rates from borrowings range from 4.00% to 6.75% per annum in 2016 and 2015.

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

Notes payable to related parties and individuals are unsecured, with maturity of up to one (1) year. Notes payable to banks are secured, with maturity of up to three (3) years.

As at December 31, 2016 and 2015, the notes payable to banks were 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:

	2016		2015	
	Carrying Amount	Secured Notes	Carrying Amount	Secured Notes
Motorcycle financing	P377,519,712	P288,379,563	P369,482,391	P270,096,104

## 15. Accrued Expenses

This account consists of:

	Note	2016	2015
Accrued capital gains tax	10	P11,995,000	P -
Accrued interest	21	11,194,105	16,001,297
Accrued taxes		3,769,612	2,958,189
Accrued occupancy costs		3,327,362	286,496
Accrued management and professional fees		2,084,266	3,757,949
Accrued administrative expenses		893,428	2,765,436
Accrued insurance payable		553,332	508,425
Others		3,733,013	2,287,219
		<b>P37,550,118</b>	<b>P28,565,011</b>

Others include accrual on SSS, Pag-ibig and Philhealth payable.

## 16. Maturity Analysis of Assets and Liabilities

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

	2016			2015		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
<b>Financial Assets</b>						
Cash and cash equivalents	P97,617,641	P -	P97,617,641	P18,406,119	P -	P18,406,119
Loans and other receivables - gross	755,651,926	555,998,701	1,311,650,627	808,038,185	P596,075,509	1,404,113,694
Other assets	-	3,464,627	3,464,627	-	1,144,245	1,144,245
	<b>853,269,567</b>	<b>559,463,328</b>	<b>1,412,732,895</b>	<b>826,444,304</b>	<b>597,219,754</b>	<b>1,423,664,058</b>
<b>Nonfinancial Assets</b>						
Investment in an associate	-	94,962,090	94,962,090	-	123,089,357	123,089,357
Property and equipment	-	14,823,832	14,823,832	-	3,853,741	3,853,741
Investment properties - gross	-	3,544,001	3,544,001	-	3,544,001	3,544,001
Deferred tax assets	-	57,706,296	57,706,296	-	29,290,203	29,290,203
Other assets	106,899,814	484,122	107,383,936	194,324,996	467,634	194,792,630
	<b>106,899,814</b>	<b>171,520,341</b>	<b>278,420,155</b>	<b>194,324,996</b>	<b>160,244,936</b>	<b>354,569,932</b>
<b>Less: Allowance for credit and impairment losses</b>						
Unearned interest income	(220,752,554)	(116,685,115)	(337,437,669)	(42,858,641)	(325,739,691)	(368,598,332)
Client's equity	(32,577,544)	-	(32,577,544)	(31,818,116)	-	(31,818,116)
	<b>(253,330,098)</b>	<b>(210,236,789)</b>	<b>(463,566,887)</b>	<b>(74,676,757)</b>	<b>(382,591,748)</b>	<b>(457,268,505)</b>
	<b>P706,839,283</b>	<b>P520,746,880</b>	<b>P1,227,586,163</b>	<b>P946,092,543</b>	<b>P374,872,942</b>	<b>P1,320,965,485</b>
<b>Financial Liabilities</b>						
Notes payable	P691,186,458	P20,000,000	P711,186,458	P756,154,228	P67,095,238	P843,249,466
Accounts payable	15,717,788	-	15,717,788	27,970,499	-	27,970,499
Accrued interest	11,194,105	-	11,194,105	16,001,297	-	16,001,297
	<b>718,098,351</b>	<b>20,000,000</b>	<b>738,098,351</b>	<b>800,126,024</b>	<b>67,095,238</b>	<b>887,221,262</b>
<b>Nonfinancial Liabilities</b>						
Accrued expenses	26,356,013	-	26,356,013	12,563,714	-	12,563,714
Retirement liability	-	1,549,370	1,549,370	-	613,221	613,221
Income tax payable	1,489,950	-	1,489,950	355,757	-	355,757
	<b>27,845,963</b>	<b>1,549,370</b>	<b>29,395,333</b>	<b>12,919,471</b>	<b>613,221</b>	<b>13,532,692</b>
	<b>P745,944,314</b>	<b>P21,549,370</b>	<b>P767,493,684</b>	<b>P813,045,495</b>	<b>P87,708,459</b>	<b>P900,753,954</b>

## 17. Equity

On July 28, 2016, the BOD and stockholders approved the declaration of 3.29% stock dividends in the amount of P6,897,073 to stockholders of record as of August 26, 2016 with distribution date not later than September 21, 2016. On the same date, the BOD also approved the declaration of cash dividends amounting to P6,897,133. Fractional shares related to this declaration were settled in cash with a total amount of P61.00.

On July 30, 2015, the BOD and stockholders approved the declaration of 3.08% stock dividends in the amount of P6,252,710 to stockholders of record as of August 27, 2015 with distribution date not later than September 22, 2015. On the same date, the BOD also approved the declaration of cash dividends amounting to P6,252,777. Fractional shares related to this declaration were settled in cash with a total amount of P67.00.

On July 31, 2014, the BOD and stockholders approved the declaration of 1.73% stock dividends in the amount of P3,465,553 to stockholders of record as of August 28, 2014 with distribution date not later than September 23, 2014. On the same date, the BOD also approved the declaration of cash dividends amounting to P3,465,588. Fractional shares related to this declaration were settled in cash with a total amount of P36.00.

As at December 31, 2016, the Company has 216,462,556 common shares issued and outstanding which were owned by 103 shareholders.

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

	2016		2015		2014	
	Number of Shares	Amount	Number of Shares	Amount	Number Of Shares	Amount
Authorized - 300,000,000 shares, P1 par value						
At January 1	209,565,483	P209,565,483	203,312,773	P203,312,773	199,847,220	P199,847,220
Stock dividends	6,897,073	6,897,073	6,252,710	6,252,710	3,465,553	3,465,553
At December 31	216,462,556	P216,462,556	209,565,483	P209,565,483	203,312,773	P203,312,773

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

The block sale effectively reduced AIB's ownership of the company from 69.42% to 42.46% as at December 31, 2016.

### Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital. No changes were made in the objectives, policies or processes in 2016.

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

- (a) minimum paid-up capital of P10.00 million; and
- (b) additional capital requirements for each branch of P1.00 million for branches established in Metro Manila, P0.50 million for branches established in other classes of cities and P0.25 million for branches established in municipalities.

For the years ended December 31, 2016 and 2015, the Company was in compliance with the minimum paid-up capital.

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

The Company's retained earnings representing the accumulated share in the net income of an associate amounting to P53.30 million and P48.09 million as at December 31, 2016 and 2015, respectively, is not available for declaration as dividend.

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## 18. Retirement Plan

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

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

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

Net benefit cost 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:

	2016	2015
<b>Components of retirement benefit liability recorded in profit or loss as retirement benefit expense</b>		
Current service cost	P2,117,250	P1,969,369
Net interest expense:		
Interest expense	320,352	226,123
Interest income on plan assets	(290,366)	(257,210)
Interest expense on effect of asset ceiling	-	1,336
	<b>2,147,236</b>	<b>1,939,618</b>
<b>Components of retirement benefit liability recorded in OCI</b>		
Remeasurement gain on defined benefits obligation	(1,184,373)	(680,475)
Remeasurement loss (gain) on plan assets	(26,714)	47,760
Remeasurement gain on the change in the effect of asset ceiling	-	(31,087)
	<b>(1,211,087)</b>	<b>(663,802)</b>
<b>Total components of retirement benefit liability</b>	<b>P936,149</b>	<b>P1,275,816</b>

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

	2016	2015
Present value of retirement benefits obligation	P7,804,403	P6,551,174
Fair value of plan assets	(6,255,033)	(5,937,953)
<b>Net defined benefit liability</b>	<b>P1,549,370</b>	<b>P613,221</b>

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

	2016	2015
Balance at beginning of year	P6,551,174	P5,036,157
Current service cost	2,117,250	1,969,369
Interest expense	320,352	226,123
Remeasurement gains on obligation arising from:		
Change in financial assumptions	(543,030)	(386,800)
Experience adjustment	(641,343)	(293,675)
<b>Balance at end of year</b>	<b>P7,804,403</b>	<b>P6,551,174</b>

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

	2016	2015
Balance at beginning of year	P5,937,953	P5,728,503
Interest income	290,366	257,210
Remeasurement loss on plan assets	26,714	(47,760)
<b>Balance at end of year</b>	<b>P6,255,033</b>	<b>P5,937,953</b>

The changes in the effect of asset ceiling are as follows:

	2016	2015
Balance at beginning of year	P -	P29,751
Remeasurement (gain) on the change in the effect of asset ceiling	-	(31,087)
Interest expense on effect of asset ceiling	-	1,336
Balance at end of year	P -	P -

Changes in the retirement benefit liability follow:

	2016	2015
Balance at beginning of year	P613,221	(P662,595)
Current service cost	2,117,250	1,969,369
Net interest cost on the retirement liability	29,986	(31,087)
Remeasurement loss (gain) on plan assets	(26,714)	47,760
Actuarial gains on retirement liability arising from:		
Experience adjustment	(641,343)	(293,675)
Changes in assumptions	(543,030)	(386,800)
Changes in the effect of asset ceiling	-	(29,751)
Balance at end of year	P1,549,370	P613,221

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

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

	2016	2015
Cash and cash equivalents	P900,725	P916,820
AFS financial assets	5,049,688	4,828,743
Accrued and other receivables	304,620	192,390
	P6,255,033	P5,937,953

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

In 2016 and 2015, the cash and cash equivalent and AFS financial assets have high grade credit quality while accrued and other receivable have standard credit quality.

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	
	2016	2015
Discount rate	5.38%	4.89%
Future salary increases	5.00%	5.00%
Average remaining working life (in years)	28.4	29.1



Assumptions for mortality and disability rate are based on the adjusted 1994 Group Annuity Mortality Table in which separate rates were used for males and females and the 1952 Disability Study of the US Society for 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 reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase (decrease) in basis points	Increase (decrease) in present value of obligation
Discount rates	+100 basis point	(P866,640)
	-100 basis point	1,015,121
Salary increase rates	+100 basis point	934,531
	-100 basis point	(820,757)

The Company does not expect to contribute to the defined benefit plan in 2017.

The Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due.

The plan assets' concentration risks are limited to financial services.

The average duration of the defined benefit plan at the end of the reporting date is 15.9 years.

## 19. Miscellaneous

Miscellaneous income consists of the following items:

	2016	2015	2014
Penalties	P11,735,907	P12,049,746	P10,402,716
Recoveries	6,812,744	3,150,287	3,190,667
Others	95,410	97,705	71,297
	P18,644,061	P15,297,738	P13,664,680

Miscellaneous expenses consist of the following items:

	2016	2015	2014
Communication	P2,837,607	P1,979,600	P2,160,189
Insurance	2,494,214	1,914,363	2,056,586
Stationeries and supplies	1,653,120	1,823,387	3,898,197
Repairs and maintenance	623,579	500,767	336,891
Meetings and conferences	518,330	210,934	370,938
Training and development	201,748	148,118	175,990
Others	746,016	797,226	665,876
	P9,074,614	P7,374,395	P9,664,667

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

## 20. Income Taxes

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

The components of the Company's income tax expense (benefit) for the years ended December 31, 2016, 2015 and 2014 follow:

	2016	2015	2014
Current:			
MCIT	P2,833,371	P -	P -
RCIT	-	3,811,044	7,148,309
Deferred	(29,180,987)	(7,706,900)	(8,428,768)
	<b>(P26,347,616)</b>	<b>(P3,895,856)</b>	<b>(P1,280,459)</b>

The components of deferred tax assets follow:

	2016	2015	2014
Deferred tax assets on:			
Allowance for impairment and credit losses	P27,783,642	P16,773,757	P11,005,357
Inventory write-down of motorcycle	19,302,690	13,216,658	11,246,415
NOLCO	11,135,654	-	-
Accrued expenses	981,160	-	-
Past service cost	80,095	111,839	143,582
	<b>59,283,241</b>	<b>30,102,254</b>	<b>22,395,354</b>
Deferred tax liabilities on:			
Remeasurement gain on defined benefit obligation	1,576,945	812,051	1,082,654
	<b>P57,706,296</b>	<b>P29,290,203</b>	<b>P21,312,700</b>

The Company incurred a NOLCO of P37.12 million for the year ended December 31, 2016. This will be carried over as a deduction from taxable income and will expire after the year ending December 31, 2019.

