June 30, 2017

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

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

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

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

Gentlemen:

We are sending herewith a copy of Makati Finance Corporation SEC FORM 20-IS Definitive Information Statement in relation to Annual Stockholder's Meeting to be held on July 27, 2017 at the Makati Shangri-La Hotel, Makati City.

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

Very truly yours,

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer

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

COVER SHEET

		2	8	7	8	8				

S.E.C. Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

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

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

MARCOS E. LAROSA	**(02) 751-8132**
Contact Person	Company Telephone Number

1 2	**3 1**	**SEC Form 20 - IS** **(Definitive Information Statement)**	**0 7**
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting
2017		**Financing**	**Every last Thursday of July**
		Secondary License Type, If Applicable	

M S R D	
Dept. Requiring this Doc.	Amended Articles Number/Section

	Total Amount of Borrowings	
103		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

NOTICE OF THE 2017 ANNUAL STOCKHOLDERS' MEETING

TO ALL SHAREHOLDERS
MAKATI FINANCE CORPORATION

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of Makati Finance Corporation, will be held on **27 July 2017, Thursday, 4:00 p.m.**, at the Manila A Function Room, **Makati Shangri-La Hotel**, Ayala Avenue corner Makati Ave., Makati City, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 28 July 2016.
4. Presentation and Approval of the 2016 Annual Report and 2016 Audited Financial Statements
5. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting
6. Amendment of the Articles of Incorporation: Primary and Secondary Purpose to conform with the Financing Company Act (R.A. 8556)
7. Declaration of Cash /Stock Dividends
8. Election of Directors
9. Appointment of Independent External Auditors
10. Other Matters
11. Adjournment

The record date for stockholders entitled to notice of and vote at the said meeting is 26 June 2017. Registration for the meeting shall be at 3:30 p.m. Please present and provide any proof of identification, such as driver's license, passport, or government issued I.D, to facilitate registration. The Annual Stockholders' Meeting is a business meeting and children shall not be allowed in the venue.

Any instrument authorizing a proxy to act as such shall be submitted to and received at the principal office of the corporation on or before 21 July 2017, addressed to the attention of The Corporate Secretary. Corporate Shareholders are required to submit duly notarized Board Resolutions designating their proxies. Validation of proxies shall be on 22 July 2017 at 10:30 a.m. at the principal office of the Corporation. Holders of proxies which have not been submitted and validated in accordance with the foregoing shall not be honored during the meeting. No proxy is being solicited.

28 June 2017.

ATTY. D. ENRIQUE O. CO
Corporate Secretary

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

P R O X Y

The undersigned stockholder of MAKATI FINANCE CORPORATION (the "Corporation") hereby constitutes and appoints ______________________________________as proxy to represent and vote **all shares of stock** registered in the name of the undersigned stockholder in the books of the Corporation at all meetings (annual or special) of the stockholders of the Corporation, including that to be held on **27 July 2017, Thursday, at 4:00 p.m.**and at any postponement or adjournment thereof.The proxy is authorized to vote on all matters which may be taken up by thestockholders during the meeting(s). This proxy shall be valid for all stockholders meetings held within a period of five (5) years from the date indicated below, unless sooner revoked or superseded by the undersigned.

____
Date

____
NAME OF STOCKHOLDER

____
SIGNATURE OF STOCKHOLDER
OR DULY AUTHORIZED REPRESENTATIVE

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

CERTIFICATION

I, **DANILO ENRIQUE O. CO**, Filipino, of legal age and with office address at 11F Atlanta Centre, 31 Annapolis St., San Juan, M.M., after having been duly sworn to in accordance with law do hereby declare that:

1. I am the duly elected and incumbent Corporate Secretary of Makati Finance Corporation.
2. I hereby certify that, to the best of my knowledge, none of named Directors or Executive Officers of Makati Finance Corporation currently works with the Philippine government, or any of its departments, agencies, branches or other offices.
3. This certification is being issued as part of the disclosure requirements of the Securities and Exchange Commission.

DANILO ENRIQUE O. CO
Affiant

SUBSCRIBED AND SWORN to before me this 06 JUN 2017 at Makati City affiant personally appeared before me and exhibited his Competent Evidence of Identity (Passport) No. P0416443A issued at DFA NCR East on 28 September 2016 expiring 27 September 2021.

Doc No. 939;
Page No. 89;
Book No. II;
Series of 2017.

ATTY. ALYSSA AROMIN FUCOY
Notary Public – Makati City
Appointment No. M-29 (13 Jan. 2016 to 31 Dec. 2017)
Attorney's Roll No. 64236
PTR No. 5916374; 10 Jan. 2017; Makati City
IBP No. 1060585; 09 Jan. 2017; Makati City
MCLE Compliance No. V-0012332
Tax Identification No. 220-862-681

REPUBLIC OF THE PHILIPPINES)
P. PASIG CITY) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MR. FRANCISCO C. EIZMENDI, JR.**, Filipino, of legal age and with residence address at 34 Celery Drive, Valle Verde V, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Makati Finance Corporation

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Dearborn Motors Corporation	Chairman	2000 – present
Sun Life Grepa Financial	Independent Director	2011 – present
Institute for Solidarity in Asia	Trustee	2008 – present
East West Seed Philippines	Advisory Board Member	2009 - present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Makati Finance Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (the "SEC").

4. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceedings.

5. To the best of my knowledge, I am not neither an officer nor an employee of any government agency or Government-Owned and Controlled Corporation.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Makati Finance Corporation of any changes in the abovementioned information within five (5) days of its occurrence.

Done, this JUN 2 9 2017 day of June 2017 at Pasig City, Philippines.

FRANCISCO C. EIZMENDI, JR.
Affiant

JUN 2 9 2017

Subscribed and sworn to before me this ___ day of ___________ at PASIG CITY affiant personally appeared before me and exhibited his Tax Information Number (TIN) 119-132-505.

EDWIN G. CONDAYA
NOTARY PUBLIC
PASIG, PATEROS, & SAN JUAN
UNTIL DEC. 31, 2017
PTR NO. 2506000/1-03-17
IBP NO. 1016995/12-29-16/UNTIL 2017
ROLL NO. 26683
TIN NO. 210-588-191-000
MCLE V-0004493
2ND FLOOR ARMAL BLDG. URBANO
VELASCO AVE. MALINAO, PASIG CITY

Doc No. 520
Page No. 105
Book No. C/II
Series of 2017

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MR. LAWRENCE EE,** Singaporean, of legal age and with residence address at 34 Dunbar Walk, Singapore 459326, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Makati Finance Corporation
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Amalgamated Investment Bancorporation	Director	2015 – present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Makati Finance Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code.
5. I shall inform the Corporate Secretary of Makati Finance Corporation of any changes in the abovementioned information within five (5) days of its occurrence.

Done, this 27th day of June, 2017 at Makati City, Philippines.

LAWRENCE EE
Affiant

Subscribed and sworn to before me this JUN 29 2017 day of ____________ at MAKATI CITY affiant personally appeared before me and exhibited his Passport Number E4134630J.

Doc No. 132
Page No. 28
Book No. XXVI
Series of 2017

ATTY. CHARISSE KAY J. DEL CAMPO
NOTARY PUBLIC
ROLL NO. 59693
MAKATI CITY, PHILS.

CHARISSE KAY J. DEL CAMPO
Appt. No. M-65 Makati City
Until Dec. 31, 2017
Unit 3C LTA Building, 118 Perea St.
Legaspi Village, Makati City
MCLE Compliance No. V-0013777/2-5-16
Roll of Attorney No. 59693
PTR No. 5906993-Makati 01-03-17
IBP No. 1051484-Pasig City 12-8-16
TIN No. 308-875-801

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
Corporate Governance and Finance Department
RECEIVED
6-30-2017
By: Viver Time: 3:45pm

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [/] Definitive Information Statement

2. Name of Registrant as specified in its charter **MAKATI FINANCE CORPORATION**

3. **MAKATI CITY, PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **28788**

5. BIR Tax Identification Code **000-473-966**

6. **3F Mazda Makati, 2301 Chino Roces Ave., Brgy. Magallanes, Makati City 1231**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(02) 751-8132**

8. Date, time and place of the meeting of security holders

   Date : **July 27, 2017**
   Time : **4:00 p.m.**
   Place : **Manila A Function Room, Makati Shangri-la Hotel, Ayala Ave., corner Makati Ave., Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders **July 05, 2017.**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes / No

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    PHILIPPINE STOCK EXCHANGE Common Stock

INFORMATION REQUIRED IN INFORMATION STATEMENT

GENERAL INFORMATION

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of the Company will be held on **July 27, 2017, 4:00 p.m**. at the Manila A Function Room, Makati Shangri-la, Ayala Avenue corner Makati Avenue, Makati City. The complete mailing address of the principal office of Makati Finance Corporation is: 3/F Mazda Makati, 2301 Chino Roces Ave. Brgy. Magallanes, Makati City, Philippines. This information statement is to be sent to the Company's stockholders on **July 05, 2017**.

DISSENTERS' RIGHT OF APPRAISAL

The procedure to be followed in exercising the appraisal right of dissenting stockholders shall be in accordance with Section 81 to 86 of the Corporation Code. A stockholder must have voted against any proposed corporate action in order to avail himself of the appraisal right.

There are no matters to be taken up in the stockholders' meeting which would warrant exercise of appraisal.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

Other than their election to the Board of directors, none of the incumbent Directors or Officers of the Company has any substantial interest, direct or indirect, in any matter to be acted upon in the Special Stockholders' meeting.

None of the Company's Directors has informed the Corporation in writing that he intends to oppose any action to be taken in the Annual Stockholders' Meeting.

CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Total number of common shares outstanding as of **May 31, 2017** is **216,462,556** with a par value of P1 per share. Pursuant to Article III, Section 4 of the Company's Amended By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock standing in his name in the books of the Company on the Record Date as fixed by the Board of Directors. Every stockholder voting on the election of directors may cumulate such number of votes in accordance with Section 24 of the Corporation Code.

Stockholders of record of the Company as of **June 26, 2017** ("the Record Date") shall be entitled to notice of, and to vote at, the Special Stockholders' Meeting.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (MORE THAN 5% AS OF MAY 31, 2017)

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
	DIRECT				
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 DIRECTORS AND MANAGEMENT (AS OF MAY 31, 2017)

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	2.7888%
Common	Rene B. Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	4,952,476	2.2879%
Common	Rene B. Benitez ITF Carmela Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	257,902	0.1191%
Common	Rene B. Benitez ITF Lorenzo Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	257,902	0.1191%
Common	Rene B. Benitez ITF Matias Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	247,600	0.1144%
Common	Joel S. Ferrer 2137 Lourdes St. San Miguel Village, Makati City	Beneficial owner	Filipino	2,180,569	1.0074%
Common	Maxcy Francisco Jose R. Borromeo 66 Gorordo Avenue, Cebu City	Beneficial owner	Filipino	2,031	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%

The representative of Amalgamated Investment Bancorporation entitled to vote is Mr. Juan Carlos del Rosario. The representative of MF Pikeville Holdings/Pikeville Bancshares entitled to vote is Mr. Rene B. Benitez. There are no directors and nominees owning more than 5% of the outstanding shares who are affected by any acquisition, business combination or other reorganization, and there are no other commitments with respect to issuance of shares.