The Company did not recognize deferred tax asset on the MCIT amounting to P2.83 million as at December 31, 2016.

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

	2016	2015	2014
Income before income tax	<b>P19,984,333</b>	P42,085,035	P40,404,720
Income tax computed at statutory rate (30%)	<b>P5,995,300</b>	P12,625,511	P12,121,416
Additions to (reduction in) income tax resulting from the tax effects of:			
Nondeductible expense	<b>4,089,080</b>	1,296,305	-
Non-deductible interest expense	<b>35,467</b>	4,747	4,085
Interest income subjected to final tax and dividend income	<b>(85,982)</b>	(11,507)	(9,903)
Tax exempt income and nontaxable income	<b>(39,621,496)</b>	(12,236,141)	(11,863,615)
Others	<b>3,240,015</b>	(5,574,771)	(1,532,442)
Effective income tax benefit	<b>(P26,347,616)</b>	(P3,895,856)	(P1,280,459)

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

R.A. No. 9504, *An Act Amending National Internal Revenue Code*, provides that, the optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Company elected to claim itemized expense deductions instead of OSD.

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to P0.61 million, P0.24 million and P1.74 million in 2016, 2015 and 2014, respectively.

## 21. Related Party Transactions

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

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

The following transactions have been entered into with related parties:

Category/Transaction	Ref	2016			2015		
		Amount of Due to	Due from Related Parties	Amount of Transactions Related Parties	Due from Related Parties	Due to Related Parties	Nature, Terms and Condition
<i>Parent Company</i>							
<i>Amalgamated Investment Bancorporation</i>							
Miscellaneous receivables	a	P -	P80,514	P -	P80,514	P -	Non-interest bearing, unsecured; no impairment
Notes payable	b	-	364,900,000	-	-	484,500,000	Unsecured, 1-year interest bearing placement at 5.75% annual interest rate
Availments		-	-	-	-	-	
Settlements		-	-	-	-	-	
Interest expense		29,062,864	-	31,048,706	-	9,710,632	
Share in net income of an associate	c	47,222,206	-	40,787,135	-	-	Share in income from investee's profit
Dividends		36,000,000	-	36,000,000	-	36,000,000	Cash dividend received from AIB
Gain on sale of AIB shares	d	84,634,627	-	-	-	-	Gain on sale of 4,800,000 shares sold to AIB for P33.33/share
Short-term placements	e	600,711,817	-	-	-	-	Short-term interest bearing placements at 3.4% annual interest rate
Interest income		257,796	-	-	-	-	
<i>Other Related Parties</i>							
<i>Motor Ace Philippines Inc.</i>							
Miscellaneous Receivables	a	-	1,903,297	-	-	2,381,267	Non-interest bearing, unsecured; no impairment
Availments		322,379	-	361,693	-	-	
Settlements		800,349	-	132,134	-	-	
<i>Forward</i>							

		2016			2015		
Category/Transaction	Ref	Amount of Due from Related Parties	Outstanding Balances Due to Related Parties	Amount of Transactions Related Parties	Outstanding Balances Due from Related Parties		Nature, Terms and Condition
Accounts payable	f	P213,727,286	P6,985,826	P357,660,360	P -	P22,527,325	30-day unsecured, non-interest bearing
Settlements		229,268,786	-	352,413,226	-	-	
Honda Motor World Inc							
Miscellaneous receivables	a	-	-	-	2,345,171	-	Non-interest bearing, unsecured; no impairment
Accounts payable		114,049	-	-	-	-	
Settlements		13,127	-	-	-	-	
Accounts payable	f	68,828,867	5,998,224	73,665,047	-	4,580,255	30-day unsecured, non-interest bearing
Accounts payable		67,413,898	-	75,227,428	-	-	
Settlements		13,300,000	-	-	-	-	
Notes payable	b	-	-	-	-	-	Unsecured, interest-bearing placement at 10.0% annual interest rate
Accounts payable		13,300,000	-	-	-	-	
Settlements		42,472	-	-	-	-	
Pikeville Bancshares		1,102,080	-	1,102,080	-	-	Payment of professional fees for consultancy
Professional fees							
MERG Realty Development Corporation							
Miscellaneous Receivables	a	-	18,057	-	18,057	-	Non-interest bearing, no impairment
Accounts payable		-	-	-	-	-	
Settlements		-	-	-	-	-	
Notes Payable	b	-	13,000,000	23,000,000	-	13,000,000	Unsecured interest-bearing placement at 5.5% annual interest rate; no impairment
Notes Payable		-	-	-	-	-	
Settlement expense		726,917	726,917	830,653	830,653	830,653	
Interest expense		-	-	-	-	-	
Directors and other stockholders		-	-	-	-	-	
Notes payable	b	-	35,206,895	8,046,219	-	65,653,363	Unsecured, 1-year interest bearing placement at 6.0% annual interest rate
Notes payable		-	-	-	-	-	
Accounts payable		19,771,610	-	11,968,762	-	-	
Settlements		60,218,078	1,054,752	4,636,886	-	1,875,699	
Interest expense		2,539,861	-	-	-	-	
Professional fees and other management fees		4,379,191	-	4,789,339	-	-	Payment of professional fees
TOTAL		P4,447,961	P433,900,278	P40,842,788	P602,677,927		

- a. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement.
- b. As at December 31, 2016 and 2015, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P413.11 million and P563.15 million, respectively, and P7.81 million and P12.42 million, respectively. Interest expense from these borrowings amounted to P32.37 million and P36.52 million in 2016 and 2015, respectively (see Note 14).

Borrowings availed from related parties amounted to P86.47 million and P53.05 million in 2016 and 2015, respectively. Settlement from borrowings amounted to P236.52 million and P206.27 million in 2016 and 2015, respectively. Interest rates from borrowings range from 5.5% to 10% and from 5.5% to 6.25% in 2016 and 2015, respectively. Borrowings from related parties are unsecured and to be settled in cash.

- c. Share in net income of an associate is the share of the Company in the net income of its associate (see Note 10).
- d. Gain on sale of AIB shares resulted from the buy-back transaction of AIB of its own 4.8 million shares with a cost of P33.33 million and accumulated equity in net earnings of P42.02 million, for a total purchase price of P159.98 million (see Note 10).
- e. In 2016, the Company had short-term placements with AIB amounting to P600.71 million. As at December 31, 2016, P74.55 million of these placements remain outstanding. Interest income from these placements amounted to P0.26 million and nil in 2016 and 2015, respectively (see Note 8).
- f. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to P17.07 million and P15.64 million in 2016 and 2015, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

## 22. Earnings Per Share (EPS)

EPS amounts were calculated as follows:

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

The weighted average number of outstanding common shares in 2016 and 2015 was recomputed after giving retroactive effect to stock dividends declared on July 28, 2016, July 30, 2015, and July 31, 2014, however, the impact to the EPS was immaterial (see Note 17).

### 23. Lease Commitment

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

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

	2016	2015
Less than one year	P8,836,109	P7,360,000
Between one and five years	24,795,708	3,577,728
	<b>P33,631,817</b>	<b>P10,937,728</b>

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

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

The following are the tax information required for the taxable year ended December 31, 2016 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 2016 consist of the following:

Capital gains tax (CGT)	P11,995,000
Gross receipts tax (GRT)	11,615,294
Documentary stamp tax (DST) on loan instruments	4,280,124
License and permit fees	2,443,618
	<b>P30,334,036</b>

As at December 31, 2016, accrued CGT, GRT and DST amounted to P11.99 million, P1.13 million and P0.3 million, respectively.

#### B. Withholding taxes

Details of the withholding taxes as at December 31, 2016 follow:

Expanded withholding taxes	P10,206,603
Withholding taxes on compensation and benefits	6,489,747
	<b>P16,696,350</b>

**C. Tax Cases**

As at December 31, 2016, the Company has no pending tax court cases.

**D. Tax Assessment**

As at December 31, 2016, the Company has no pending tax assessment.

The Company received a Letter of Authority no. eLA201100080446 from BIR in August 2015 to examine the books of accounts and other accounting records for the tax period ended December 31, 2014. In 2016, the Company settled the assessment with the BIR.





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## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 2016, included in this SEC Form 17-A, and have issued our report thereon dated April 4, 2017.

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

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of Conglomerate
- Schedule of Financial Soundness Indicators
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

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

### R.G. MANABAT & CO.

  
DENNIS I. ILAN

Partner

CPA License No. 089564

SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018

Tax Identification No. 161-313-405

BIR Accreditation No. 08-001987-28-2014

Issued September 26, 2014; valid until September 25, 2017

PTR No. 5904928MD

Issued January 3, 2017 at Makati City

April 4, 2017  
Makati City, Metro Manila

## Makati Finance Corporation

### SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS

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

## Makati Finance Corporation

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements	✓		
<b>PFRS 8</b>	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
<b>PFRS 9</b>	Financial Instruments		✓*	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
<b>PFRS 9 (2014)</b>	Financial Instruments		✓*	

## Makati Finance Corporation

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>PFRS 10</b>	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts	✓		
<b>PFRS 15</b>	Revenue from Contracts with Customers		✓*	
<b>PFRS 16</b>	Leases		✓*	

## Makati Finance Corporation

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative		✓*	
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓*	
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		

\*These standards will be effective subsequent to January 1, 2016 and were not adopted early by the company. 4

## Makati Finance Corporation

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone	✓		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs			✓
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27 (Amended)</b>	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓*	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value			✓
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓		
<b>PAS 33</b>	Earnings per Share	✓		

## Makati Finance Corporation

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

## Makati Finance Corporation

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓



## Makati Finance Corporation

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs	✓		
<b>Philippine Interpretations Committee Questions and Answers</b>				✓
<b>PIC Q&amp;A 2006-01</b>	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
<b>PIC Q&amp;A 2006-02</b>	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
<b>PIC Q&amp;A 2007-01 - Revised</b>	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
<b>PIC Q&amp;A 2007-02</b>	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
<b>PIC Q&amp;A 2007-03</b>	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)	✓		
<b>PIC Q&amp;A 2007-04</b>	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
<b>PIC Q&amp;A 2008-01 - Revised</b>	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
<b>PIC Q&amp;A 2008-02</b>	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
<b>PIC Q&amp;A 2009-01</b>	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
<b>PIC Q&amp;A 2009-02</b>	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
<b>PIC Q&amp;A 2010-01</b>	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
<b>PIC Q&amp;A 2010-02</b>	PAS 1R.16 - Basis of preparation of financial statements	✓		
<b>PIC Q&amp;A 2010-03</b>	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
<b>PIC Q&amp;A 2011-01</b>	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
<b>PIC Q&amp;A 2011-02</b>	PFRS 3.2 - Common Control Business Combinations			✓
<b>PIC Q&amp;A 2011-03</b>	Accounting for Inter-company Loans	✓		
<b>PIC Q&amp;A 2011-04</b>	PAS 32.37-38 - Costs of Public Offering of Shares			✓

## Makati Finance Corporation

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>PIC Q&amp;A 2011-05</b>	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
<b>PIC Q&amp;A 2011-06</b>	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
<b>PIC Q&amp;A 2012-01</b>	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
<b>PIC Q&amp;A 2012-02</b>	Cost of a New Building Constructed on the Site of a Previous Building			✓
<b>PIC Q&amp;A 2013-01</b>	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
<b>PIC Q&amp;A 2013-02</b>	Conforming Changes to PIC Q&As - Cycle 2013			✓
<b>PIC Q&amp;A 2013-03 (Revised)</b>	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		
<b>PIC Q&amp;A 2015-01</b>	Conforming Changes to PIC Q&As - Cycle 2015			✓
<b>PIC Q&amp;A 2016-01</b>	Conforming Changes to PIC Q&As - Cycle 2016			✓
<b>PIC Q&amp;A 2016-02</b>	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity	✓		
<b>PIC Q&amp;A 2016-04</b>	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓

**Legend:**

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

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

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

**EXHIBIT II  
 MAKATI FINANCE CORPORATION  
 SCHEDULE OF RETAINED EARNINGS  
 AVAILABLE FOR DIVIDEND DECLARATION  
 DECEMBER 31, 2016**

<b>UNAPPROPRIATED RETAINED EARNINGS - BEGINNING</b>		<b>P200,796,673</b>
<b>LESS: ADJUSTMENTS</b>		
Accumulated equity in net income of an associate		<b>(48,089,357)</b>
Deferred tax asset		<b>(30,102,254)</b>
<b>ADD: NET INCOME ACTUALLY EARNED DURING THE YEAR</b>		
Net income during the period	P46,331,949	
Deferred tax benefit during the year	(29,180,987)	
Equity in net income of an associate	(47,222,206)	<b>(30,071,244)</b>
<b>LESS: DIVIDENDS DECLARED DURING THE YEAR</b>		<b>(13,794,267)</b>
<b>RETAINED EARNINGS AVAILABLE FOR DIVIDENDS</b>		<b>P78,739,551</b>

**EXHIBIT IV**  
**MAKATI FINANCE CORPORATION**  
**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**December 31, 2016**

**Schedule A. Financial Assets**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Short-term placements <i>Amalgamated Investment Bancorporation</i>	N/A	P74,554,022	P257,796

**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
Lumongsod, Rommel	P37,500	P363,001	P26,027	P -	P350,724	P23,750	P374,474
Cutchon, Carl Angelo	51,253	106,251	48,718	-	90,547	18,239	108,786
De Guzman, Mary Rose	34,137	79,401	10,970	-	75,752	26,816	102,568
Mata, Mario	47,432	152,651	99,165	-	82,919	17,999	100,918

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Dividends receivable <i>Amalgamated Investment Bancorporation</i>	P36,000,000	P -	P36,000,000	P -	P -	P -	P -
Miscellaneous receivable <i>Amalgamated Investment Bancorporation</i>	181,521	-	-	-	-	181,521	181,521

**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
Pushtech/IFCA	P7,019	P -	P7,019	P -	P -	P -
Accounting Sytem QNE	20,502	-	12,678	-	-	7,824
Intellisart	12,584	-	13,455.00	-	-	(871)
Windows 7 Professional OEM License	55,809	-	13,332.00	-	-	42,477
Other Software Cost	371,719	-	232,829	-	-	138,890
Web hosting domain	7,019	-	663	-	-	2,745
Web hosting domain services	-	3,409	1,420	-	-	1,989
HRIS Support	-	3,408	2,489	-	-	3,111
Sophos router Firewall License	-	5,600	41,597	-	-	257,903
Access point 55C 34900	-	299,500	4,847	-	-	30,053
<b>TOTAL</b>	<b>P467,633</b>	<b>P 346,817</b>	<b>P330,328</b>	<b>P -</b>	<b>P -</b>	<b>P484,122</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	Interest rate	Maturity Date
Notes Payable <i>Land Bank of the Philippines</i>	P20,000,000		P -	5%	February 1, 2019

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

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

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

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

## Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	94,069,514	94,069,514	-	-		94,069,514
COMMON	61,518,093	61,518,093	-	61,518,093		
COMMON	15,363,678	15,363,678	-			15,363,678
COMMON	8,957,039	8,957,039	-		8,957,039	
COMMON	7,073,475	7,073,475	-			7,073,475
COMMON	6,036,843	6,036,843	-		6,036,843	
COMMON	5,418,081	5,418,081	-			5,418,081
COMMON	5,158,586	5,158,586	-			5,158,586
COMMON	4,952,476	4,952,476	-		4,952,476	
COMMON	2,180,569	2,180,569	-		2,180,569	
COMMON	1,068,645	1,068,645	-		1,068,645	
COMMON	642,753	642,753	-			642,753
COMMON	421,005	421,005	-			421,005
COMMON	374,032	374,032	-			374,032
COMMON	257,902	257,902	-			257,902
COMMON	257,902	257,902	-			257,902
COMMON	257,902	257,902	-			257,902
COMMON	257,902	257,902	-			257,902
COMMON	257,902	257,902	-			257,902
COMMON	257,902	257,902	-			257,902
COMMON	247,600	247,600	-			247,600
COMMON	240,291	240,291	-			240,291
COMMON	217,690	217,690	-			217,690



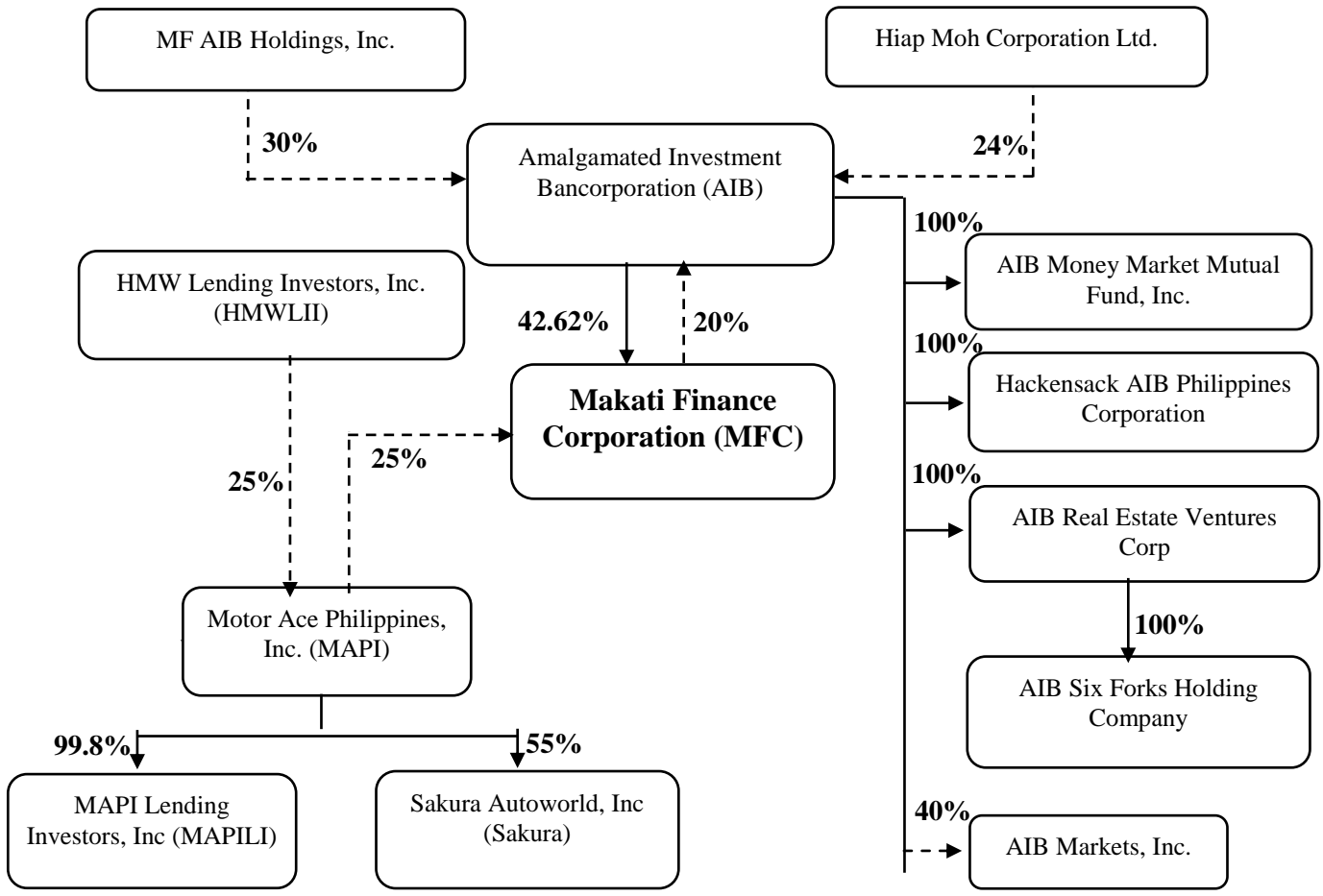




Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by
COMMON	2,031	2,031	-	2,031
COMMON	2,031	2,031	-	2,031
COMMON	2,031	2,031	-	2,031
COMMON	2,031	2,031	-	2,031
COMMON	1,300	1,300	-	1,300
COMMON	1,128	1,128	-	1,128
COMMON	844	844	-	844
COMMON	644	644	-	644
COMMON	635	635	-	635
COMMON	438	438	-	438
COMMON	337	337	-	337
COMMON	233	233	-	233
COMMON	94	94	-	94
COMMON	94	94	-	94
COMMON	94	94	-	94
COMMON	94	94	-	94
COMMON	62	62	-	62
COMMON	29	29	-	29
COMMON	29	29	-	29
COMMON	29	29	-	29
COMMON	29	29	-	29
COMMON	15	15	-	15
COMMON	15	15	-	15
COMMON	15	15	-	15

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		
COMMON	15	15	-	15		
COMMON	13	13	-		13	
COMMON	1	1	-	1		
COMMON	1	1	-	1		
<b>TOTAL</b>	<b>216,462,556</b>	<b>216,462,556</b>	<b>-</b>	<b>61,518,093</b>	<b>23,197,664</b>	<b>131,746,799</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, 2016**



**Legend:**

- - - Associate
- Subsidiary



**EXHIBIT VI**  
**MAKATI FINANCE CORPORATION**  
**SCHEDULE SHOWING FINANCIAL SOUNDNESS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2016**

	2016	2015
<b>SOLVENCY AND LIQUIDITY RATIOS</b>		
Current ratio	94.77%	116.42%
Debt to equity ratio	166.81%	214.36%
Quick ratio	114.39%	92.39%
<b>PROFITABILITY RATIOS</b>		
Return on assets	3.77%	3.48%
Return on equity	10.07%	10.94%
Net profit margin	16.97%	24.68%
<b>ASSET TO EQUITY RATIO</b>	<b>266.81%</b>	<b>314.36%</b>
<b>INTEREST RATE COVERAGE RATIO</b>	<b>1.44</b>	<b>1.94</b>
<b>OTHER RELEVANT RATIOS</b>		
Ratio or percentage of total real estate investments to total assets	0.21%	0.20%
Total receivables to total assets	69.16%	71.75%
Total DOSRI receivables to net worth	0.00%	0.00%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	0.22%	0.25%
Honda Motor World, Inc.	0.29%	0.25%
Amalgamated Investment Bancorporation	0.02%	0.02%
MAPI Lending Investors, Inc.	0.01%	0.01%
Seine Garments Corporation	0.01%	0.01%

Computation for the Ratios:

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

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**REPORTS ON SEC FORM 17-C**

**ANNEX B**

**MAKATI FINANCE**  
FINANCIAL SERVICES AND ADVISORY

May 13, 2016

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

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

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

Attention : **Ms. Janet A. Encarnacion**  
Head, Disclosure Department

Gentlemen:

We are submitting herewith SEC 17-C to disclose the sale of 52,391,371 common shares of Makati Finance Corporation (MFC) by way of a special block sale today May 13, 2016, as approved by the Philippine Stock Exchange.

We are making this disclosure in compliance with the rules and regulations of the Securities and Exchange Commission and Continuing Listing Requirements of the Philippine Stock Exchange.

Very truly yours,

**Makati Finance Corporation**  
Registrant

By:



**MARCOS E. LAROSA**  
Chief Finance Officer / CIO



# COVER SHEET

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S.E.C. Registration Number

M	A	K	A	T	I														
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(Company's Full Name)

2		N	D		F	I	O	O	R	,	M	A	K	A	T	I				
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M	a	k	a	t	i		A	V	e	.	,	M	a	k	a	t	i		C	i	t	y
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(Business Address : No. Street/City/Province)

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

Contact Person

<b>897- 0749</b>
------------------

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

Fiscal Year

**2016**

<b>SEC Form 17 - C</b>
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FORM TYPE

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Secondary License Type, If Applicable

Last Thursday of July

0	7
---	---

Month

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Day

Annual Meeting

M	S	R	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

--

Total No. of Stockholders

Total Amount of Borrowings

--

Domestic

--

Foreign

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To be accomplished by SEC Personnel concerned

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File Number

\_\_\_\_\_ LCU

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Document I.D.