No changes in control have occurred since the beginning of the last fiscal year.

NOMINATIONS TO THE BOARD

The nomination committee is composed of: Mr. Eric B. Benitez, Chairman, Mr. Max O. Borromeo, Mr. Rene B. Benitez and Mr. Michael Wee as members. Pursuant to the Company's Corporate Governance Manual, the Nomination Committee has pre-screened and shortlisted all candidates to be nominated as members of the Board of Directors. The Nomination Committee has considered the guidelines set forth in the Manual. The nominated individuals to be elected during the Stockholders' Meeting, for the term 2017 to 2018, are as follows:

1. Mr. Rene B. Benitez
2. Mr. Max O. Borromeo
3. Mr. Joel S. Ferrer
4. Mr. Francisco Eizmendi Jr.
5. Mr. Michael Wee Soon Lock
6. Mr. Eric B. Benitez
7. Mr. Jose V. Cruz
8. Mr. Juan Carlos del Rosario
9. Mr. Lawrence Hock Leong Ee
10. Mr. Jose Daniel R. Borromeo
11. Mr. Maxcy Francisco Jose R. Borromeo

Mr. Lawrence Hock Leong Ee and Mr. Francisco Eizmendi, Jr. have been nominated by Mr. Rene B. Benitez as independent directors. There are no relations between Mr. Benitez, Mr. Ee and Mr. Eizmendi up to the fourth degree either by consanguinity or affinity.

DIRECTORS AND EXECUTIVE OFFICERS

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

Mr. Rene B. Benitez, 55, Filipino, is the Company's *Chairman* and has been a director since 1996. Prior to assuming his role as Chairman, Mr. Benitez has served in various board and senior executive capacities. Mr. Benitez is also Chairman, FCA Orbita LLC, a real estate asset management company based in New York. He is Executive Committee Chairman of Amalgamated Investment Bancorporation, and Vice Chairman of the Dearborn Motors Group of car dealerships. Mr. Benitez is a highly experienced director, currently serving in various international boards, among them are FPC 30 Green Energy Fund, a public power generation company in Australia, and the Yale Graduate School Alumni Association in New Haven, CT. To help the start up ecosystem, he recently co-founded the Manila Angel Investors Network. Mr. Benitez graduated with a dual major in Business Economics and Organizational Studies from Pitzer College of the Claremont Colleges, and has a master's degree in International and Development Economics from Yale University in New Haven, CT.

Mr. Juan Carlos del Rosario, 67, Filipino, has served as a *Director* since 1996. Mr. Del Rosario is currently the Chairman of AIB and Inter Global Alliances Inc. He was formerly the Senior Vice President and Chief Investment Officer of the Philippine American Life Insurance Co. (AIG Philippines) where he served as a member of the Board of Directors in several of its subsidiaries and affiliated companies. He was also 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. Max O. Borromeo, 68, 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. 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., 81, Filipino, is one of the Independent Directors of the Company. He was elected as a Director in the recent Stockholders' Meeting of Makati Finance Corporation and concurrently an Independent Director of Sun Life Grepa Financial and Member of Board Advisers of East West Seed (Philippines). Mr. Eizmendi had been the President and Chief Operating Officer of San Miguel Corporation for 15 years. He was an Independent Director 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, 81, 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 Colombia, Canada.

Mr. Jose V. Cruz, 71, 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, 50, Filipino, has served as a Director since 2011. Mr. Benitez was formerly a Director in Credit Risk Management at Eurohypo AG (wholly-owned subsidiary of Commerzbank AG) in New York. Prior to Eurohypo, Mr. Benitez was a senior consultant within the Real Estate Business Advisory Services Group at the New York office of 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, 75, Singaporean, has been a Director since 2014. He is currently Senior Adviser and Board of Director of Amalgamated Investment Bancorporation and lifetime member of the Institute of Singapore Chartered Accountants.

Mr. Maxcy Francisco Jose R. Borromeo, 44, *Filipino, is the Company's Chief Operating Officer (COO).* Aside from being a COO of the Company, Mr. Borromeo is also a Director of Honda Motor World, Inc., HMW Lending Investors, Inc., Motor Ace Philippines, Inc., MAPI Lending Investors, Inc., Astron Gestus, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation and Borromeo Brother's Estate, Inc. He is also a member of the Board of Trustees of Salud Borromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Political Science from the Ateneo de Manila University. He completed the following courses from the Asian Institute of Management, Professional Management Development Course, Strategic Management, Operations Management, and Financial Management. He obtained his Master's degree in Applied Finance with a focus on banking from the University of Wollongong, Australia.

Mr. Jose Daniel R. Borromeo, 46 Filipino, is the President and General Manager of Honda Motor World, Inc. , HMW Lending Investors, Inc., Motor Ace Philippines, Inc., Mapi Lending Investors, Inc and Dream Honda, Inc. .He is also the Managing Director of Borromeo Brothers Estate, Inc., Margarita Agro Industrial Corp., Tolar Development Corp. and , MC Bros. Development Corp. He is the President of Astron Gestus, Inc., Cebu Maxi Management Corp., Maxi Agricultural Corporation and Cebu Parkland Inc. He is the Corporate Planning Officer of Dearborn Motors, Inc. He graduated in Business Management degree major in Marketing from Hampshire College, New Hampshire, USA.

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. Marcos E. Larosa, CPA – *38*, *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 started his career as Audit Associate in Sycip Gorres Velayo & Co. (SGV) (1999-2002) right after passing the CPA Board exam in October 1999. He graduated with a Bachelor of Science degree in Accounting (cum laude) from the Polytechnic University of the Philippines in 1999.

Atty. Danilo Enrique O. Co, Corporate Secretary and Legal Counsel, 48, Filipino. Atty. Co has been serving the Corporation as its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer Ang-Co & Gonzales Law Offices, a full-service Philippine law firm specializing in corporate law. He is also a Director, Corporate Secretary and/or Asst. Corporate Secretary of several other Philippine corporations, such as Art Provenance Philippines Inc., Amalgamated Investment Bancorporation, Anvaya Cove Beach and Nature Club, Cuervo Appraisers Inc., Dearborn Motors Co. Inc., Kalayaan College Inc., Santos Knight Frank Inc., Speed Money Transfer Philippines Inc., TalentScout Inc., The Studio of Secret 6 Inc., and Western Roadhouse Foods Inc. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

FAMILY RELATIONSHIP

Mr. Rene B. Benitez and Eric B. Benitez are siblings.
Mr. Maxcy Francisco Jose R. Borromeo and Mr. Jose Daniel R. Borromeo are sons of Mr. Max O. Borromeo.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the Directors and Executive Officers were involved in any legal proceedings during the past five (5) years up to the latest date that are material to evaluation. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, not any action by any court or administrative body to have violated a securities or commodities law.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS – NOTE 21

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

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

The following transactions have been entered into with related parties:

		2016			2015			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	*Ref*	**Amount of Transactions**	**Due from Related Parties**	**Due to Related Parties**	Amount of Transactions	Due from Related Parties	Due to Related Parties	**Nature, Terms and Condition**
Parent Company								
Amalgamated Investment Bancorporation								
Miscellaneous receivables	*a*	**P -**	**P80,514**	**P -**	P80,514	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		**53,400,000**	**-**		45,000,000	-	-	
Settlements		**173,000,000**	**-**	**-**	171,300,000	-	-	
Interest expense		**29,062,864**	**-**	**6,030,664**	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*	**84,634,527**	**-**	**-**	-	-	-	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**	**-**	**-**	-	-	-	
Other Related Parties								
Motor Ace Philippines Inc.								
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	-	-	

Forward…

Category/Transaction	Ref	2016 Amount of Transactions	2016 Outstanding Balances Due from Related Parties	2016 Outstanding Balances Due to Related Parties	2015 Amount of Transactions	2015 Outstanding Balances Due from Related Parties	2015 Outstanding Balances Due to Related Parties	Nature, Terms and Condition
Accounts payable	*f*		**P -**	**P6,985,826**			P22,527,325	30-day unsecured, non-interest bearing
Availments		**P213,727,286**	**-**	**-**	P357,660,360	P -	-	
Settlements		**229,268,785**	**-**	**-**	352,413,225	-	-	
Honda Motor World Inc.								
Miscellaneous receivables	*a*	**-**	**2,446,093**	**-**	-	2,345,171	-	Non-interest bearing, unsecured; no impairment
Availments		**114,049**	-	**-**	-	-	-	
Settlements		**13,127**	-	**-**	-	-	-	
Accounts payable	*f*		-	**5,995,224**	-	-	4,580,255	30-day unsecured, non-interest bearing
Availments		**58,828,867**			73,665,047	-	-	
Settlements		**57,413,898**			75,227,428	-	-	
Notes payable	*b*	**-**	-	**-**	-	-	-	Unsecured, interest-bearing placement at 10.0% annual interest rate
Availments		**13,300,000**	-	**-**	-	-	-	
Settlements		**13,300,000**	-	**-**	-	-	-	
Interest expense		**42,472**	-	**-**	-	-	-	
Pikeville Bancshares								
Professional fees		**1,102,080**	-	**-**	1,102,080	-	-	Payment of professional fees for consultancy
MERG Realty Development Corporation								
Miscellaneous Receivables	*a*	**-**	**18,057**	**-**	-	18,057	-	Non-interest bearing, no impairment
Availments		**-**	-	**-**	-	-	-	
Settlements		**-**	-	**-**	-	17,779	-	
Notes Payable	*b*	**-**	-	**13,000,000**	-	-	13,000,000	Unsecured interest-bearing placement at 5.5% annual interest rate; no impairment
Settlement		**-**	-	**-**	23,000,000	-	-	
Interest expense		**726,917**	-	**726,917**	830,653	-	830,653	
<u>*Directors and other stockholders*</u>								
Notes payable	*b*	**-**	-	**35,206,895**	-	-	65,653,363	Unsecured, 1-year interest bearing placement at 6.0% annual interest rate
Availments		**19,771,610**	-	**-**	8,046,219	-	-	
Settlements		**50,218,078**	-	**-**	11,968,752	-	-	
Interest expense		**2,539,861**	-	**1,054,752**	4,636,886	-	1,875,699	
Professional fees and other management fees		**4,379,191**	**c**	**-**	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.

Item 10. Executive Compensation

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 – 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

The Company has an existing management contract with Cebu Maxi Management Corporation for advice and assistance to be provided by Mr. Max O. Borromeo and with Pikeville Resources, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez. The directors receive a per diem of ₱50,000 for each attendance at board meeting and ₱10,000 for each board committee meeting. There are no special compensatory plan or arrangement with any officer, which would give undue advantage over any other employee of the Company. No stock warrants or stock options on the Company's shares have been issued or given to the Directors or Executive Officers as a form of compensation for services rendered. The Compensation Committee has four members, one of whom is independent director namely: Atty. Eugenio E. Reyes (Chairman), Juan Carlos del Rosario, Jose V. Cruz and Eric B. Benitez.

IDENTITY OF SIGNIFICANT EMPLOYEES

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

INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of 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.