\_\_\_\_\_ Cashier

<b>STAMPS</b>
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Remarks = pls. Use black ink for scanning purposes



The Company further undertakes that it shall inform the Honorable Exchange on other material information relative to this transaction and shall file the necessary regulatory requirements to effect the changes in the Company's Stock Ownership structure.

**SIGNATURE**

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

**Makati Finance Corporation**  
Registrant

By:



**MARCOS E. LAROSA**  
Chief Finance Officer / CIO

Date: 13 May 2016



107282016003814



# SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

## Barcode Page

The following document has been received:

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Company Representative

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Company Information

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

Document Information

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Document ID 107282016003814  
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)  
Document Code 17-C  
Period Covered July 28, 2016  
No. of Days Late 0  
Department CFD  
Remarks

**MAKATI FINANCE**  
FINANCIAL SERVICES AND ADVISORY

July 28, 2016

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

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

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

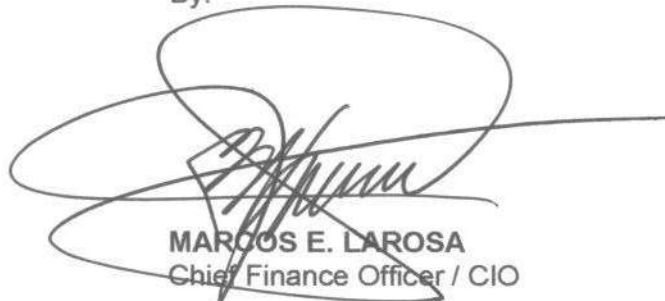
Attention : **Mr. Jose Valeriano B. Zuño**  
OIC, Head of Disclosure Department

We are submitting herewith SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting and Annual Stockholders' Meeting. Held today, July 28, 2016 at Makati Shangri-la, Makati City.

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



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **July 28, 2016**  
Date of Report (Date of earliest event reported)
2. SEC Identification Number: **28788**
3. BIR Tax Identification No.: **000-473-966**
4. **MAKATI FINANCE CORPORATION**  
Exact name of registrant as specified in its charter
5. **Metro Manila, Philippines**   
Province, country or other jurisdiction of incorporation
6. (SEC Use Only)  
Industry Classification Code:
7. **7823 Makati Avenue, Poblacion, Makati City**  
Address of principal office
8. **1210**  
Postal Code
8. **(632) 896-02-21**  
Registrant's telephone number, including area code
9. N. A.  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA  

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Shares</b>	<b>209,565,483</b>
11. Indicate the item numbers reported herein:.....

- I. **The Regular Meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held on 28 July 2016. The following were approved by the Board of Directors:**
  - a. Minutes of the Regular Board Meeting held on **20 April 2016**.
  - b. Stock Dividends amounting to **3.29115919%** of the outstanding capital stock equivalent to a maximum of **6,897,133.65** shares of stock, to be issued out of the un-issued capital stock to stockholders of record as of **26 August 2016** with a payment date not later than **21 September 2016**. Fractional shares of 61.65 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 2016**.

- c. Cash Dividends in the amount of **Php6,897,133.65** or an equivalent of **P0.0329115919** per share (**3.29115919%**) to stockholders of record as of **26 August 2016** with a payment date of **21 September 2016**. Both dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2015.
- d. The Next Board meeting was scheduled on **October 27, 2016 (Thursday) at 9:00 a.m.**

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

- a. Minutes of the Annual Stockholders' Meeting held on 30 July 2015.
- b. The 2015 Annual Report and 2015 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 2015.
- d. Elections of Directors of the Corporation. The following were elected as Directors of the Corporation for a term of one (1) year or until their successors shall have been elected:

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

Atty. Eugenio E. Reyes and Mr. Francisco C. Eizmendi, Jr. were elected as independent directors.

- e. Appointment of R.G. MANABAT & CO. as the Corporation's External Auditor for the Year 2016.
- f. Ms. Teresita B. Benitez declined her nomination as Director of the Corporation. She was bestowed with the honorary title of "Chairman Emeritus" of the Corporation in recognition of her highly exemplary and invaluable service and contributions to the Corporation.
- g. Stock Dividends amounting to **3.29115919%** of the outstanding capital stock equivalent to a maximum of **6,897,133.65** shares of stock, to stockholders of record as of **26 August 2016** with a payment date not later than **21 September 2016**. The stock dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2015 and shall be issued out of the un-issued capital stock. Fractional shares of 61.65 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 2016**.



- h. Cash Dividends in the amount of **P6,897,133.65** or an equivalent of **P0.0329115919** per share (**3.329115919%**) to stockholders of record as of **26 August 2016** with a payment date of **21 September 2016**. Both dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2015.
- i. During the said meeting, the stockholders also duly approved the amendment of the Articles of Incorporation to change its current principal address from 2/F Makati Finance Bldg., 7823 Makati Avenue, Makati City to 3/F Mazda Makati Building, 2301 Chino Roces Avenue, Brgy. Magallanes, Makati City 1231.

**III. The Organizational Meeting of the Board of Directors was held immediately after the Annual Stockholders Meeting, where in the following officers and committee chairmen/members were elected.**

**a. OFFICERS:**

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

**b. COMMITTEES:**

Executive Committee	Audit Committee
Mr. Max Francisco O. Borromeo, Chairman Mr. Juan Carlos Del Rosario Mr. Jose V. Cruz Mr. Rene B. Benitez Mr. Lawrence Ee	Francisco C. Eizmendi Jr.*, Chairman Mr. Jose V. Cruz Mr. Juan Carlos del Rosario Mr. Lawrence Ee
Compensation Committee	Nomination Committee
Atty. Eugenio E. Reyes*, Chairman Mr. Juan Carlos Del Rosario Mr. Jose V. Cruz Mr. Eric B. Benitez	Mr. Eric B. Benitez, Chairman Mr. Rene B. Benitez Mr. Max Francisco O. Borromeo Mr. Michael Wee
* Independent Directors	

**SIGNATURES**

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

**MAKATI FINANCE CORPORATION**  
Registrant

By:



**MARCOS E. LAROSA**  
Chief Finance Officer / CIO

Date: <sup>14</sup> July 28, 2016



110282016000789



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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

**Document Information**

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**Department** CFD  
**Remarks**

**MAKATI FINANCE**  
FINANCIAL SERVICES AND ADVISORY

October 27, 2016

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

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

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

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

Gentlemen:

We are submitting herewith amendment of SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting held on October 27, 2016 at The Peninsula Manila.

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

Very truly yours,

**Makati Finance Corporation**  
Registrant

By:



**MARCOS E. LAROSA**  
Chief Finance Officer





During the meeting, the Board of Directors has agreed to the following resolution:

Resolved, as it is hereby resolved, that a committee be formed to be composed of the following Directors of the Corporation:

Francisco C. Eizmendi, Jr.  
Joel S. Ferrer  
Eugenio E. Reyes

Resolved further, that the committee be authorized to negotiate and enter into agreements, including but not limited to contracts to sell, deeds of assignment, and such other documents, for the sale of the shares of stock of Amalgamated Investment Bancorporation owned by the Corporation, under such terms, conditions as may be mutually acceptable to the parties.

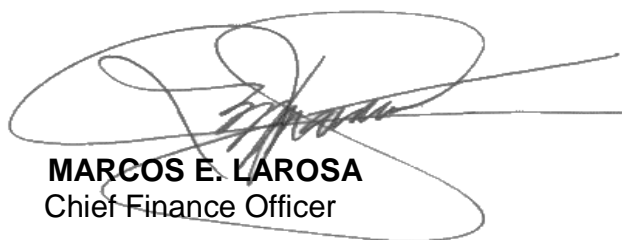
The next Board meeting was later set on January 19, 2017 at 9 o'clock in the morning.

**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**  
Chief Finance Officer

Date: 27 October 2016

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





112062016000645



## SECURITIES AND EXCHANGE COMMISSION

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### Company Information

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Company Name MAKATI FINANCE CORP.  
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Company Type Stock Corporation

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Remarks

**MAKATI FINANCE**  
FINANCIAL SERVICES AND ADVISORY

December 06, 2016

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

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

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

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

Gentlemen:

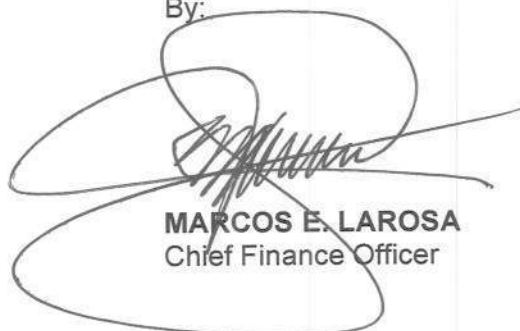
We are sending herewith SEC form 17-C Certificate of Attendance in Corporate Governance Seminar 2016 of Makati Finance Corporation.

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

Very truly yours,

**Makati Finance Corporation**  
Registrant

By:



**MARCOS E. LAROSA**  
Chief Finance Officer

2<sup>nd</sup> Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines  
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121



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. **December 06, 2016**  
(Date of earliest event reported)
2. SEC Identification Number: 28788
3. BIR Tax Identification No.: 000-473-966
4. **MAKATI FINANCE CORPORATION**  
Exact name of registrant as specified in its charter
5. **Makati City, Philippines**   
Province, country or other jurisdiction of incorporation
6. (SEC Use Only)  
Industry Classification Code:
7. **7823 Makati Finance Bldg., Poblacion, Makati Avenue, Makati City**  
Address of principal office Postal Code **1210**
8. **(062) 896-02-21**  
Registrant's telephone number, including area code
9. N.A.  
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
<b>Common Shares</b>	<b>216,462,556</b>

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

**Item 9 – Other Events**

In compliance with SEC Memorandum Circular No.20, Series of 2013, we inform the Honorable Commission that the following officers of the Company attended the CORPORATE GOVERNANCE SEMINAR on November 29, 2016, from 10:00 a.m. to 3:00 p.m. at the Dusit Thani Hotel, Ayala Center, Makati City. The seminar was conducted by Philippine Corporate Enhancement and Governance, Inc.

1. MAXCY FRANCISCO JOSE R. BORROMEO - Chief Operating Officer
2. MARCOS E. LAROSA – Chief Finance Officer

Please see attached for your reference the Certificate of Attendance of the Officer who attended the said seminar.

**SIGNATURES**

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

**MAKATI FINANCE CORPORATION**  
Registrant

By



**MARCOS E. LAROSA**  
CHIEF FINANCE OFFICER  
Chief Information Officer

Date: 06 December 2016

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

**PHILIPPINE CORPORATE ENHANCEMENT AND GOVERNANCE, INC.**  
 (Formerly: Philippine Securities Consultancy Corporation)

**CERTIFICATE OF ATTENDANCE**

This is to certify that **MAXCY FRANCISCO JOSE R. BORROMEJO**  
*(Name of Participant)*  
**Chief Operating Officer** of **Makati Finance Corporation**  
*(Designation)* *(Name of Company)*

has attended the **CORPORATE GOVERNANCE & AMLA SEMINAR**  
*(Title of Seminar)*  
 held at Dusit Thani Hotel, Ayala Center, Makati City, Philippines, on November 29, 2016, with the following particulars:

	TOPICS	SPEAKERS
10:00 - 12:00	THE ANATOMY OF FINANCIAL CRIME	<b>MRS. MERCEDES B. SULEIK</b> <i>Former Deputy Director, Bangko Sentral ng Pilipinas (BSP)</i> <i>Former Vice-President, DBP</i> <i>B.S.C., C.P.A., M. A. Economics, Ph.D. (cand.)</i> <i>Fellow, Institute of Corporate Directors (FICD)</i>
01:00 - 3:00	FINANCIAL CRIMES UNDER THE ANTI-MONEY LAUNDERING ACT (AMLA)	<b>ATTY. RICHARD DAVID C. FUNK II</b> <i>Professional AML Trainer / Legal Practitioner</i> <i>Funk &amp; Associates</i> <i>Former Deputy Director</i> <i>Head, Compliance &amp; Investigation Group</i> <i>Anti-Money Laundering Council Secretariat</i> <i>Bangko Sentral ng Pilipinas (BSP)</i> <i>Former VP – Compliance Officer &amp; Concurrent Legal &amp; Recovery Head</i> <i>PNB General Insurers Co., Inc.</i>