ISSUANCE AND EXCHANGE OF SECURITIES

AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

As approved by the Board of Directors and upon concurrence by the Stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2006, the Board of Directors approved the following: 30% of the audited net income after tax of P 16,205,137 is P 4,861,541 of which 50% was declared as stock dividends amounting to₱2,430,710 in favor of the stockholders of record as of July 12, 2007 and 8.28% of the outstanding capital stock as of October 31, 2007 amounting to ₱83,117,897 is ₱6,882,103 was declared as stock dividends in favor of the stockholders of record as of November 26, 2007. For the year 2005, the Board of Directors approved the following: 30% of the audited net income after tax of P12,193,904 is P3,658,170, 50% of the amount, P1,829,066 was declared as stock dividend. Stock dividends shall be approved by a majority vote of the stockholders. On June 19, 2008, the Board of Directors approved the declaration of 2.51% stock dividends in the aggregate amount of P2,257,147 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008.

For the year 2009, the Board of Directors approved the following: 30% of the audited net income after tax of P5,465,094 is P1,639,528, 50% of the amount, P819,716 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2010, the Board of Directors approved the following: 30% of the audited net income after tax of P10,748,518 is P3,224,556, 50% of the amount P1,612,240 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2011, the Board of Directors approved the following: 30% of the audited net income after tax of P12,355,253 is P3,706,576, 50% of the amount P1,853,245 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2012, the Board of Directors approved the following: 30% of the audited net income after tax of P13,827,722 is P4,148,317, 50% of the amount P2,074,121 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2013, the Board of Directors approved the following: 30% of the audited net income after tax of P16,301,689 is P4,890,507, 50% of the amount P2,445,209 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2014, the Board of Directors approved the following: 30% of the audited net income after tax of P23,103,929 is P6,931,178, 50% of the amount P3,465,553 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2015, the Board of Directors approved the following: 30% of the audited net income after tax of P41,685,179 is P12,505,553, 50% of the amount P6,252,710 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2016, the Board of Directors approved the following: 30% of FY 2015 audited net income after tax of P45,980,891 amounting to P13,794,267, 50% of the amount P6,897,073 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

In 2017, it is expected that the Board shall propose dividend declaration of 30% of FY2016 Net Income After Tax in the next BOD Meeting in July 27, 2017.

OTHER MATTERS

AMENDMENT OF CHARTER, BY-LAWS AND OTHER DOCUMENTS

The Articles of Incorporation have already been amended to change the principal corporate office address in compliance with SEC Memo Circular No. 6, Series of 2014. The amendment was approved by SEC in January 2015. There were no significant effects of such amendment to the Company's operation.

PROPOSED ACTION

The following matters will be submitted to a vote at the Annual Meeting of the stockholders:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on July 28, 2016.
2. Presentation and Approval of the 2016 Annual Report and the 2016 Audited Financial Statements

A copy of the 2016 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2016 Annual Report will be presented during the Annual Stockholders' Meeting.

3. Declaration of Dividends (50% cash and 50% stock)

    The dividend policy dictates that 30% of 2016 Net Income after Tax will be declared as dividends. It is expected that the Board shall proposed this in the next BOD Meeting in July 27, 2017.

4. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting

    All acts and proceedings taken by the Directors and Corporate Officers relate mostly to the regular business transactions wherein the Board of Directors is required to act upon. These actions are subjected to annual review of the Company's independent auditors. Major items are as follows:

    a. Approval of audited financial statements
    b. Approval of Corporate budget
    c. Election of Directors/Officers/Committees
    d. Approval of credit facilities
    e. Appointment of signatories to bank accounts
    f. Approval of dividends (cash/stock)
    g. Approval of the minutes of the previous meetings
    h. Execution of contracts and investments in the ordinary course of business

    Upon prior written request, copies of the Minutes of the Meetings of the Board of Directors may be examined by stockholders of record as of Record Date at the office of the Corporate Secretary at Co Ferrer & Ang-Co Law Offices at 11/F Atlanta Center, 31 Annapolis St., Greenhills, San Juan, Metro Manila at a mutually agreed time, during regular office hours.

5. Amendment of the Articles of Incorporation : Primary and Secondary Purpose to conform with the Financing Company Act (R.A. 8556)

6. Election of Directors

7. Appointment of Independent External Auditors

VOTING PROCEDURES

The affirmative vote of stockholders present in person or by proxy representing at least a majority of the outstanding capital stock of the Corporation shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting. Matters to be approved under "Other Matters" of the agenda, if any, shall be approved by stockholders owning majority of the shares of stock present during the annual stockholders' meeting or such other voting requirement as may be mandated by law.

The manner of voting and counting of votes will be as follows:

a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his/her/their respective name of record as of the close of business hours of **June 26, 2017**. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before **July 21, 2017** for inspection and recording shall be honored for purposes of voting.
b) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.
c) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. The stockholder under this voting system has the option to (I) to cast all his votes in favor of one (1) nominee; or (ii) distribute those votes in the same principle among as many nominees as he shall see fit. Only candidates duly nominated during the meeting shall be voted by the stockholders entitled to vote or by their proxies.
d) The proposed amendments to the Articles of Incorporation of the Corporation, amending its primary and secondary purpose, shall be submitted to the shareholders for the approval of at least 2/3rds of the total outstanding capital stock of the Corporation.
e) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.
f) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and will be done by show of hands and counted manually by the Corporate Secretary.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The registrant undertakes to provide *without charge* to each stockholder a copy of the Company's Annual Report on SEC Form 17-A upon written request to the Company addressed to:

MARCOS E. LAROSA
Chief Finance Officer
Makati Finance Corporation
3/F Mazda Makati Bldg.2301 Chino Roces Ave.
Brgy. Magallanes 1231, Makati Avenue, Makati City

UNDERTAKING TO PROVIDE UPDATED CERTIFICATION OF INDEPENDENT DIRECTOR

The registrant undertakes to provide SEC the updated Certificate of Qualification and Disqualification of Independent Directors within thirty (30) days after the Annual Stockholders' Meeting in July 27, 2017.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Issuer

MARCOS E. LAROSA / Chief Finance Officer
Signature and Title

Date: June 30, 2017

MAKATI FINANCE CORPORATION

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.

INFORMATION ON EXTERNAL AUDITOR

There had been no disagreements with R.G. Manabat & Co. with regards to accounting policies and financial disclosures of the Company. Mr. Dennis I. ilan, the Partner, has been the auditor of the Company starting year 2015, 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 FY 2016 and FY 2015 audit periods for a service fee of Php 720,000 and Php 660,000, respectively. 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 Board of Directors. Recommendations by the audit committee are then deliberated during the Board meetings.

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%.

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

Results of Operation

Net Income after Tax for the year ending December 31, 2015, as reflected in the audited financial statements increased by 10.3% to P46.0 million in 2015 from P41.7 million in 2014. This is mainly due to the increase in operating income by
P1.5 million, increase in share in net income of an associate by P1.2 million and increase in income tax benefit by P2.6 million.

Total operating income rose from P185.2 million in 2014 to P186.3 million in 2015 or 0.5% increase from the previous year's performance. 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 Factors; P6.9 million from Business Loans and P174.4 million from MC Financing.

With higher income in 2015, Earnings Per Share went up to 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 receivables 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 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 from P0.9 million in 2014.

Net Income

The Company posted a net income of P 46.0 million in 2015, higher versus P 41.7 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 P21.46 million from Rx, P5.40 million from Factors and P189.80 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 P21.59 million in absolute amounts from P198.61 million in 2013 to P220.19 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 P2.03 to P50.51 million in 2014 from P48.54 million. Interest income increased due to effective collection efforts and aggressive recovery of long overdue accounts in 2014.

Other Income

Other income decreased by ₱14.00 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 P12.22 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 ₱ 41.69 million in 2014 compared to ₱ 23.10 million in 2013 or an increase of 80.42%.

As of December 31, 2013

Results of Operation

The audited financial statements of the Company reflected a Net Income After Tax for the year ending December 31, 2013 at ₱ 23.1 million.

In 2013 MFC continued its focus on strengthening the operations and services of its existing outlets. It went into a total review of the portfolio and evaluating the status for each account. Collectability of those accounts which had been non-moving for a number of months were evaluated and determined as either for special collection efforts or for write-off. Completeness of documents for each account were analyzed and accounts with incomplete documents were rectified and those non-rectifiable accounts were recommended for write-off. The process flow of outlet operations were reviewed and streamlined. Management also focused on improving and beefing up manpower on its back-room operations. The Company now has a wider reach in the offer of its services resulting in a rise in the amounts financed and the corresponding rise in income generation. Volume of motorcycle units financed increased by 43%, from 9,156 motorcycle units in 2012 to 13,109 motorcycle units in 2013.

Net interest income went up to ₱150.07 million from ₱132.08 million in 2012, a 13.6% increase. Expenses likewise increased from ₱127.63 million in 2012 to ₱198.54 million in 2013. The increase is the result of write-offs after the total review and analysis of the MC financing portfolio.

Interest income in 2013 amounted to ₱198.6 million; general breakdown of which was ₱19.7 million from Rx, ₱9.3 million from Factors and ₱169.5 million from MC Financing.

With the resulting income in 2013, Earnings Per Share in 2013 was at ₱0.118. Likewise, Return on equity (ROE) in 2013 was at 6.9% while Return on Assets was 1.8%.

Financial Condition and Capital Resources

In 2013 total assets increased by P159.50 million as against that in 2012, from P1,133.64 million to P1,293.14 million which was primarily due to increase in our loan portfolio on products being offered. There was also a noticeable increase in our notes payable by P128.03 million as compared to that in 2012.

Net Interest Income
The net interest income this year was up by 13.62% in absolute amounts P132.08 million in 2012 to P150.07 million in 2013.

Other Income
Other income increased by ₱16.81 million or 131.57% from December 2012.

Income Before Income Tax
Income before income tax decreased by 36.50% from December 2012.

Net Income
The Company posted a net income of ₱23.10 million compared to ₱ 28.61 million in 2012 (restated) or an decrease of 19.25%.

<u>As of December 31, 2012</u>

Results of Operation

Net Income after tax for the year ending December 31, 2012, as reflected in the audited financial statements, was at ₱ 16.3 million. This was a 17.9% increase over the NIAT of 2011, or an increase of ₱ 2.47 million. A revaluation on the investment of MFC with Amalgamated Bancorporation Inc. for a net of ₱ 12.31 million which resulted to Net Income after tax to be at ₱ 28.61 million

Total net interest income rose from ₱ 126.95 million in 2011 to ₱ 132.08.million in 2012, a 4% increase from 2011 to 2012 performance. Total other income was at to ₱ 18.18 million, an increase of ₱ 9.19.million, 102.3% higher than in 2011. Total expenses in 2012 reached ₱ 121.5 million which was ₱ 10.72 .million or 9.2% higher than the ₱ 116.79 million expenses in 2011.

Interest income in 2012 amounted to ₱ 176.56 million; major breakdown of which is ₱ 16.84 million from Rx, ₱ 7.32 million from Factors and ₱ 148.12 million from MC Financing

This year MFC reorganized and re-aligned some functions and responsibilities. The focus was on strengthening the operations, services and operating controls of its existing outlets.

With the higher income in 2012, Earnings Per Share in 2012 went up at ₱ 0.08 compared to ₱ 0.07 in 2011. Likewise, Return on equity (ROE) in 2012 was at 1.5% which was the same as in 2011 while Return on Assets was at 6.5%, slightly better as that in 2011.

Financial Condition and Capital Resources

In 2012 total assets increased by ₱ 175 million as against that in 2011, from ₱ 958 million to ₱ 1,134 million which was primarily due to the increase in our motorcycle financing loan portfolio. There was also a noticeable increase in our notes payable by ₱ 145 million as compared to that in 2011.

Net Interest Income

Net interest income increased 4.4% or P5.13 million as against that in 2011. The Company increased in interest expense from P29.6 million to P44.5 million.

Other Income

Other income increased by ₱7.39 million or 137.3% from December 2011.

As of December 31, 2011

Results of Operation

MFC ended the year 2011 with Net Income after Tax at ₱13.82 million. This was an increase against the 2010 NIAT of ₱12.36 million, or a 12% increase. Interest income in 2011 amounted to ₱156.6 million from our 3 major products: ₱16.9 million from Rx, ₱8.3 million from Factors and ₱128.0 million from Motorcycle Financing. The revaluation on the investment of MFC with Amalgamated Bancorporation Inc. gave rise to a net adjustment of ₱ 5.7 million which resulted to Net Income after tax to be at ₱ 19.52 million

Midway in the year, Management decided to defer its projected geographical expansion due firstly to a slowdown in the economies world-wide. The economic contractions were prominent in Europe, USA and Japan. Additionally, the continued unrests erupting in various areas in the Middle East brought a level of uncertainties and lack of job security for a lot of our Overseas Filipino Workers. All these add up to the Peso volatility which greatly affected a bulk of our motorcycle customers. Secondly, minimal government spending stunted economic growth as well as the spending capability of most of our customers. And thirdly, Luzon was battered with a lot of typhoons and bad weather which directly impacted client solicitations and collection efficiencies.

MFC then took this opportunity to focus on strengthening the operations and services of its existing outlets. It went into the re-aligning of functions & responsibilities and strengthening of operational controls. Management also focused on improving and beefing up manpower on its back-room operations and completing the conversion of the manual financing system to an automated one.

With the resulting income in 2011, Earnings Per Share in 2011 was a slight increase at P0.07. Likewise, Return on equity (ROE) in 2011 was at 6% while Return on Assets was 1.5%.

Loan portfolio in 2011 amounted to ₱738 million. Of the three major products: Motorcycle financing, Rx Cash Line and Factors, Motorcycle financing took the biggest share at 86% while Factors had 8% closely followed by Rx Cash Line at 6%.

Financial Condition and Capital Resources

In 2011 total assets increased by P238.2 million as against that in 2010, from P666.7 million to P904.9 million. This increase was primarily due to the increase in our loan portfolio of products being offered. An increase in our portfolio necessitated for an increase in our borrowings which resulted in the noticeable increase in our notes payable by P251.9 million compared to that in 2010.

Net Interest Income

Interest expense decreased 7.66 percent or P2.46 million as against that in 2010. The Company decreased in interest expense from P32.1 million to P29.6 million. The reduction in income is due to expansion activity primarily in the MC Financing product.

Other Income

Other income decreased by ₱.12 million or 1.31% from December 2010.

Income Before Income Tax

Due to the significant increase on interest income and operating expenses as mentioned above, income before income tax increased by 21.66% from December 2010.

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
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	**94.77%**	**116.42%**
Debt to equity ratio	**166.81%**	**214.36%**
Quick ratio	**114.39%**	**92.39%**
PROFITABILITY RATIOS		
Return on assets	**3.77%**	**3.48%**
Return on equity	**10.07%**	**10.94%**
Net profit margin	**16.97%**	**24.68%**
ASSET TO EQUITY RATIO	**266.81%**	**314.36%**
INTEREST RATE COVERAGE RATIO	**1.44**	**1.94**
OTHER RELEVANT RATIOS		
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 Motorcyle Financing line. This resulted to invest in buying new office equipments, furnitures 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.

SIGNIFICANT ELEMENTS OF INCOME OR LOSS

Significant elements of net income of the Company for 2009 came from its continuing operations.

SEASONAL ASPECTS

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

HOLDERS OF COMMON STOCK as of May 31, 2017
TOP 20 Stockholders

There are a total of 103 stockholders as of May 31, 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.

MARKET SHARE INFORMATION

The Company was listed in the Philippine Stock Exchange on January 6, 2003.

On January 6, 2003 with authorized capital stock of ₱90 million, a total of 19.56 million shares of stock were offered to the general public in the company's Initial Public Offering (IPO). On November 6, 2007, the Board of Directors and Stockholders approved the increase in the Company's authorized capital stock to ₱300 million. On March 27, 2008, the Securities and Exchange Commission approved the Company's application for a follow-on offering to the general public of 75,500,000 new common shares and 7,598,892 secondary shares. But the sharp fall in stock prices locally and globally prompted the Board and Management to forego the planned additional public offering.

The latest available price information on Makati Finance's stock price is **P3.08** per share as of **June 29, 2017**.

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

	Market Prices	
Quarter Ending	**High**	**Low**
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

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.

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

Measures undertaken by MFC for full compliance with the adopted leading practices on good corporate governance includes election of independent directors and creation of the Nomination Committee starting year 2003 and continued up to the present time. Each incumbent director of MFC underwent seminars on good corporate governance in year 2003. The Company submitted to the SEC its Revised Anti-Money Laundering Manual as mandated by Republic Act 9160, as amended by Republic Act. No. 9194 on October 28, 2004. Also, the Company submitted the Audit Charter Manual. Lastly, the Company's By-Laws shall be amended to incorporate provisions on independent directors. Deviations from the Company's Manual on Corporate Governance are not applicable. With regards to plans on improving corporate governance of the Company, Makati Finance is already adopting the International Accounting Standards in the presentation of its financial statements with the help of its external auditors. Communications are open with R.G. Manabat with regards to further compliance with the IAS.

SIGNATURES

Pursuant to the requirement of Securities Regulation 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 JUN 15 2017..

By:

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

SUBSCRIBED AND SWORN to before me this _______ day of JUN 15 2017 20__ , affiant(s) exhibiting to me their __________________, as follows:

NAME/NO.	GOVT.I.D.	PLACE OF ISSUE
RENE B. BENITEZ	TIN:137-438-326	
MAX O. BORROMEO	TIN: 108-479-305	
JOEL S. FERRER	TIN: 103-276-130	
DANILO ENRIQUE O. CO	TIN : 134-866-959	
MARCOS E. LAROSA	TIN : 206-361-568	
MAXCY FRANCISCO JOSE R. BORROMEO	TIN : 153-065-629	

NOTARY PUBLIC

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
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

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Book No. 67
Series of 2017

ANNEX A

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 8 7 8 8

COMPANY NAME

MAKATI FINANCE CORPORATION

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
103		December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Marcos E. Larosa	mlarosa@makatifinance.com.ph	896-0221/ 897-0749	+639175309923

CONTACT PERSON's ADDRESS

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

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

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

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

FINANCIAL STATEMENTS
December 31, 2016 and 2015

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

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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.

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.

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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.

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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

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

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 47
North Makati
RECEIVED
APR 17 2017

BAUTISTA ACCOUNTING
We continue when other accountants have finished

To Management of Makati Finance Corporation

I have compiled the accompanying financial statements of **Makati Finance Corporation** based on information you have provided. These financial statements comprise the statement of financial position of **Makati Finance Corporation** as at December 31, 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

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

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

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 MAKATI
Revenue District Office No. 49
North Makati
RECEIVED
APR 17 2017

MAX O. BORROMEO
President

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

MARCOS E. LAROSA
Chief Financial Officer

Signed this APR 11 2017 day of April 2017

RUBEN T. M. RAMIREZ
Notary Public
Until Dec 31, 2017
IBP No. 1052369/ CY-2017 Appt. No. M-23
Roll No. 23347 MCLE No. 006324, 06-19-12
PTR No. MKT. 5909552/ 01-03-17

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Page No. 29
Book No. 194
Series No. 2017

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The management of Makati Finance Corporation 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. BENITEZ
Chairman of the Board

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 MAKATI
Revenue District Office No. 49
North Makati
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APR 17 2017

MAX O. BORROMEO
President

MARCOS E. LAROSA
Chief Financial Officer

SUBSCRIBED AND SWORN TO
BEFORE ME THIS APR 1 1 2017
DAY OF MAKATI CITY
AT

Signed this APR 1 1 2017 day of April 2017

RUBEN T. M. RAMIREZ
Notary Public
Until Dec. 31, 2017
PTR No. 52369/ CY-2017 Appt. No. M-23
Roll No. 28947/ MCLE - 4 No. 006324, 06-19-12
PTR No. MKT 5909552/ 01-03-17

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Book No. 194
Series No. 2017

KPMG

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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.

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
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R.G. MANABAT & CO.

DENNIS I. ILAN
Partner
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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
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2016	2015
ASSETS			
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
		P1,227,586,163	P1,320,965,485
LIABILITIES AND EQUITY			
Liabilities			
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
		767,493,684	900,753,954
Equity			
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
		460,092,479	420,211,531
		P1,227,586,163	P1,320,965,485

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Note	2016	2015	2014
		Years Ended December 31		
INTEREST INCOME	*7, 8, 9*	**P209,486,415**	P211,417,274	P220,193,623
INTEREST EXPENSE	*7, 14, 21*	**44,983,569**	44,966,237	50,571,236
NET INTEREST INCOME		**164,502,846**	166,451,037	169,622,387
OTHER INCOME				
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
TOTAL OTHER INCOME		**108,597,417**	19,873,093	15,593,241
TOTAL OPERATING INCOME		**273,100,263**	186,324,130	185,215,628
OPERATING EXPENSES				
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
TOTAL OPERATING EXPENSES		**300,338,136**	185,026,230	184,356,290
INCOME (LOSS) BEFORE SHARE IN NET INCOME OF AN ASSOCIATE AND INCOME TAX		**(27,237,873)**	1,297,900	859,338
SHARE IN NET INCOME OF AN ASSOCIATE	*10, 21*	**47,222,206**	40,787,135	39,545,382
INCOME BEFORE INCOME TAX		**19,984,333**	42,085,035	40,404,720
INCOME TAX BENEFIT	*20*	**26,347,616**	3,895,856	1,280,459
NET INCOME		**46,331,949**	45,980,891	41,685,179

Forward

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

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock (Note 17)	Additional Paid-in Capital	Retained Earnings (Note 17)	Remeasurement Gains on Defined Benefit Obligation (Note 18)	Share in Other Comprehensive Income of an Associate	Total Equity
Balance at January 1, 2016		P209,565,483	P5,803,922	P200,796,673	P4,045,396	P57	P420,211,531
Stock dividends	17	6,897,073	-	(6,897,073)	-	-	-
Cash dividends including fractional shares	17	-	-	(6,897,194)	-	-	(6,897,194)
Total comprehensive income							
Net income		-	-	46,331,949	-	-	46,331,949
Other comprehensive income		-	-	-	446,193	-	446,193
		-	-	46,331,949	446,193	-	46,778,142
Balance at December 31, 2016		P216,462,556	P5,803,922	P233,334,355	P4,491,589	P57	P460,092,479
Balance at January 1, 2015		P203,312,773	P5,803,922	P167,321,336	P3,110,992	P57	P379,549,080
Stock dividends	17	6,252,710	-	(6,252,710)	-	-	-
Cash dividends including fractional shares	17	-	-	(6,252,844)	-	-	(6,252,844)
Total comprehensive income							
Net income			-	45,980,891	-	-	45,980,891
Other comprehensive income		-	-	-	934,404	-	934,404
		-	-	45,980,891	934,404	-	46,915,295
Balance at December 31, 2015		P209,565,483	P5,803,922	P200,796,673	P4,045,396	P57	P420,211,531
Balance at January 1, 2014		P199,847,220	P5,803,922	P132,567,334	P1,206,131	P57	P339,424,664
Stock dividends	17	3,465,553	-	(3,465,553)	-	-	-
Cash dividends including fractional shares	17	-	-	(3,465,624)	-	-	(3,465,624)
Total comprehensive income							
Net income		-	-	41,685,179	-	-	41,685,179
Other comprehensive income		-	-	-	1,904,861	-	1,904,861
		-	-	41,685,179	1,904,861	-	43,590,040
Balance at December 31, 2014		P203,312,773	P5,803,922	P167,321,336	P3,110,992	P57	P379,549,060

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Note	2016	2015	2014
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
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
CASH FLOWS FROM INVESTING ACTIVITIES				
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

	Note	2016	2015	2014
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
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)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**79,211,522**	(27,968,929)	(1,607,476)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**18,406,119**	46,375,048	47,982,524
CASH AND CASH EQUIVALENTS AT END OF YEAR	*8*	**P97,617,641**	P18,406,119	P46,375,048
OPERATIONAL CASH FLOWS FROM INTEREST				
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.