Given this 29<sup>th</sup> day of November, 2016, at Makati City, Philippines

  
**ATTY. FIDEL V. ESQUIERES**  
 President

**PHILIPPINE CORPORATE ENHANCEMENT AND GOVERNANCE, INC.**  
(Formerly: Philippine Securities Consultancy Corporation)

**CERTIFICATE OF ATTENDANCE**

This is to certify that

**Chief Finance Officer** of  
(Designation)

**MARCOS E. LAROSA**  
(Name of Participant)  
**Makati Finance Corporation**  
(Name of Company)

has attended the

**CORPORATE GOVERNANCE & AMLA SEMINAR**  
(Title of Seminar)

held at Dusit Thani Hotel, Ayala Center, Makati City, Philippines, on November 29, 2016, with the following particulars:

	<b>TOPICS</b>	<b>SPEAKERS</b>
<b>10:00 - 12:00</b>	<b>THE ANATOMY OF FINANCIAL CRIME</b>	<b>MRS. MERCEDES B. SULEIK</b> <i>Former Deputy Director, Bangko Sentral ng Pilipinas (BSP)</i>  <i>Former Vice-President, DBP</i>  <i>B.S.C., C.P.A., M. A. Economics, Ph.D. (cand.)</i>  <i>Fellow, Institute of Corporate Directors (FICD)</i>
<b>01:00 - 3:00</b>	<b>FINANCIAL CRIMES UNDER THE ANTI-MONEY LAUNDERING ACT (AMLA)</b>	<b>ATTY. RICHARD DAVID C. FUNK II</b> <i>Professional AML Trainer / Legal Practitioner</i> <i>Funk &amp; Associates</i>  <i>Former Deputy Director</i> <i>Head, Compliance &amp; Investigation Group</i> <i>Anti-Money Laundering Council Secretariat</i> <i>Bangko Sentral ng Pilipinas (BSP)</i>  <i>Former VP – Compliance Officer &amp; Concurrent Legal &amp; Recovery Head</i> <i>PNB General Insurers Co., Inc.</i>

Given this 29<sup>th</sup> day of November, 2016, at Makati City, Philippines

  
**ATTY. FIDEL V. ESQUIERES**  
President



112202016000282



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
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Company Information

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**Industry Classification** FINANCING COMPANY OPERATIONS  
**Company Type** Stock Corporation

**Document Information**

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**Department** CFD  
**Remarks**



# MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

December 19, 2016

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

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

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

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

Gentlemen:

We are submitting herewith of SEC 17-C to disclose material item for the sale of AIB shares of Makati Finance Corporation.

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

Very truly yours,

**Makati Finance Corporation**  
Registrant

By:



**MARCOS E. LAROSA**  
Chief Finance Officer

2<sup>nd</sup> Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines  
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121



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. **December 19, 2016**  
(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. **2/F Makati Finance Bldg. 7823 Makati Avenue, Makati City** **1210**  
Address of principal office Postal Code
8. **(632) 896-02-21 (632) 751-8132 local 111**  
Registrant's telephone number, including area code
9. N.A.  
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
<b>Common Shares</b>	<b>216,462,556</b>

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

In relation to previous disclosures dated October 27, 2016 filed with the SEC, Makati Finance Corporation transferred, assigned and conveyed 4,800,000 of shares of stock of Amalgamated Investment Bancorporation ("AIB"), with a par value of Ten Pesos (Php10.00) per share, for an aggregate par value of Php48,000,000.00, in favor of AIB, for and in consideration of a total Purchase Price of Php159,984,000.00, receipt of which is acknowledged by MFC today December 19, 2016.

**SIGNATURE**

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

**MAKATI FINANCE CORPORATION  
Registrant**

**By:**



**MARCOS E. LAROSA**  
Chief Finance Officer

Date: 19 December 2016

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

---

**ANNUAL CORPORATE GOVERNANCE REPORT  
(ACGR) - 2016**

**ANNEX C**

**MAKATI FINANCE**  
FINANCIAL SERVICES AND ADVISORY

February 28, 2017

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

Attention : **Ms. Justina F. Callangan**  
Director, 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, Disclosure Department

Gentlemen:

In compliance with the SEC Memorandum Circular No. 12 Series of 2014, please find attached Consolidated Changes in the Company's Annual Corporate Governance Report (SEC Form – ACGR) of Makati Finance Corporation covering for the year 2016.

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

Very truly yours,

**Makati Finance Corporation**  
Registrant

By:



**MARCOS E. LAROSA**  
Chief Finance Officer



SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT



1. Report is Filed for the Year **2016**
2. Exact Name of Registrant as Specified in its Charter **MAKATI FINANCE CORPORATION**
3. **3/F Mazda Makati Building 2301 Chino Roces Ave. Brgy. Magallanes, Makati City** **1231**  
Address of Principal Office Postal Code
4. SEC Identification Number **28788**
5. (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **000-473-966**
7. **(632) 751-8132**  
Issuer's Telephone number, including area code
8. **7823 MAKATI AVENUE, POBLACION, MAKATI CITY 1210**  
Former name or former address, if changed from the last report



## TABLE OF CONTENTS

<b>A. BOARD MATTERS.....</b>	<b>5</b>
1) BOARD OF DIRECTORS	
(a) Composition of the Board.....	5
(b) Corporate Governance Policy/ies.....	6
(c) Review and Approval of Vision and Vision.....	6
(d) Directorship in Other Companies.....	6
(e) Shareholding in the Company.....	8
2) CHAIRMAN AND CEO.....	8
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS..	9
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	9
5) DIVERSITY OF EXPERIENCE AND BACKGROUND OF DIRECTORS.....	9
6) CHANGES IN THE BOARD OF DIRECTORS.....	10
7) ORIENTATION AND EDUCATION PROGRAM.....	20
<b>B. CODE OF BUSINESS CONDUCT &amp; ETHICS.....</b>	<b>20</b>
1) POLICIES.....	21
2) DISSEMINATION OF CODE.....	21
3) COMPLIANCE WITH CODE.....	21
4) RELATED PARTY TRANSACTIONS.....	21
(a) Policies and Procedures.....	21
(b) Conflict of Interest.....	21
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	22
6) ALTERNATIVE DISPUTE RESOLUTION.....	22
<b>C. BOARD MEETINGS &amp; ATTENDANCE.....</b>	<b>23</b>
1) SCHEDULE OF MEETINGS.....	23
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	23
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	23
4) QUORUM REQUIREMENT .....	23
5) ACCESS TO INFORMATION.....	23
6) EXTERNAL ADVICE.....	24
7) CHANGES IN EXISTING POLICIES.....	25
<b>D. REMUNERATION MATTERS.....</b>	<b>25</b>
1) REMUNERATION PROCESS.....	25
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	25
3) AGGREGATE REMUNERATION .....	26
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	26
5) REMUNERATION OF MANAGEMENT.....	27
<b>E. BOARD COMMITTEES.....</b>	<b>27</b>
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	27
2) COMMITTEE MEMBERS.....	27
3) CHANGES IN COMMITTEE MEMBERS.....	29
4) WORK DONE AND ISSUES ADDRESSED.....	29
5) COMMITTEE PROGRAM.....	30
<b>F. RISK MANAGEMENT SYSTEM.....</b>	<b>30</b>
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	30
2) RISK POLICY.....	30
3) CONTROL SYSTEM.....	31
<b>G. INTERNAL AUDIT AND CONTROL.....</b>	<b>33</b>

1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	33
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	33
(b) Appointment/Removal of Internal Auditor.....	34
(c) Reporting Relationship with the Audit Committee.....	34
(d) Resignation, Re-assignment and Reasons.....	34
(e) Progress against Plans, Issues, Findings and Examination Trends.....	34
(f) Audit Control Policies and Procedures.....	35
(g) Mechanisms and Safeguards.....	35
<b>H. ROLE OF STAKEHOLDERS.....</b>	<b>36</b>
<b>I. DISCLOSURE AND TRANSPARENCY.....</b>	<b>37</b>
<b>J. RIGHTS OF STOCKHOLDERS.....</b>	<b>39</b>
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	39
2) TREATMENT OF MINORITY STOCKHOLDERS.....	43
<b>K. INVESTORS RELATIONS PROGRAM.....</b>	<b>44</b>
<b>L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....</b>	<b>44</b>
<b>M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....</b>	<b>45</b>
<b>N. INTERNAL BREACHES AND SANCTIONS.....</b>	<b>45</b>

**A. BOARD MATTERS**

**1) Board of Directors**

Number of Directors per Articles of Incorporation	<b>11</b>
---	-----------

Actual number of Directors for the year	<b>11</b>
---	-----------

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

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Lawrence Ee	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	31 July 2014	28 July 2016	Annual Meeting	2 years
Juan Carlos Del Rosario	(NED)	Amalgamated Investment Bancorporation (AIB)	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	1996	28 July 2016	Annual Meeting	20 years
Rene B. Benitez	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	1996	28 July 2016	Annual Meeting	20 years
Max O. Borromeo	(ED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	9 Mar. 2000	28 July 2016	Annual Meeting	16 years
Maxcy Francisco R. Borromeo	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	26 July 2016	28 July 2016	Annual Meeting	Less than 1 year
Michael Wee	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	25 Mar. 1998	28 July 2016	Annual Meeting	18 years
Joel S. Ferrer	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	25 Mar. 1998	28 July 2016	Annual Meeting	18 years
Eric B. Benitez	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	25 Mar. 1998 up to 28 Mar. 2001, and 23 Jun. 2011 up to present	28 July 2016	Annual Meeting	8 years
Francisco C. Eizmendi Jr	(ID)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee; No relation to nominator	14 June 2007	28 July 2016 served as ID for 8 years	Annual Meeting	9 years
Eugenio E. Reyes	(ID)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee; No relation to nominator	16 Oct. 2003	28 July 2016 served as ID for 12 years	Annual Meeting	13 years
Jose V. Cruz	(NED)	Amalgamated Investment Bancorporation (AIB)	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	24 June 2010	28 July 2016	Annual Meeting	6 years

<sup>1</sup> Mr. Maxcy Francisco R. Borromeo replaces Ms. Teresita B. Benitez effective July 28, 2016.

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

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

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

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

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

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

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

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

- (d) Directorship in Other Companies**

- (i) Directorship in the Company's Group<sup>2</sup>**

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

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<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
LAWRENCE EE	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
TERESITA B. BENITEZ	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
RENE B. BENITEZ	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
MAX O. BORROMEIO	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
ERIC B. BENITEZ	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
JOSE V. CRUZ	AMALGAMATED INVESTMENT BANCORPORATION	EXECUTIVE DIRECTOR
MICHAEL WEE	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
JUAN CARLOS DEL ROSARIO	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
MAXCY FRANCISCO JOSE R. BORROMEIO	MOTOR ACE PHILIPPINES, INC	NON EXECUTIVE DIRECTOR

(ii) Directorship in Other Listed Companies

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

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

(iii) Relationship within the Company and its Group

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

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

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

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

(e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
TERESITA B.BENITEZ	407,591	270,318	0.32%
RENE B. BENITEZ	5,533,758	208,376	2.74%
ERIC B. BENITEZ	5,044,492	65,559	2.82%
JOEL S. FERRER	2,111,089		1.01%
MICHAEL WEE	8,671,642		4.14%
MAX O. BORROMEO	422,412	848,433	0.61%
JUAN CARLOS G. DEL ROSARIO	29		0.00%
EUGENIO E. REYES	15		0.00%
FRANCISCO C. EIZMENDI JR.	15		0.00%
JOSE V. CRUZ	1		0.00%
MAXCY FRANCISCO JOSE R. BORROMEO	1,967		0.00%
<b>TOTAL</b>	<b>22,193,011</b>	<b>1,392,686</b>	<b>11.64%</b>

2) Chairman and CEO

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

Yes  No

Identify the Chair and CEO:

Chairman of the Board	Rene B. Benitez
CEO/President	Max O. Borromeo

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<i>The Chairman of the Board is responsible for setting the overall business direction. He shall:</i>	<i>The Chief Executive Officer is in charge of preparing executing the business plan as outlined by the Chairman. He shall:</i>
Deliverables	<ol style="list-style-type: none"> <li><i>Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary.</i></li> <li><i>Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;</i></li> </ol>	<ol style="list-style-type: none"> <li><i>Exercise general supervision over all officers of the corporation;</i></li> <li><i>Exercise general supervision over all contracts and agreements which the corporation may enter into;</i></li> <li><i>Submit an annual report of the operations to the Board of</i></li> </ol>