MAKATI FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

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.

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

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

The statements of comprehensive income report the Company's share 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.

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:

<u>Judgments</u>

(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.

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.

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
Loans and Other Receivables						
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	806,827,773	737,555,733	69,272,040
Services	151,855,672	7,155,357	144,700,315	143,857,957	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	1,064,245	-	1,064,245
	P1,041,820,897	P753,162,224	P288,658,673	P1,022,044,110	P743,408,741	P278,635,369

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).

	2016					
	Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	Total
Loans and Other Receivables						
Cash and cash equivalents*	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
	P587,791,315	P -	P157,992,714	P165,398,649	P130,718,219	P1,041,900,897

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

	2015					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Loans and Other Receivables						
Cash and cash equivalents*	P17,282,619	P -	P -	P -	P -	P17,282,619
Receivable from customers:						
Consumer	456,992,205	-	17,671,417	212,939,832	119,224,319	806,827,773
Services	6,628,125	-	116,486,793	13,570,793	7,172,246	143,857,957
Dividend receivable	36,000,000	-	-	-	-	36,000,000
Other receivables	-	-	17,011,516	-	-	17,011,516
Security deposits	-	-	1,064,245	-	-	1,064,245
Other investments**	-	-	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 - net'*

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

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

Cash Equivalents
High grade pertains to short term placements with AIB 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					
	1-30 Days	**30-60 Days**	**61-90 Days**	**91-120 Days**	**More than120 Days**	**Total**
Consumer	**P70,240,018**	**P26,315,422**	**P22,606,684**	**P8,442,800**	**P37,793,725**	**P165,398,649**
Services	**-**	**-**	**-**	**-**	**-**	**-**
	P70,240,018	**P26,315,422**	**P22,606,684**	**P8,442,800**	**P37,793,725**	**P165,398,649**

	2015					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	P96,894,524	P68,971,320	P23,533,457	P13,004,335	P10,536,196	P212,939,832
Services	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.

		Contractual Maturities 2016					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash and cash equivalents	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
Financial Liabilities							
Notes payable	711,186,458	64,476,724	82,776,724	543,933,010	20,000,000		711,186,458
Accounts payable	15,717,788	15,717,788	-	-	-	-	15,717,788
Accrued 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
Net liquidity gap	P304,619,331	P301,159,218	P81,901,599	(P247,889,601)	P491,498,863	P47,964,465	P674,634,544

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

		Contractual Maturities 2015					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash and cash equivalents	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	P284,670,391	P572,014,889	P25,204,865	P1,423,664,058
Financial Liabilities							
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
Net liquidity gap	P136,026,348	P77,684,830	(P16,400,736)	(P34,965,814)	P484,919,651	P25,204,865	P536,442,796

**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.

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

	2015				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	P100,827,464	P106,060,386	P1,074,691,884	P122,533,940	P1,404,113,694
Results of operation					
Revenues					
Interest income	P21,166,205	P9,148,621	P174,244,436	P6,858,012	P211,417,274
Other income	1,607,058	2,578,232	15,687,803	40,787,135	60,660,228
	22,773,263	11,726,853	189,932,239	47,645,147	272,077,502
Expenses					
Interest expense	4,164,611	2,614,794	36,480,099	1,706,733	44,966,237
Provision for credit losses	2,506,270	1,950,760	14,770,969	-	19,227,999
Operating expenses	4,380,847	1,716,527	159,700,857	-	165,798,231
	11,051,728	6,282,081	210,951,925	1,706,733	229,992,467
Net operating income (loss)	11,721,535	5,444,772	(21,019,686)	45,938,414	42,085,035
Less: Income tax expense (benefit)	4,268,341	2,218,660	(11,928,241)	1,545,384	(3,895,856)
Net income (loss)	P7,453,194	P3,226,112	(P9,091,445)	P44,393,030	P45,980,891
Statement of financial position					
Total assets	P64,132,978	P71,449,222	P930,113,391	P255,269,894	P1,320,965,485
Total liabilities	P64,681,910	P68,038,872	P689,426,339	P78,606,833	P900,753,954
Other segment information					
Capital expenditures	P -	P -	P673,561	P44,275	P717,836
Depreciation and amortization	P -	P -	P1,021,301	P1,393,892	P2,415,193

	2014				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	P77,834,119	P75,736,750	P1,040,772,261	P20,448,448	P1,214,791,578
Results of operation					
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	3,454,546	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
Statement of financial position					
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
Other segment information					
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:

	Note	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
		P97,617,641	P18,406,119

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:

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

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
		1,281,764,138	1,340,586,141
Unearned interest income		**(337,437,669)**	(368,598,332)
Client's equity		**(32,577,544)**	(31,818,116)
		911,748,925	940,169,693
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
		941,635,414	1,003,697,246
Allowance for credit losses		**(92,612,141)**	(55,912,524)
		P849,023,273	P947,784,722

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

	2015			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
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
Accumulated Depreciation and Amortization				
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
Carrying Amount	P1,242,973	P535,582	P2,075,186	P3,853,741

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
Cost		
At January 1	**P4,523,179**	P4,362,136
Additions	**346,817**	161,043
At December 31	**4,869,996**	4,523,179
Accumulated Amortization		
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
		P37,550,118	P28,565,011

Others include accrual on SSS, Pag-ibig and Philheath 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
Financial Assets						
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
	853,269,567	**559,463,328**	**1,412,732,895**	826,444,304	597,219,754	1,423,664,058
Nonfinancial Assets						
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
	106,899,814	**171,520,341**	**278,420,155**	194,324,996	160,244,936	354,569,932
Less: Allowance for credit and impairment losses	**-**	**(93,551,674)**	**(93,551,674)**	-	(56,852,057)	(56,852,057)
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)
	(253,330,098)	**(210,236,789)**	**(463,566,887)**	(74,676,757)	(382,591,748)	(457,268,505)
	P706,839,283	**P520,746,880**	**P1,227,586,163**	P946,092,543	P374,872,942	P1,320,965,485
Financial Liabilities						
Notes payable	**P691,186,458**	**P20,000,000**	**P711,186,458**	P756,154,226	P87,095,238	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
	718,098,351	**20,000,000**	**738,098,351**	800,126,024	87,095,238	887,221,262
Nonfinancial Liabilities						
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
	27,845,963	**1,549,370**	**29,395,333**	12,919,471	613,221	13,532,692
	P745,944,314	**P21,549,370**	**P767,493,684**	P813,045,495	P87,708,459	P900,753,954

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.

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
Components of retirement benefit liability recorded in profit or loss as retirement benefit expense		
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
	2,147,236	1,939,618
Components of retirement benefit liability recorded in OCI		
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)
	(1,211,087)	(663,802)
Total components of retirement benefit liability	**P936,149**	P1,275,816

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)
Net defined benefit liability	**P1,549,370**	P613,221

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)
Balance at end of year	**P7,804,403**	P6,551,174

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)
Balance at end of year	**P6,255,033**	P5,937,953

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)
	(P26,347,616)	(P3,895,856)	(P1,280,459)

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
	59,283,241	30,102,254	22,395,354
Deferred tax liabilities on:			
Remeasurement gain on defined benefit obligation	**1,576,945**	812,051	1,082,654
	P57,706,296	P29,290,203	P21,312,700

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

		2016			2015			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	Ref	Amount of Transactions	Due from Related Parties	Due to Related Parties	Amount of Transactions	Due from Related Parties	Due to Related Parties	Nature, Terms and Condition
Parent Company								
Amalgamated Investment Bancorporation								
Miscellaneous receivables	*a*	P -	P80,514	P -	P80,514	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		53,400,000	-		45,000,000	-	-	
Settlements		173,000,000	-	-	171,300,000	-	-	
Interest expense		29,062,864	-	6,030,664	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*	84,634,527	-	-	-	-	-	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	-	-	-	-	-	
Other Related Parties								
Motor Ace Philippines Inc.								
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	-	-	

Forward

Category/Transaction	Ref	2016 Amount of Transactions	2016 Outstanding Balances Due from Related Parties	2016 Outstanding Balances Due to Related Parties	2015 Amount of Transactions	2015 Outstanding Balances Due from Related Parties	2015 Outstanding Balances Due to Related Parties	Nature, Terms and Condition
Accounts payable	*f*		P -	P6,985,826			P22,527,325	30-day unsecured, non-interest bearing
Availments		P213,727,286	-	-	P357,660,360	P -	-	
Settlements		229,268,785	-	-	352,413,225	-	-	
Honda Motor World Inc.								
Miscellaneous receivables	*a*	-	2,446,093	-	-	2,345,171	-	Non-interest bearing, unsecured; no impairment
Availments		114,049	-	-	-	-	-	
Settlements		13,127	-	-	-	-	-	
Accounts payable	*f*		-	5,995,224	-	-	4,580,255	30-day unsecured, non-interest bearing
Availments		58,828,867			73,665,047	-	-	
Settlements		57,413,898			75,227,428	-	-	
Notes payable	*b*	-	-	-	-	-	-	Unsecured, interest-bearing placement at 10.0% annual interest rate
Availments		13,300,000	-	-	-	-	-	
Settlements		13,300,000	-	-	-	-	-	
Interest expense		42,472	-	-	-	-	-	
Pikeville Bancshares								
Professional fees		1,102,080	-	-	1,102,080	-	-	Payment of professional fees for consultancy
MERG Realty Development Corporation								
Miscellaneous Receivables	*a*	-	18,057	-	-	18,057	-	Non-interest bearing, no impairment
Availments		-	-	-	-	-	-	
Settlements		-	-	-	-	17,779	-	
Notes Payable	*b*	-	-	13,000,000	-	-	13,000,000	Unsecured interest-bearing placement at 5.5% annual interest rate; no impairment
Settlement		-	-	-	23,000,000	-	-	
Interest expense		726,917	-	726,917	830,653	-	830,653	
Directors and other stockholders								
Notes payable	*b*	-	-	35,206,895	-	-	65,653,363	Unsecured, 1-year interest bearing placement at 6.0% annual interest rate
Availments		19,771,610	-	-	8,046,219	-	-	
Settlements		50,218,078	-	-	11,968,752	-	-	
Interest expense		2,539,861	-	1,054,752	4,636,886	-	1,875,699	
Professional fees and other management fees		4,379,191	c	-	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
	P33,631,817	P10,937,728

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**
	P30,334,036

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**
	P16,696,350

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.

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 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

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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
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of ‘vesting condition’			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓

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

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

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

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

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

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

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

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

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

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			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency 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			✓

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

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

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

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

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

UNAPPROPRIATED RETAINED EARNINGS - BEGINNING		**P200,796,673**
LESS: ADJUSTMENTS		
Accumulated equity in net income of an associate		**(48,089,357)**
Deferred tax asset		**(30,102,254)**
ADD: NET INCOME ACTUALLY EARNED DURING THE YEAR		
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)	**(30,071,244)**
LESS: DIVIDENDS DECLARED DURING THE YEAR		**(13,794,267)**
RETAINED EARNINGS AVAILABLE FOR DIVIDENDS		**P78,739,551**

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 *Amalgamated Investment Bancorporation*	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 *Amalgamated Investment Bancorporation*	P36,000,000	P -	P36,000,000	P -	P -	P -	P -
Miscellaneous receivable *Amalgamated Investment Bancorporation*	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
Intellismart	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
TOTAL	**P467,633**	**P 346,817**	**P330,328**	**P -**	**P -**	**P484,122**

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long term debt” in related statement of financial position	Amount shown under caption “Long-Term Debt” in statement of financial position	Interest rate	Maturity Date
Notes Payable *Land Bank of the Philippines*	P20,000,000	P -	P20,000,000	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	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

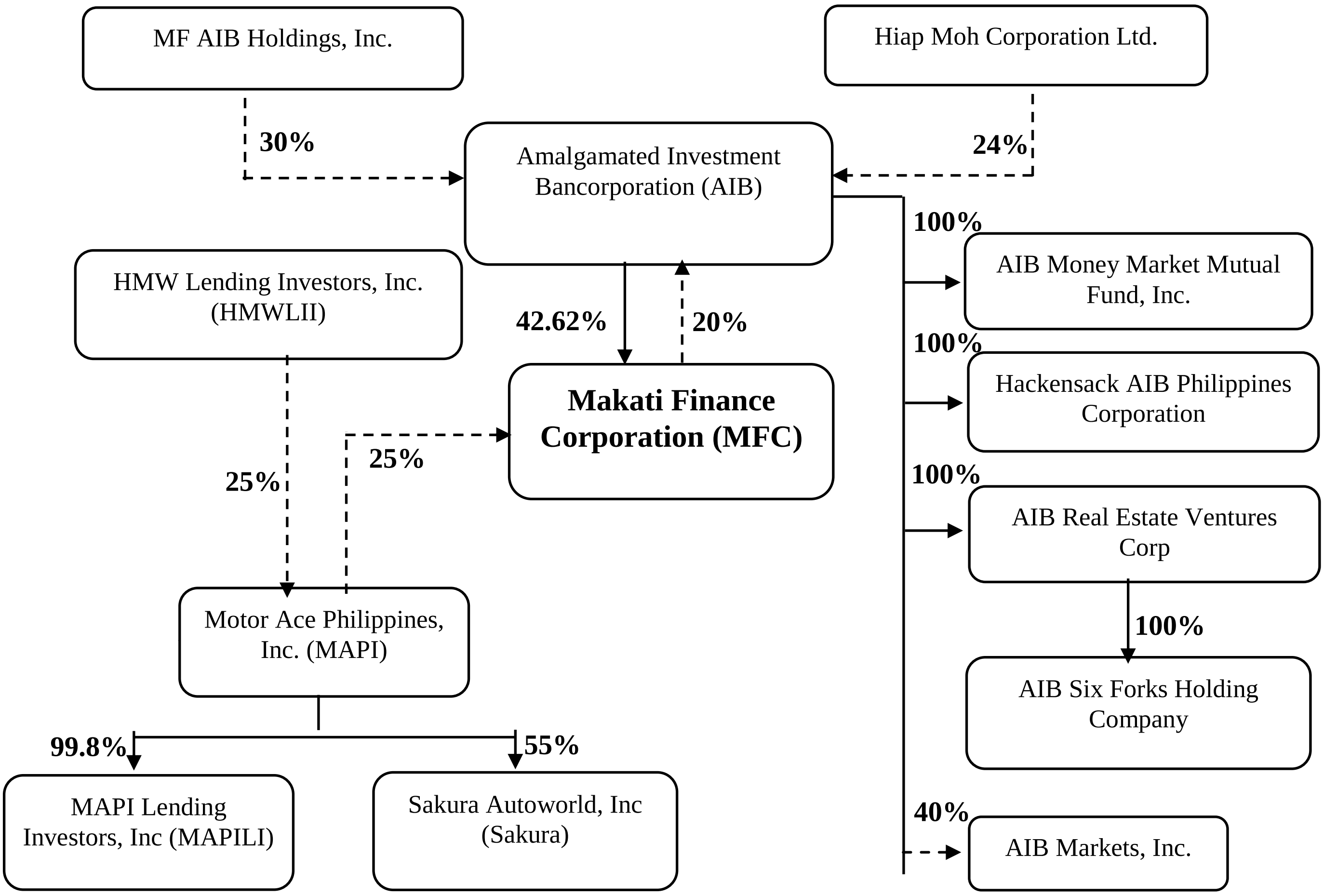
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options ,warrants, conversion and other rights	No. of shares held by		
COMMON	155,725	155,725	-			155,725
COMMON	71,994	71,994	-			71,994
COMMON	29,261	29,261	-			29,261
COMMON	21,487	21,487	-			21,487
COMMON	21,487	21,487	-			21,487
COMMON	21,487	21,487	-			21,487
COMMON	21,487	21,487	-			21,487
COMMON	21,487	21,487	-			21,487
COMMON	21,487	21,487	-			21,487
COMMON	21,487	21,487	-			21,487
COMMON	21,487	21,487	-			21,487
COMMON	21,487	21,487	-			21,487
COMMON	21,487	21,487	-			21,487
COMMON	21,486	21,486	-			21,486
COMMON	20,688	20,688	-			20,688
COMMON	20,008	20,008	-			20,008
COMMON	17,401	17,401	-			17,401
COMMON	16,444	16,444	-			16,444
COMMON	15,360	15,360	-			15,360
COMMON	14,911	14,911	-			14,911
COMMON	13,978	13,978	-			13,978
COMMON	8,537	8,537	-			8,537
COMMON	7,298	7,298	-			7,298
COMMON	6,225	6,225	-			6,225
COMMON	6,215	6,215	-			6,215

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	6,194	6,194	-			6,194
COMMON	6,126	6,126	-			6,126
COMMON	4,780	4,780	-			4,780
COMMON	2,367	2,367	-			2,367
COMMON	2,032	2,032	-			2,032
COMMON	2,032	2,032	-			2,032
COMMON	2,032	2,032	-			2,032
COMMON	2,032	2,032	-			2,032
COMMON	2,032	2,032	-			2,032
COMMON	2,032	2,032	-			2,032
COMMON	2,032	2,032	-			2,032
COMMON	2,032	2,032	-			2,032
COMMON	2,032	2,032	-			2,032
COMMON	2,032	2,032	-			2,032
COMMON	2,032	2,032	-			2,032
COMMON	2,032	2,032	-			2,032
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	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	2,031	2,031	-			2,031

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	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	
TOTAL	**216,462,556**	**216,462,556**	**-**	**61,518,093**	**23,197,664**	**131,746,799**

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
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	94.77%	116.42%
Debt to equity ratio	166.81%	214.36%
Quick ratio	114.39%	92.39%
PROFITABILITY RATIOS		
Return on assets	3.77%	3.48%
Return on equity	10.07%	10.94%
Net profit margin	16.97%	24.68%
ASSET TO EQUITY RATIO	266.81%	314.36%
INTEREST RATE COVERAGE RATIO	1.44	1.94
OTHER RELEVANT RATIOS		
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

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

May 12, 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.
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

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

Gentlemen:

We are sending herewith the Quarterly Report for the period ended March 31, 2017 (SEC Form 17-Q) of Makati Finance Corporation.

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

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer/CIO

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

COVER SHEET

2 8 . 7 8 8

S.E.C. Registration Number

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

(Company's Full Name)

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

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

MARCOS E. LAROSA	(02) 751-8132
Contact Person	Company Telephone Number

1 2 / 3 1	SEC Form 17-Q 1st Qtr.2017	0 7 /
Month / Day	FORM TYPE	Month / Day
Fiscal Year 2017		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

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2017**

2. Commission identification number **28788**

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

MAKATI FINANCE CORPORATION

4. Exact name of issuer as specified in its charter

MAKATI CITY, PHILIPPINES

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: ______ (SEC Use Only)

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

7. Address of issuer's principal office Postal Code

(0632) 751-8132

8. Issuer's telephone number, including area code

7823 MAKATI AVENUE, POBLACION, MAKATI CITY 1210

9. Former name, former address and former fiscal year, if changed since last report

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON STOCK	**216,462,556***

**as reported by the stock transfer agent as of March 31, 2017*

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

Yes [X] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [/] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [/] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending March)

	2017	*2016*
NET INTEREST INCOME	80.27%	76.65%
EBIT MARGIN	30.82%	53.24%
RETURN ON ASSETS (ANNUALIZED)	1.98%	3.17%
DEBT TO EQUITY	146.65%	205.84%
RETURN ON EQUITY (ANNUALIZED)	4.90%	9.65%

Net interest income increased by 3.62%, which is computed by deducting the cost of borrowings from the gross interest revenues. This is mainly due to lower interest expenses in the first quarter of 2017 as against the same period in 2017. The EBIT margin, which measures profitability performance as annualized net income before interest and taxes over the total interest income, ended at 30.82% in March 2017 as against 53.24% in March 2016 due to higher loss from sale of repossessed inventories from Php 2.95 million in 2016 to Php 8.62 million in 2017. Return on assets was 1.98% in 2017 as against 3.17% in 2016. This ratio of annualized net income over the total assets is an indicator of management effectiveness. The return on equity or the ratio of annualized net income over the stockholder's equity was at 4.90% in Mar 2017 as against 9.65% in March 2016. The ROE measures the return on funds provided by the stockholders. The income generated steadily grows as the Company grows quality loan portfolio.

Liquidity

As for the Company's working capital requirements, the Company monitors its liquidity position on a daily basis and does not anticipate any cash flow or liquidity problem within the next twelve months. Makati Finance has available credit lines with its parent company, Amalgamated Investment Bancorporation at interest within accepted regulatory requirements to be considered as arms-length transaction and other bank lines. The Company also get other bank lines for possible cash inflow. The Company's acquired assets are being offered at good prices, which is also a good source of funds. In the meantime, fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule and intensive efforts in disposal of real estate acquired assets.

Events that will Trigger Material Direct or Contingent Financial Obligation

There are no expected events that will trigger any material direct or contingent liabilities that the company may incur.

Material Off-Balance Sheet Transactions, Arrangements or Obligations

There are no material Off-Balance Sheet transactions, arrangements or obligations.