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

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

*The Board of Directors, with the guidance of its Executive Directors and the Compensation Committee, constantly evaluates the top officer-level requirements of the Corporation. To this end, the Board of Directors reviews the qualifications of various candidates for top executive and corporate positions. This practice has enabled the Board of Directors to elect new officers to the following positions during the 2015 Organizational Board Meeting: Chairman, Vice Chairman and President, without any disruption in its operations.*

**4) Other Executive, Non-Executive and Independent Directors**

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

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.**

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain. **Yes.**

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

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

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

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

	Executive	Non-Executive	Independent Director
Role			
Accountabilities			

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

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

- A. *Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;*
- B. *Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;*
- C. *Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;*
- D. *Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;*
- E. *Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;*
- F. *Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or*
- G. *Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.*

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

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

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

**(a) Resignation/Death/Removal**

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

Name	Position	Date of Cessation	Reason
none			

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

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted



(including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	<p>Screening by the Nomination Committee <i>The Nomination Committee is responsible for annually reviewing all nominees for Directors to ensure that the diverse experience and background of the members of the Board, particularly in the Corporation's industry. Under the Corporation's Manual of Corporate Governance, the Committee is tasked to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Committee pre-screens and shortlists all candidates nominated to Become a member of the board of directors in accordance with the qualifications and disqualifications under the Manual.</i></p> <p><i>The Directors are elected annually during the Annual Stockholders' Meetings.</i></p>	<p><u>Qualifications</u></p> <ul style="list-style-type: none"> <li>○ Holder of at least one (1) share of stock of the Corporation;</li> <li>○ He shall be at least a college graduate or have sufficient experience in managing businesses to substitute for such formal education;</li> <li>○ He shall be at least twenty one (21) years old;</li> <li>○ He shall have proven to possess integrity and probity; and</li> <li>○ He shall be assiduous.</li> </ul>
(ii) Non-Executive Directors	Same as Executive Director	Same as Executive Director
(iii) Independent Directors	Same as Executive Director	<p><i>The Corporation complies with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulations Code which defines an independent director as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any</i></p>

		<p><i>person who:</i></p> <ul style="list-style-type: none"> <li><i>A. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;</i></li> <li><i>B. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;</i></li> <li><i>C. Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;</i></li> <li><i>D. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;</i></li> <li><i>E. Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;</i></li> <li><i>F. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies</i></li> </ul>
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		<p>and/or any of its substantial shareholders, within the last five (5) years; or</p> <p>G. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.</p> <p>An independent director shall have the following qualifications:</p> <p>(i) He shall have at least one (1) share of stock of the corporation;</p> <p>(ii) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;</p> <p>(iii) He shall possess integrity/probity; and</p> <p>(iv) He shall be assiduous.</p>
<b>b. Re-appointment</b>		
(i) Executive Directors	same as Appointment of Directors	same as Appointment of Directors
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<p>The Committee pre-screens and shortlists all candidates nominated to Become a member of the board of directors in accordance with the qualifications and disqualifications under the Manual.</p> <p>The Compliance Officer shall be</p>	<p>o Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's</p>

	<p><i>responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</i></p>	<p><i>conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</i></p> <ul style="list-style-type: none"> <li>○ <i>Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</i></li> </ul> <p><i>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or</i></p>
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		<p>permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, articipation or association with a member or participation of the organization;</p> <ul style="list-style-type: none"> <li>○ Any person convicted by final judgment or order by a court or competent administrative body of any offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</li> <li>○ Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</li> <li>○ Any person judicially declared as insolvent;</li> <li>○ Any person found guilty by final judgment or</li> </ul>
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		<p><i>order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;</i></p> <ul style="list-style-type: none"> <li>○ <i>Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment .</i></li> </ul>
(ii) Non-Executive Directors	Same as Executive Director	Same as Executive Director
(iii) Independent Directors	Same as Executive Director	<p><i>In addition to the disqualifications of a regular Director, Independent Directors have the following disqualifications.</i></p> <p><i>Disqualification under the Manual of Corporate Governance: Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</i></p> <p><i>Disqualification under the Amended IRR of the SRC: No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:</i></p> <ul style="list-style-type: none"> <li><i>(i) He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under Section II (5) of the Code on Corporate Governance;</i></li> <li><i>(ii) His beneficial security</i></li> </ul>

		<p>ownership exceeds two percent (2%) of the outstanding capital stock of the company where he is such director;</p> <p>(iii) Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family.</p> <p>(iv) Such other disqualifications which the covered company's Manual on Corporate Governance provides.</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p> <p>A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>	<p>The Board may provide for the temporary disqualification of a director for any of the following reasons.</p> <ul style="list-style-type: none"> <li>○ Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</li> <li>○ Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</li> <li>○ Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause</li> </ul>

		<p>that gave rise to his dismissal or termination.</p> <ul style="list-style-type: none"> <li>○ If any of the judgments or orders cited in the ground for permanent disqualification has not yet become final.</li> </ul>
(ii) Non-Executive Directors	Same as Executive Directors	Same as Executive Directors
(iii) Independent Directors	Same as Executive Directors	<p>In addition to the grounds for disqualification of a regular Director, the Independent Directors may likewise be temporarily disqualified on the following grounds:</p> <p>If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p>
<b>e. Removal</b>		
(i) Executive Directors	<p>The Corporation abides by Sec. 28 on Removal of Directors, as follows:</p> <p>Any director of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders of a corporation for the purpose of removal of directors, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock. Should the secretary fail or refuse to call the special</p>	<p>A director may be removed from office if he is disqualified under the Manual of Corporate Governance, SEC Rules and Regulations, the Securities Regulations Code, the Corporation Code, or under any other grounds provided under the law.</p>



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

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Mr. LAWRENCE EE	188,504,678
Mr. JUAN CARLOS DEL ROSARIO	188,504,678
Mr. MAX O. BORROME0	188,504,678
Mr. RENE B. BENITEZ	188,504,678
Mr. ERIC B. BENITEZ	188,504,678
Mr. JOSE V. CRUZ	188,504,678
Mr. FRANCISCO C. EIZMENDI, JR.	188,504,678
Mr. JOEL S. FERRER	188,504,678
Atty. EUGENIO E. REYES	188,504,678
Mr. MICHAEL WEE	188,504,678
Mr. MAXCY FRANCISCO JOSE R. BORROME0	188,504,678

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

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

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

*As of November 29, 2016, one members of the Board and one of the Key Officers have attended an accredited corporate governance training program certified by Philippine Securities Consultancy Corporation and SEC.*

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<b>Board of Directors(3)</b>			
Maxcy Francisco Jose R. Borromeo	November 29, 2016	Corporate Governance Seminar	SEC
<b>Management Key Officers (4)</b>			
Marcos E. Larosa	November 29, 2016	Corporate Governance Seminar	SEC

**B. CODE OF BUSINESS CONDUCT & ETHICS**

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Company policy prohibits employees from directly engaging in any activity, practice, or act, in conflict with the interests of MFC, which include but are not limited to the following: (1) Acceptance of outside employment in an organization that does business with, or is a competitor of MFC; (2) Financial interest in a firm that does business with MFC, and the interest is sufficient to affect his decisions or actions, except as specifically approved by the President or Senior Managing Director;		

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

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

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

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

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

4) **Related Party Transactions**

**(a) Policies and Procedures**

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

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

**(b) Conflict of Interest**

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

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

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

**(ii) Mechanism**

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

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

**5) Family, Commercial and Contractual Relations**

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
N/A		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<i>Amalgamated Investment Banking Corp</i>	<i>Lender of Funds</i>	<i>MFC borrows funds from AIB which is covered by a PN</i>

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N/A		

6) **Alternative Dispute Resolution**

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

It has never been happened and if with conflict a disclosure will be made.

	Alternative Dispute Resolution System
Corporation & Stockholders	N/A
Corporation & Third Parties	N/A
Corporation & Regulatory Authorities	N/A

C. **BOARD MEETINGS & ATTENDANCE**

1) **Are Board of Directors' meetings scheduled before or at the beginning of the year?**

*The Board of Director's meetings is scheduled three months before the date of next meeting.*  
*January 20, 2016 (Wednesday, 3:00 pm)*  
*April 20, 2016 (Wednesday, 2:00 pm)*  
*July 28, 2016 (Thursday 9:00 am, immediately after the Annual Stockholder's Meeting)*  
*October 27, 2016 (Thursday, 9:00 am)*

2) **Attendance of Directors**

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Rene B. Benitez	07/28/16	4	4	100
Member	Juan Carlos Del Rosario	07/28/16	4	3	75
Member	Jose V. Cruz	07/28/16	4	4	100
Treasurer	Joel S. Ferrer	07/28/16	4	4	100
President	Max O. Borromeo	07/28/16	4	4	100
Member	Eric B. Benitez	07/28/16	4	4	100
Vice Chairperson	Teresita B. Benitez	07/28/16	4	4	100
Member	Michael Wee	07/28/16	4	4	100
Independent	Francisco C. Eizmendi, Jr.	07/28/16	4	4	100
Independent	Eugenio E. Reyes	07/28/16	4	4	100
Member	Maxcy Francisco Jose R. Borromeo	07/28/16	4	2	50

3) **Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?**

*Yes, these meetings are the Organizational meetings, Nomination Committee meetings, Audit Committee meetings, Executive Committee meetings and Compensation Committee meetings.*

**4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.**

Yes

**5) Access to Information**

**(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?**

*The board papers for the Board of Directors meetings have been provided seven (7) days in advance.*

**(b) Do board members have independent access to Management and the Corporate Secretary?**

Yes

**(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?**

*The Corporate Secretary performs the following duties:*

- a. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;*
- b. Be loyal to the mission, vision and objectives of the corporation;*
- c. Work fairly and objectively with the Board, Management and stockholders;*
- d. Have appropriate administrative and interpersonal skills;*
- e. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;*
- f. Have a working knowledge of the operations of the corporation;*
- g. Inform the members of the Board, in accordance with the bylaws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;*
- h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;*
- i. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and*
- j. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer.*

**(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.**

*The Corporate Secretary is a lawyer by profession and obtained his law degree from the University of the Philippines. He is also well-versed in accountancy, having obtained his BS Business Administration, cum laude, from the same University. He is currently legal counsel, director and/or corporate secretary of several Philippine Corporations.*

**(e) Committee Procedures**

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
Executive	<i>Pursuant to policies on transparency and to minimize procedural barriers, all of the Committee Members have free and direct access to the Corporate Secretary, President, Chief Executive</i>
Audit	
Nomination	

<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

Remuneration	<i>Officer, Chief Operating Officer, Treasurer and other officers of the Corporation. They may also freely request for data or other information which may be needed to enable them to prepare in advance for their respective meetings. Communications may be made through personal meetings, mobile numbers, landline numbers and email addresses.</i>
Others (specify)	

**6) External Advice**

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
<i>The corporation may create a Board of Advisers which shall be composed of such numbers, who may or may not be a stockholder of the corporation, to be fixed and appointed by the Board of Directors.</i>	<i>The Board of Advisers shall advise the Board of Directors and the Executive Committee on such matters as the Board of Directors and the Executive Committee may require. The Board of Advisers shall be entitled to such compensation or per diem as may be fixed by the Board of Directors.</i>

**7) Change/s in existing policies**

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
N/A	N/A	N/A

**D. REMUNERATION MATTERS**

**1) Remuneration Process**

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	NONE	YES
(2) Variable remuneration	NONE	NONE
(3) Per diem allowance	NONE	NONE
(4) Bonus	YES	YES
(5) Stock Options and other financial instruments	NONE	NONE
(6) Others (specify)	NONE	NONE

**2) Remuneration Policy and Structure for Executive and Non-Executive Directors**

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Remuneration and increase in remuneration is decided by the Compensation Committee every year based on performance of the corporation.		
Non-Executive Directors	NONE	NONE	NONE