Material Commitments for Capital Expenditure

The Company had started to implement its geographical expansion plans for the Motorcycle Financing line. As in any expansion, there is the need to invest in buying new office equipment, furniture and service units (motorcycles) for the CSRs. The Company continued to spend its resources on computerization of financial system and on IT financial infrastructure.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of P 5.7 million for the first quarter of 2017. Net interest income for the quarter ending March amounted to P 37.3 million. The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

Total operating expenses incurred amounted to Php 40.10 million as of March 2016, which includes Php 8.62 million losses from sale of repossessed inventory units. On matters of provisioning, the Company continued to be prudent such that even day one past due accounts are provisioned for but only within the limits of the newly implemented Accounting Standards on valuation of assets.

Total assets amounted to P1,148 million as of March 2017, 6.41% lower from Php 1,227 million as of December 2016. The decrease is primarily due to collections of loans receivables, and lower loan releases for the 1st quarter of this year. Total liabilities amounted to P683 million as of March 31, 2017, 11% lower from the P767 million in December 2016 due to payments of notes payable from excess funds as of March 2017.

Material Events or Uncertainties

The Company had no material foreign exchange transactions; hence the peso depreciation had no direct effect on the company's financials. Management is not aware at this time of any forthcoming trends, uncertainties, demands, or events that would materially affect the Company's liquidity nor would have a material impact on its net income from continuing operations. There are also no material off-balance sheet transactions, arrangements nor obligations with unconsolidated entities.

PART II--OTHER INFORMATION

NOT APPLICABLE.

There are no material disclosures that have not been reported under SEC Form 17-C covered by this period.

SIGNATURES

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

Issuer............…………......…..….**RENE B. BENITEZ**.........…...............

Signature and Title............…………...**CHAIRMAN**...………............

Date ……May 12, 2017

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

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

Date …….May 12, 2017

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending March 31, 2017
With Comparative Figures for 2016

MAKATI FINANCE CORPORATION
INTERIM BALANCE SHEET
FOR THE PERIOD ENDING MARCH 31, 2017, 2016 AND DEC. 31, 2016

	MARCH 31, 2017	**DEC. 31, 2016 (Audited)**	**MARCH 31, 2016**
Current Assets			
Cash on Hand/in Banks	56,934,992	97,617,641	25,930,189
Receivables *(Note 4)*	801,949,584	849,023,273	937,599,509
Total Current Assets	858,884,576	946,640,914	963,529,698
Investment Properties	1,406,000	2,604,468	2,604,468
Investment in Subsidiaries	99,788,789	94,962,090	114,046,487
Property & Equipment - net *(Note 4)*	13,181,448	14,823,832	8,026,952
Deferred Tax Asset	58,347,696	57,706,296	29,232,283
Other Assets - net *(Note 5)*	117,288,524	110,848,563	199,468,290
Total Assets	**1,148,897,033**	**1,227,586,163**	**1,316,908,178**

	MARCH 31, 2017	**DEC. 31, 2016 (Audited)**	**MARCH 31, 2016**
Current Liabilities			
Notes Payable *(Note 5)*	647,395,707	711,186,458	832,472,659
Accounts Payable	6,745,396	15,717,788	22,231,205
Accrued Expenses & Other	22,530,120	37,550,118	
Other Payables	6,432,388	3,039,320	31,614,288
Total	683,103,611	767,493,684	886,318,152
Stockholder's Equity			
Capital Stock – P1 par value			
Authorized – 300,000,000 shares			
Issued and Outstanding	216,462,556	216,462,556	209,565,483
Additional Paid in Capital	5,803,922	5,803,922	5,803,922
Retained Earnings	233,334,356	187,002,406	200,796,673
Remeasurement gains on retirement assets	4,491,589	4,491,589	4,045,396
Share in other comprehensive income/(loss) of an associate	57	57	57
YTD Net Income	5,700,942	46,331,949	10,378,495
Total	465,793,422	460,092,479	430,590,026
Total Liabilities and Capital	**1,148,897,033**	**1,227,586,163**	**1,316,908,178**

MAKATI FINANCE CORPORATION
INTERIM STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING MARCH 31, 2017, 2016 and DEC. 31, 2016

	MAR. 2017	**DEC. 2016 (AUDITED)**	**MAR. 2016**
Interest Income – Loans	46,517,019	209,486,415	51,001,393
Cost of Borrowings	9,177,495	44,983,569	11,908,026
Net Interest Income	37,339,524	164,502,846	39,093,367
Less: Provisions	2,138,000	36,699,617	4,046,216
Net Interest Income After Provision	35,201,524	127,803,229	35,047,151
Other Income	10,054,528	155,816,623	7,712,720
Operating Expenses			
Loss from sale and write-down of MC inventories	8,622,851	104,700,890	2,950,571
Salaries and Wages	16,141,190	75,142,379	17,507,782
Taxes & Licenses	3,120,112	30,334,036	690,730
Occupancy costs	4,879,053	19,233,0300	2,306,533
Management & Professional Fees	2,143,152	9,211,200	3,259,002
Transportation & Representation	1,614,743	5,863,569	1,452,336
Commissions	228,000	5,455,875	456,185
Depreciation & Amortization	1,262,540	3,683,681	583,192
Entertainment, amusement and recreation	170,232	608,917	102,557
Amortization of software cost	77,908	330,328	
Other Operating Expenses	1,836,939	9.074,614	2,518,130
Total	40,096,720	300,338,136	31,724,461
Net Income Before Income Tax	**5,159,332**	**19,984,333**	**11,035,410**
Provision for Tax/Deferred Tax Adjustment	(541,610)	(26,347,616)	656,915
Net Income After Tax	**5,700,942**	**46,331,949**	**10,378,495**
Total Comprehensive Income	**5,700,942**	**46,331,949**	**10,378,495**
RETAINED EARNINGS, BEGINNING	**233,334,355**	**200,796,673**	**200,796,673**
RETAINED EARNINGS, QUARTER/YEAR-END	**239,035,297**	**233,334,355**	**211,175,168**
BASIC EARNINGS PER SHARE*	**0.03**	**0.05**	**0.05**

***As of March 31, 2017, and December 31, 2016,** there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION
INTE RIM CASH FLOW STATEMENTS
FOR THE PERIOD ENDING MARCH 31, 2017 AND 2016

	2017 31-Mar	**2016 31-Mar**
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	5,159,332	11,035,410
Adjustments for:		
Provisions for probable losses	2,138,000	6,996,787
Depreciation and amortization	1,340,448	583,192
Share in the net income of an associate	(4,826,699)	(8,957,130))
Loss on writeoff of investment property		
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	46,134,157	6,138,997
Other Assets	(6,617,661)	(6,481,986)
Increase (decrease) in the amounts of:		
Accounts Payable	(8,972,391)	(5,739,294)
Other Payable	(11,626,929)	1,481,304
Net cash provided by (used in) operating activities	**22,728,257**	**5,057,280**
Interest Expense Paid		
Income Tax Paid	-	-
Net Cash provided by (used in) operating activities	**22,728,257**	**5,057,280**
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	379,845	(4,756,404)
Pre-termination of short-term money market placement	-	-
Cash Dividends from AIB	-	18,000,000
Proceeds from Sale of Property and Equipment	-	-
Net cash provided by (used in) investing activities	**379,845**	**13,243,597**
Cash Flow From FINANCING Activities		
Cash dividend paid	-	-
Loan Availments	32,605,278	46,175,691
Payment of Preterm Loan	(96,396,029)	(56,952,498)
Net cash provided by (used in) financing activities	**(63,790,751)**	**(10,776,807)**
Net cash provided by (used in) Cash and Cash Equivalents	**(40,682,649)**	**7,524,070**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	97,617,641	18,406,119
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	**56,934,992**	**25,930,189**

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING MARCH 31, 2017 AND 2016 AND DECEMBER 31, 2016

	Mar 31, 2017	Dec. 31, 2016	Mar 31, 2016
Capital Stock			
Authorized 300,000,000 par value P1			
Issued and outstanding	209,565,483	209,565,483	209,565,483
Stock dividends		6,897,073	
Issuance during the year			
	209,565,483	**216,462,556**	**209,565,483**
Additional paid-in capital			
Balance, beginning of year	5,803,922	5,803,922	5,803,922
Issuance during the year			
	5,803,922	**5,803,922**	**5,803,922**
Retained earnings (deficit)			
Balance, beginning of year	233,334,355	200,796,673	200,796,673
Adjustment to RE			
Stock dividends		(6,897,073)	
Cash dividends		(6,897,194)	
Total Comprehensive Income	**5,700,942**	46,331,949	10,378,495
Balance, end of quarter/year	**239,035,297**	**233,334,355**	**211,175,168**
Remeasurement gains on retirement assets	**4,491,589**	**4,491,589**	**4,045,396**
Share in other comprehensive income/loss of an associate	**57**	**57**	**57**
Net unrealized loss on investments			
Total Equity	465,793,422	**460,092,479**	**430,590,026**

MAKATI FINANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

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.

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.

<u>Interest income and expense</u>
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 Mach 31, 2017 and December 31, 2016, 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

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

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

The statements of comprehensive income report the Company's share 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.

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:

<u>Judgments</u>

(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).

<u>Estimates</u>

(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 March 31, 2017 and December 31, 2016, the Company did not recognize impairment on investment in an associate, property and equipment, investment properties and software costs.

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

(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 March 31, 2017 and December 31, 2016, the carrying value of motorcycle inventories amounted to P108.02 million and P103.18 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 March 31, 2017 and December 31, 2016, the Company did not recognize provisions nor contingencies related to legal obligations or claims.

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.

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.

	March 31, 2017			December 31, 2016 (Audited)		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Cash and cash equivalents*	**P56,934,992**	**P -**	**P56,934,992**	P96,800,856	P -	P96,800,856
Receivable from customers:						
Consumer	**726,990,536**	**697,910,915**	**29,079,621**	770,797,008	746,006,867	24,790,141
Services	**149,573,441**	**7,155,357**	**142,418,084**	151,855,672	7,155,357	144,700,315
Dividend receivable	**-**	**-**	**-**	-	-	-
Other receivables	**20,135,747**	**-**	**20,135,747**	18,982,734	-	18,982,734
Security deposits**	**3,384,627**	**-**	**3,384,627**	3,384,627	-	3,384,627
	P957,019,343	**P705,066,272**	**P251,953,071**	P1,041,820,897	P753,162,224	P288,658,673

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

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

	March 31, 2017 (Unaudited)					
	Neither Past Due nor Impaired			**Past Due**		
	High Grade	**Medium Grade**	**Low Grade**	**but not Impaired**	**Impaired**	**Total**
Loans and Other Receivables						
Cash and cash equivalents*	**P56,934,992**	**P --**	**P -**	**P -**	**P -**	**P56,934,992**
Receivable from customers:						
Consumer	**460,940,516**	-	**16,830,026**	**155,293,473**	**93,926,521**	**726,990,536**
Services	-	-	**120,648,066**	-	**28,925,375**	**149,573,441**
Dividend receivable	-	-	-	-	-	-
Other receivables	-	-	**20,135,747**	-	-	**20,135,747**
Security deposits	-	-	**3,384,627**	-	-	**3,384,627**
Other investments**	**-**	-	**80,000**	-	-	**80,000**
	P517,875,508	**P -**	**P161,078,466**	**P155,293,473**	**P122,851,896**	**P957,099,343**