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
N/A	

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	6,302,640	NONE	NONE
(b) Variable Remuneration	NONE	NONE	NONE
(c) Per diem Allowance	200,000	1,600,000	400,000
(d) Bonuses	1,871,696.87	2,588,305	334,406
(e) Stock Options and/or other financial instruments	NONE	NONE	NONE
(f) Others (Specify)	NONE	NONE	NONE
<b>Total</b>	<b>8,424,336.87</b>	<b>4,188,305</b>	<b>734,406</b>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances			
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
<b>Total</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>



## Stock Rights, Options and Warrants

### (a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	N/A	N/A	N/A	N/A

### (b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	N/A	N/A

## 4) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
MARCOS E. LAROSA	Php 5,493,009.20
ALDRIN FRANCIS B. PONTANARES	
WILMA P. FUNDAN	
NAPOLEON B. MALONG JR.	
KAMILLE ILENE MAE O. CUTCHON	

## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	1	4					
Audit		3	1				
Nomination	1	3					
Remuneration		3	1				
Others (specify)							

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Max O. Borromeo	07/28/16	2	2		
Member (NED)	Jose V. Cruz	07/28/16	2	2		
Member (NED)	Juan Carlos Del Rosario	07/28/16	2	2		
Member (NED)	Rene B. Benitez	07/28/16	2	2		
Member (NED)	Lawrence Ee	07/28/16	2	2		

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Francisco C. Eizmendi, Jr.	07/28/16	2	2		
Member (NED)	Jose V. Cruz	07/28/16	2	2		
Member (NED)	Lawrence Ee	07/28/16	2	2		
Member (NED)	Juan Carlos Del Rosario	07/28/16	2	2		

#### Disclose the profile or qualifications of the Audit Committee members.

*The Audit committee shall be composed of at least three (3) members of the Board, the Chairman of which should be one (1) whom shall be an independent director. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.*

#### Describe the Audit Committee's responsibility relative to the external auditor.

##### *Duties and responsibilities:*

- *Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;*
- *Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;*
- *Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;*
- *Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;*
- *Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;*
- *Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;*
- *Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;*
- *Review the reports submitted by the internal and external auditors;*
- *Review the quarterly, half year and annual financial statements before their submission to the Board, with particular focus on the following matters:*
  - *Any change/s in accounting policies and practices*
  - *Major judgmental areas*
  - *Significant adjustments resulting from the audit*

- *Going concern assumptions*
- *Compliance with accounting standards*
- *Compliance with tax, legal and regulatory requirements*
- *Coordinate, monitor and facilitate compliance with laws, rules and regulations;*
- *Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report.*

**(c) Nomination Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Eric B. Benitez	07/28/16	1	1		
Member (ED)	Max O. Borromeo	07/28/16	1	1		
Member (NED)	Rene B. Benitez	07/28/16	1	1		
Member (NED)	Michael Wee	07/28/16	1	1		

**(d) Remuneration Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Eugenio E. Reyes	07/28/16	1	1		
Member (NED)	Juan Carlos Del Rosario	07/28/16	1	1		
Member (NED)	Jose V. Cruz	07/28/16	1	1		
Member (NED)	Eric B. Benitez	07/28/16	1	1		

**(e) Others (Specify)**

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	NONE	NONE	NONE	NONE		NONE
Member (ED)						
Member (NED)						
Member (ID)						

**3) Changes in Committee Members**

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	N/A	
Audit	N/A	
Nomination	N/A	
Remuneration	N/A	
Others (specify)	N/A	

#### 4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	<i>Review process &amp; control measures</i>	<i>Strategy to reduce repo inventory</i>
Audit	<i>Review provisioning process</i>	<i>Sufficient provision for bad debts</i>
Nomination	<i>Identify directorship candidates</i>	<i>Directorship comply with policies set</i>
Remuneration	<i>Performance based review</i>	<i>Comply with policy &amp; reward performance</i>
Others (specify)		

#### 5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	<i>CARAVAN / SALE</i>	<i>REDUCTION OF MC INVENTORY</i>
Audit	<i>DOING ACCRUAL &amp; PROVISIONING</i>	<i>ACCRUAL METHOD</i>
Nomination	<i>N/A</i>	<i>N/A</i>
Remuneration	<i>N/A</i>	<i>N/A</i>
Others (specify)	<i>N/A</i>	<i>N/A</i>

#### F. RISK MANAGEMENT SYSTEM

##### 1) Disclose the following:

###### (a) Overall risk management philosophy of the company;

*Quarterly, during the Board of Directors's meeting, the directors identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability. Periodically evaluate and monitor the implementation of policies and strategies, including the business plans, operating budgets and Management's overall performance.*

###### (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

*The board discussed the proposal by management to explore new product lines to include financing of trucks, collateralized business loans, personal loans of employees of related companies and other options. The board encouraged the management to diversify its portfolio and identify areas for growth since bulk of existing portfolio pertains to Motorcycle Financing.*

###### (c) Period covered by the review;

*January – December 2016*

###### (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;

*Quarterly, during the Board of Directors' meeting, the directors review risk exposure with the help of aging of accounts analysis for each product line plus financial and liquidity ratios.*

(e) Where no review was conducted during the year, an explanation why not.

*Not applicable*

**2) Risk Policy**

**(a) Company**

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Credit Risk	Setting limits for borrowers based on credit worthiness. Obtaining security, where appropriate and limits duration of exposure. Credit applications go through a rigid process of screening before the granting of credit. Tools like aging of receivables are used to assess impairment.	Choosing markets & borrowers which has better capacity to repay their loan, reduces probable loss. If parties fail to discharge their obligations, loss exposure is managed. Collaterals coupled with rigid screening lessen risk and loss exposure.
Interest rate risk	A prudent policy on managing the assets and liabilities to ensure that exposure to interest rate fluctuations are kept within acceptable limits. The interest rates are benchmarked against market interest rates.	Ensure level of profitability is sufficient to cover for overhead expenses and expected profit. Too high interest rates discourage clients to avail of loans from products offered.
Liquidity risk	Maintain, continually identify & arrange for level of funds sufficient to finance capital & operational requirements.	Regularly evaluate projected (budgeted) and actual cash flows. Continually source fund raising activities.
Human risk	Employee screening & interview, orientation & training and background checks are implemented. Annual drug test is done. Install strict controls on monies, accountable forms and meticulous review of proper documentation and authority for each transaction is a must.	Exposure to losses due to employee incompetence, theft, fraud & embezzlement is to be kept at minimum.

**(b) Group**

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<i>Same as Company as we are not a Group of Companies</i>	<i>Same as Company as we are not a Group of Companies</i>	<i>Same as Company as we are not a Group of Companies</i>

**(c) Minority Shareholders**

Indicate the principal risk of the exercise of controlling shareholders' voting power.

<b>Risk to Minority Shareholders</b>
<i>The rights of the Minority Shareholders are fully protected and kept intact in the manual. The Shareholders have the right to elect, replace and remove directors and vote on certain corporate acts in accordance with the Corporation Code. They also have pre-emptive rights and the right to information and dividends.</i>
<i>The Board gives minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.</i>

### 3) Control System Set Up

#### (a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<i>Credit Risk</i>	<i>Limits loan grants based on credit worthiness: capacity to pay, historical paying habits , employment status or number of years in business, reputation in industry &amp; neighborhood, number of years in residence. Obtaining security/collateral, where appropriate and limiting duration of exposure is another tool we employ in granting loans.</i>	<i>At least three (3) people evaluates and signs off on the merit of the borrower based on documents submitted and background investigation done before any release or approval is triggered. Monthly, aging of accounts are analyzed and used to gauge the collectivity and impairment index.</i>
<i>Interest rate risk</i>	<i>Financial ratios are generated regularly and contribution margins per product line offered are computed to determine extent of profitability.</i>	<i>Interest rates on funds sourced are externally benchmarked on market, therefore additional measures to ensure profitability is cost cutting, low wastage and asset/supplies losses.</i>
<i>Liquidity risk</i>	<i>Regularly evaluate projected (budgeted) and actual cash flows. Monitor trend of actual collections and disbursements. Monitor market interest rates vis-à-vis actual interest rates on existing borrowings. Continually source fund raising activities.</i>	<i>To monitor funds availability and control, daily cash count is made while matching of deposit slips versus collections received as per OR issued is diligently done. Daily monitor of OR issued by collectors are done. Monthly cash flow analysis is done compared with budget. Good credit standing with existing lending institutions is maintained to ensure operating funds availability.</i>
<i>Human risk</i>		<i>Annual drug testing. Regular lifestyle check. Conduct internal audits. Constant review on control system and ensure adherence in implementation.</i>

#### (b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Same as Company as we are not a Group of Companies	Same as Company as we are not a Group of Companies	Same as Company as we are not a Group of Companies

#### (c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Periodic review of FS and discussion	<i>Discussed thoroughly in</i>

	with external audit outfit.	<i>Section E.2.b</i>
Nomination Committee	Ensure nominees are qualified to monitor and give valued added inputs to the operations of the Company.	<i>Discussed thoroughly in Section A.5</i>
Executive Committee	Regular Management Committee meetings with review of operational and financial performance.	Reviews frequently and regularly the performance and activities of the Corporation and makes recommendations and approvals as needed

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

**(a) Explain how the internal control system is defined for the company;**

*Makati Finance Corporation (MFC) promulgates and adopts Audit Committee Charter as a framework and blueprint to ensure accurate and transparent financial disclosures and the observance of adequate risk controls. The Audit Committee shall assist the MFC Board of Directors and Management by providing oversight functions over the following:*

- *Integrity of the Corporation's financial reporting process*
- *Internal Controls and risk management system*
- *Statutory audit of the annual financial accounts*
- *Independence of external audit firm*
- *Effectiveness of anti-fraud, ethics and compliance systems.*

*The Audit Com is composed of at least three (3) directors, who shall have adequate understanding of the company's financial management systems and environment. The Chairman of the Audit Com shall be an independent director.*

**(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;**

The Audit Com has the specific responsibility of assisting and providing oversight functions over Management and in monitoring the integrity of the financial statements of the Company and any other financial reports. If the Audit Com is not satisfied with any aspect of the financial reporting by MFC, such concerns shall be brought to the attention of the Board of Directors or Management, at the discretion of the Audit Com. Provide oversight Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities. Review the reports submitted by the internal and external auditors; Review the quarterly, semi-annual and annual financial statements before their submission to the Board.

**(c) Period covered by the review;** Annually

**(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and**

The Audit Com shall, from time to time, review the following practices:

- 1.1 Revenue recognition – timing on recognition of sale
- 1.2 Changing estimates – altr basis of estimates to make the numbers
- 1.3 Abuse of materiality concept – argument on what is significant or non-significant to the bottom line
- 1.4 Capitalization and deferral of expenses

The Audit Com shall prepare an Audit Committee self-assessment chart to gauge its performance against its purpose.

(e) Where no review was conducted during the year, an explanation why not.

**2) Internal Audit**

**(a) Role, Scope and Internal Audit Function**

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Ensure effective, appropriate and complied with organizational and procedural controls	Nature and complexity of business; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology and the extent of regulatory compliance	In-house	NAPOLEON MALONG	Reporting to the Audit Committee

**(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?**

YES

**(c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?**

YES

**(d) Resignation, Re-assignment and Reasons**

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
none	

**(e) Progress against Plans, Issues, Findings and Examination Trends**

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

<b>Progress Against Plans</b>	
<b>Issues<sup>6</sup></b>	
<b>Findings<sup>7</sup></b>	
<b>Examination Trends</b>	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;

<sup>6</sup> “Issues” are compliance matters that arise from adopting different interpretations.

<sup>7</sup> “Findings” are those with concrete basis under the company’s policies and rules.



- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

**(f) Audit Control Policies and Procedures**

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

Policies & Procedures	Implementation
Revenue Recognition	
Changing Estimates	
Abuse of Materiality concept	
Capitalization and deferral of expenses	

**(g) Mechanisms and Safeguards**

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>Perform oversight functions over the corporation’s internal and external auditors. It must ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.</p> <p>Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit and ensure proper coordination.</p> <p>External auditor should be rotated or changed</p>			

every five (5) years or earlier.			
Organize an internal audit department and discuss terms and conditions of engagement and removal.			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

**MR. RENE B. BENITEZ – Chairman**  
**MR. MAX O. BORROMEIO - President**

**H. ROLE OF STAKEHOLDERS**

1) Disclose the company's policy and activities relative to the following:

	<b>Policy</b>	<b>Activities</b>
Customers' welfare		
Supplier/contractor selection practice		
Environmentally friendly value-chain		
Community interaction		
Anti-corruption programmes and procedures?		
Safeguarding creditors' rights		

*The Board shall respect the rights of the stockholders as provided for in the Corporation Code:*

- (a) Right to vote on all matters that require their consent or approval;*
- (b) Pre-emptive right to all stock issuances of the corporation;*
- (c) Right to inspect corporate books and records;*
- (d) Right to information;*
- (e) Right to dividends; and*
- (f) Appraisal right.*

*The Board should be transparent and fair in the conduct of the annual and special stockholder's meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.*

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

YES

3) **Performance-enhancing mechanisms for employee participation.**

**(a) What are the company's policy for its employees' safety, health, and welfare?**

*The company required all employees to undergo an annual medical examination to ensure their physical condition and suitability for the job. The periodic check-up shall be paid for by the company, according to the plan chosen.*

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

**(b) Show data relating to health, safety and welfare of its employees.**

Annual Physical Examination – May 2016  
Group Life Insurance – enrolled/renewed yearly  
Personal Accident Insurance – cover all employees doing field work  
Group Medical Insurance – enrolled/renewed yearly  
Drug Testing – random on a regular basis

**(c) State the company's training and development programs for its employees. Show the data.**

The company provides training to its personnel, which are classified as Functional Training, Orientation and General Training, and Career Training. They are:

1. Monthly Orientation for New Hires
2. IFCA Training for Newly Hired Employees
3. Accounting Processes for Branch Staff
4. IFCA for Managers
5. IFCA for Accountants
6. Refresher Course for All Branch Staff
7. Refreshers Course for Accounting Processes for Branch Managers and Branch Staffs
8. Credit Process for Credit Sales Representatives
9. Advance Excel for Accountants
10. Leadership Trainings for Managers
11. Handling Difficulty for Managers
12. Customer Service Training for All Branch Staffs

**(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures**

*The company shall have the prerogative to grant performance bonuses to its employees. Amount of bonuses is upon the discretion of management, but in general, basis of the performance bonus shall be the over-all performance of the company for the fiscal year and the employee's individual performance and contribution during the particular period.*

4) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.**

*The HR Department is the one handling all complaints coming from clients. HR Dept. will require the complainant a written affidavit thru fax or email. After identifying concerned party or employee, he/she will be given a notice to explain. Upon verification and thorough study of the HR regarding the case, disciplinary or positive actions shall be initiated or imposed.*

**I. DISCLOSURE AND TRANSPARENCY**

1) **Ownership Structure**

- (a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Amalgamated Investment Bancorp.	94,909,055	43.85%	Record and Beneficial Owner
Pikeville Bancshares, Inc.	15,349,071	7.09%	Record and Beneficial Owner
Motor Ace Philippines, Inc.	52,391,371	24.20%	Record and Beneficial Owner
<b>TOTAL</b>	<b>162,649,497</b>	<b>75.14%</b>	

2) **Does the Annual Report disclose the following:**

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	In separate report
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) **External Auditor's fee**

Name of auditor	Audit Fee	Non-audit Fee
<b>R. G. MANABAT &amp; CO. (KPMG)</b>	<b>*P693,000</b>	<b>*P83,160</b>

*\*vat inclusive*

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

Company website [www.makatifinance.ph](http://www.makatifinance.ph)

Annual Report

PSE and SEC disclosure

5) **Date of release of audited financial report:** April 11, 2016

6) **Company Website**

Does the company have a website disclosing up-to-date information about the following?

Business operations	<b>Yes</b>
Financial statements/reports (current and prior years)	<b>Yes</b>
Materials provided in briefings to analysts and media	
Shareholding structure	<b>Yes</b>
Group corporate structure	<b>Yes</b>
Downloadable annual report	<b>Upgrading of website on-going</b>
Notice of AGM and/or EGM	
Company's constitution (company's by-laws, memorandum and articles of association)	

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

**7) Disclosure of RPT**

RPT	Relationship	Nature	Value
Amalgamated Investment Bancorporation	Parent	Unsecured, 30-day non-interest bearing receivable	P101,006
Amalgamated Investment Bancorporation	Parent	Unsecured, 1-year interest bearing placement at 5.75% annual interest rate	P364,900,000
Amalgamated Investment Bancorporation	Parent	Interest payment for Notes Payable	P28,994,822
Amalgamated Investment Bancorporation	Parent	Broker's fee payable to Parent	none
Amalgamated Investment Bancorporation	Parent	Sale of Amalgamated Investment Bancorporation(AIB) shares owned by MFC	P159,984,000

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

**J. RIGHTS OF STOCKHOLDERS**

**1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings**

**(a) Quorum**

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

The annual meeting of the stockholders shall be held on the last Thursday of July in each year, if not a legal holiday, and if a legal holiday, then on the next business day following. The stockholders owning or representing a majority of the subscribed capital stock shall elect by a plurality vote a Board of Directors and shall transact such other business as may properly be brought before such meeting.

Special meetings of the stockholders for any purpose or purposes may be called at any time by the President or by order of the majority of the members of the Board of Directors, or upon request of any stockholder owning at least ten percent (10%) of the outstanding capital stock.

<b>Quorum Required</b>	At least two-third (2/3) of the number of directors
------------------------	---

**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts.

<b>System Used</b>	Voting
<b>Description</b>	At every meeting of stockholders, each stockholder with voting privilege shall be entitled to one vote for each share of the stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder with voting privilege shall be entitled to cumulate his votes in the manner provided by law. Each stockholder may vote by proxy provided the proxy has been appointed in writing by the stockholder himself or his duly authorized attorney. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary. This instrument appointing a proxy shall be presented to and lodge with the Secretary at or prior to the time of the meeting. Except as otherwise provided by law, all corporate actions requiring the approval of the Stockholders shall be decided by the affirmative vote of the majority of the issued and outstanding capital stock of the corporation.

**(c) Stockholders' Rights**

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

<b>Stockholders' Rights under The Corporation Code</b>	<b>Stockholders' Rights <u>not</u> in The Corporation Code</b>
Rights of Investors/Minority Interests	
Voting Right	
Pre-emptive Right	
Power of Inspection	
Right to Information	
Right to Dividends	
Appraisal Right	

**Dividends**

<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
July 28, 2016	August 26, 2016	September 21, 2016

**(d) Stockholders' Participation**

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the company's constitution
  - Authorization of additional shares
  - Transfer of all or substantially all assets, which in effect results in the sale of the company

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

*The Company sends out notices to the AGM at least fifteen business days in advance of the date for which the meeting is called.*

- Date of sending out notices: July 07, 2016
- Date of the Annual/Special Stockholders' Meeting: July 28, 2016

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

*July 29, 2016 or one day after the Annual Stockholders Meeting*

**(e) Modifications**

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
N/A	

**(f) Stockholders' Attendance**

- (i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	11	July 28, 2016				
Special	N/A	none				

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

*NONE. But required the external auditor to observe the voting.*

- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

*Yes, only one class of share.*

**(g) Proxy Voting Policies**

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	
Notary	
Submission of Proxy	
Several Proxies	
Validity of Proxy	
Proxies executed abroad	
Invalidated Proxy	
Validation of Proxy	
Violation of Proxy	

*Each stockholder may vote by proxy provided the proxy has been appointed in writing by the stockholder himself or his duly authorized attorney. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. This instrument appointing a proxy shall be presented to and lodge with the Secretary at or prior to the time of the meeting.*

**(h) Sending of Notices**

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
<i>Notices will be send to shareholders 21 business Days prior to actual Annual Meeting</i>	<i>Written notice of every meeting of the stockholders starting the date, time and place of the meeting, accompanied by the agenda of the matters to be take up and by the proxy or information statement and/or materials as may be required by law or regulation shall be sent by personal delivery or by mail to each qualified stockholder thereat at such addresses as it appears in the books of the corporation or by publication in a newspaper of general circulation within such period as may from time to time to be required by law or regulation.</i>
	<i>When the meeting of stockholders is adjourned to another time or place, it shall not be necessary</i>



	<i>to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.</i>
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**(i) Definitive Information Statements and Management Report**

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	102
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	July 07, 2016
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	July 07, 2016
<b>State whether CD format or hard copies were distributed</b>	Distributed Hard copy and link to website were made available
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Hard copy

**(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:**

Each resolution to be taken up deals with only one item.	Stated
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Stated
The auditors to be appointed or re-appointed.	Stated
An explanation of the dividend policy, if any dividend is to be declared.	Stated
The amount payable for final dividends.	Stated
Documents required for proxy vote.	Stated

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

**2) Treatment of Minority Stockholders**

**(a) State the company's policies with respect to the treatment of minority stockholders.**

<b>Policies</b>	<b>Implementation</b>
The Board shall be committed to respect the following rights of the stockholders: 2.a.1 Voting Rights 2.a.2 Pre-emptive Right 2.a.3 Power of Inspection 2.a.4 Right to information 2.a.5 Right to Dividends	

2.a.6 Appraisal Right	
<p><b>Directors' Duty to Promote Shareholder Rights</b>  It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person . The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.</p>	

**(b) Do minority stockholders have a right to nominate candidates for board of directors?**

*The shareholders have the right to elect, replace and remove directors and vote on certain corporate act in accordance with the Corporation code. They also have pre-emptive rights and the right to information and dividends.*

**K. INVESTORS RELATIONS PROGRAM**

- 1) **Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.**

*The Executive Committee has the responsibility for the review and approval of any major company announcements.*

- 2) **Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

	Details
(1) Objectives	
(2) Principles	
(3) Modes of Communications	
(4) Investors Relations Officer	

- 3) **What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

*Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.*

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

**Discuss any initiative undertaken or proposed to be undertaken by the company.**

Initiative	Beneficiary

**M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	<b>Process</b>	<b>Criteria</b>
<b>Board of Directors</b>		
<b>Board Committees</b>		
<b>Individual Directors</b>		
<b>CEO/President</b>		


**N. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees


<b>Violations</b>	<b>Sanctions</b>
First Violation	Reprimand
Second Violation	Suspension
Third Violation	Maximum penalty or removal from office

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on FEB 28 2017.

**SIGNATURES**

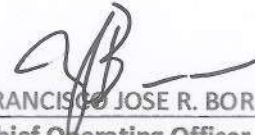
  
 \_\_\_\_\_  
 RENE B. BENITEZ  
 Chairperson of the Board

  
 \_\_\_\_\_  
 MAX O. BORROMEO  
 President

  
 \_\_\_\_\_  
 FRANCISCO C. EIZMENDI JR.  
 Independent Director

  
 \_\_\_\_\_  
 EUGENIO E. REYES  
 Independent Director

  
 \_\_\_\_\_  
 MARCOS E. LAROSA  
 Chief Finance Officer

  
 \_\_\_\_\_  
 MAXCY FRANCISCO JOSE R. BORROMEO  
 Chief Operating Officer

SUBSCRIBED AND SWORN to before me this FEB 28 2017 day of 20, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

<u>NAME/NO.</u>	<u>GOVT.I.D.</u>	<u>PLACE OF ISSUE</u>
RENE B. BENITEZ	TIN:137-438-326	
MAX O. BORROMEO	TIN: 108-479-305	
FRANCISCO C. EIZMENDI JR.	TIN: 119-132-505	
EUGENIO E. REYES	TIN : 116-244-865	
MARCOS E. LAROSA	TIN : 206-361-568	
MAXCY FRANCISCO JOSE R. BORROMEO	TIN : 153-065-629	

Doc No. 1141  
 Page No. 80  
 Book No. 1176  
 Series of 2017

**NOTARY PUBLIC**  
**ATTY. VIRGILIO R. BATALLA**  
 NOTARY PUBLIC FOR MAKATI CITY  
 APPT. NO. M-88  
 UNTIL DEC. 31, 2018  
 ROLL OF ATTY. NO. 48348  
 MCLE COMPLIANCE NO. IV-0016333-4/10/13  
 I.B.P O.R No. 706762, LIFETIME MEMBER JAN. 29,2007  
 PTR No. 590-90-82 JAN.3, 2017  
 EXECUTIVE BLDG. CENTER  
 MAKATI AVE. COR., JUPITER ST. MAKATI CITY