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

	December 31, 2016 (Audited)					
	Neither Past Due nor Impaired			Past Due		
	High Grade	Medium Grade	Low Grade	but not Impaired	Impaired	Total
Loans and Other Receivables						
Cash and cash equivalents*	**P96,800,856**	**P --**	**P -**	**P -**	**P -**	**P96,800,856**
Receivable from customers:						
Consumer	**490,990,459**	-	**13,924,086**	**165,398,649**	**100,483,814**	**770,797,008**
Services	-	-	**121,621,267**	-	**30,234,405**	**151,855,672**
Dividend receivable	-	-	-	-	-	-
Other receivables	-	-	**18,982,734**	-	-	**18,982,734**
Security deposits	-	-	**3,384,627**	-	-	**3,384,627**
Other investments**	**-**	-	**80,000**	-	-	**80,000**
	P587,791,315	**P -**	**P157,992,714**	**P165,398,649**	**P130,718,219**	**P1,041,900,897**

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

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

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

Cash Equivalents
High grade pertains to short term placements with AIB 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:

	March 31, 2017					
	1-30 Days	**30-60 Days**	**61-90 Days**	**91-120 Days**	**More than120 Days**	**Total**
Consumer	**P80,992,956**	**P33,352,112**	**P17,005,896**	**P6,635,846**	**P17,306,661**	**P155,293,471**
Services	**-**	**-**	**-**	**-**	**-**	**-**
	P80,992,956	**P33,352,112**	**P17,005,896**	**P6,635,846**	**P17,306,661**	**P155,293,471**

	December 31, 2016 (Audited)					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	P70,240,018	P26,315,422	P22,606,684	P8,442,800	P37,793,725	P165,398,649
Services	-	-	-	-	-	-
	P70,240,018	P26,315,422	P22,606,684	P8,442,800	P37,793,725	P165,398,649

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

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

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.

		Contractual Maturities					
		March 31, 2017 (Unaudited)					
	Carrying Amount	**Up to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 Years**	**More than 3 Years**	**Total**
Financial Assets							
Cash and cash equivalents	**P56,934,992**	**P56,934,992**	**P -**	**P -**	**P -**	**P -**	**P56,934,992**
Loans and other receivables							
Receivable from customers:							
Consumer	**726,990,536**	**151,609,672**	**136,855,837**	**239,556,403**	**431,894,305**	**29,559,473**	**989,475,691**
Services	**149,573,441**	**124,004,889**	**13,812,320**	**24,53,936**	**43,538,968**	**12,348,633**	**217,958,748**
Other receivables	**20,135,747**	**18,532,223**	**1,152,362**	**2,304,724**	**-**	**-**	**21,989,309**
Dividend receivable	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Security deposits	**3,384,627**	**-**	**-**	**-**	**-**	**3,384,627**	**3,384,627**
Other investments*	**80,000**	**-**	**-**	**-**	**-**	**80,000**	**80,000**
	P957,099,343	**P351,081,776**	**P151,820,519**	**P266,115,064**	**P475,433,274**	**P45,372,733**	**P1,289,823,367**
Financial Liabilities							
Notes payable	**647,395,707**	**25,000,000**	**130,300,000**	**474,403,399**	**17,692,308**		**647,395,707**
Accounts payable	**6,745,396**	**6,745,396**	**-**	**-**	**-**	**-**	**6,745,396**
Accrued interest	**9,697,714**	**9,697,714**	**-**	**-**	**-**	**-**	**9,697,714**
	663,838,817	**41,443,110**	**130,300,000**	**474,403,399**	**17,692,308**	**-**	**663,838,817**
Net liquidity gap	**P293,260,526**	**P309,638,666**	**P21,520,519**	**(P208,774,537)**	**P457,740,966**	**P45,372,733**	**P625,984,550**

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

		Contractual Maturities					
		December 31, 2016 (Audited)					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash and cash equivalents	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
Financial Liabilities	Financial Liabilities						
Notes payable	711,186,458	64,476,724	82,776,724	543,933,010	20,000,000		711,186,458
Accounts payable	15,717,788	15,717,788	-	-	-	-	15,717,788
Accrued 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
Net liquidity gap	P304,619,331	P301,159,218	P81,901,599	(P247,889,601)	P491,498,863	P47,964,465	P674,634,544

***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 March 31, 2017 and December 31, 2016.

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.

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:

	March 31, 2017 (Unaudited)				
	Rx Cash Line	**MFC Factors**	**MC Financing**	**Others**	**Total**
Loans and Other Receivables	**P115,083,015**	**P302,952,241**	**P789,399,183**	**P21,989,310**	**P1,229,423,749**
Results of operation					
Revenues					
Interest income	**P5,234,933**	**P8,124,307**	**P33,049,238**	**P108,541**	**P46,517,019**
Other income	**710,282**	**1,041,089**	**2,029,822**	**6,273,335**	**10,054,528**
	5,945,215	**9,165,397**	**35,079,060**	**6,381,876**	**56,571,548**
Expenses					
Interest expense	**589,718**	**2,342,238**	**6,245,539**	**-**	**9,177,495**
Provision for credit losses	**500,000**	**-**	**1,638,000**	**-**	**2,138,000**
Operating expenses	**13,552**	**845,948**	**39,237,220**	**-**	**40,096,720**
	1,103,270	**3,188,186**	**47,120,759**	**-**	**51,412,215**
Net operating income (loss)	**4,841,945**	**5,977,211**	**(12,041,699)**	**6,381,876**	**5,159,333**
Less: Income tax expense (benefit)	**1,452,583**	**1,793,163**	**(5,701,919)**	**1,914,563**	**(541,610)**
Net income (loss)	**P3,389,361**	**P4,184,048**	**(P6,339,780)**	**P4,467,313**	**P5,700,942**
Statement of financial position					
Total assets	**P107,545,128**	**P283,109,002**	**P737,693,883**	**P20,549,020**	**P1,148,897,033**
Total liabilities	**P63,943,472**	**P168,329,081**	**P438,613,157**	**P12,217,900**	**P683,103,611**
Other segment information					
Capital expenditures	**P-**	**P-**	**P-**	**P-**	**P-**
Depreciation and amortization	**P118,183**	**P311,113**	**P888,570**	**P22,582**	**P1,340,448**

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

8. Cash and Cash Equivalents

This account consists of:

	Note	Unaudited March 2017	Audited December 2016
Cash equivalents	*21*	**P11,578,376**	P74,554,022
Cash in banks		**44,869,416**	22,246,834
Cash on hand		**487,198**	816,785
		P56,934,992	P97,617,641

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 P0.34 million and P0.26 million in 2017 and 2016, respectively.

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.02% to 0.25% per annum in 2017 and 2016. Interest income on cash in banks amounted to 0.009 million and P0.03 million in 2017 and 2016, respectively.

9. Loans and Other Receivables

This account consists of:

	Note	Unaudited March 2017	Audited December 2016
Receivable from customers:			
Consumer		**P989,475,691**	P1,070,647,942
Services		**217,958,748**	221,229,632
Other receivables	*21*	**21,989,310**	19,773,053
Dividend receivable	*21*	**-**	-
		1,229,423,749	1,311,650,627
Unearned interest income		**(301,861,303)**	(337,437,669)
Client's equity		**(30,862,721)**	(32,577,544)
Allowance for credit losses		**(94,750,141)**	(92,612,141)
		P801,949,584	P849,023,273

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

Loans and receivables according to product type:

	Note	Unaudited March 2017	Audited December 2016
Motorcycle financing		**P780,751,250**	P895,162,741
Receivables purchased		**102,875,732**	108,591,813
Rx cash line		**113,617,511**	111,172,314
Business loans		**200,076,509**	166,837,270
		1,197,321,002	1,281,764,138
Unearned interest income		**(301,861,303)**	(337,437,669)
Client's equity		**(30,862,721)**	(32,577,544)
		864,596,978	911,748,925
Accrued interest receivable		**10,113,436**	10,113,436
Sales contract receivable		**205,064**	205,064
Advances to officers and employees		**632,061**	632,061

Due from affiliates		**101,007**	101,007
Miscellaneous receivables	*21*	**21,051,179**	18,834,921
Dividend receivable	*21*	**-**	-
		896,699,725	941,635,414
Allowance for credit losses		**(94,750,141)**	(92,612,141)
		P801,949,584	P849,023,273

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 P46.5 million and P51 million in 2017 and 2016, respectively.

Movements in allowance for credit losses follow:

	March 31, 2017 (Unaudited)				
	Receivable from Customers				
	Construction	**Services**	**Consumer**	**Others**	**Total**
At January 1	**P2,793,048**	**P13,708,309**	**P72,945,970**	**P3,164,814**	**P92,612,141**
Provisions during the year	**-**	**500,000**	**1,638,000**	**-**	**2,138,000**
At December 31	**P2,793,048**	**P14,208,309**	**P74,583,970**	**P3,164,814**	**P94,750,141**
Total Impairment	**P2,793,048**	**P14,208,309**	**P74,583,970**	**P3,164,814**	**P94,750,141**

	December 31, 2016 (Audited)				
	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

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 March 31, 2017 and December 31, 2016 respectively:

	Note	**Unaudited March 2017**	Audited December 2016
Cost at the beginning of the year		**P41,666,667**	P75,000,000
Shares sold (16%)		**-**	(33,333,333)
Cost at the end of the year		**41,666,667**	41,666,667
Accumulated equity in net earnings			
Balance at the beginning of the year		**53,295,423**	48,089,357
Share in net income	*21*	**4,826,699**	47,222,206
Dividends	*21*	**-**	-
Shares sold		**-**	(42,016,140)
Balance at the end of the year		**58,122,122**	53,295,423
		P99,788,789	P94,962,090

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

11. Property and Equipment

The rollforward analysis of this account follows:

	March 31, 2017 (Unaudited)			
	Furniture, Fixtures and Equipment	**Leasehold Rights and Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**P14,447,146**	**P7,476,840**	**P8,523,396**	**P30,447,382**
Additions	**100,887**	**-**	**-**	**100,887**
Disposals	**(90,000)**	**-**	**(390,732)**	**(480,732)**
At December 31	**14,458,033**	**7,476,840**	**8,132,664**	**30,067,537**
Accumulated Depreciation and Amortization				
At January 1	**10,693,469**	**1,693,436**	**3,236,645**	**15,623,550**
Depreciation and amortization	**669,394**	**365,463**	**305,590**	**1,340,447**
Disposals	**-**	**-**	**-**	**-**
At December 31	**11,362,863**	**2,058.899**	**3,542,036**	**16,963,997**

Carrying Amount	**P3,095,170**	**P5,417,941**	**P4,590,628**	**P13,103,540**

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

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

12. Investment Properties - net

This account consists of cost of land:

	Unaudited March 2017	Audited December 2016
Cost	**P3,544,001**	P3,544,001
Recovery of loan receivable	**1,630,802**	**-**
Allowance for impairment losses	**1,913,199**	
Balance at beginning of the year	**(939,533)**	(939,533)
Allowance for impairment losses recovery	**432,334**	-
Balance at end of the year	**(507,199)**	(939,533)
	P1,406,000	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	Unaudited March 2017	Audited December 2016
Motorcycle inventories	*11*	**P108,023,469**	P103,177,184
Prepaid expenses		**5,185,595**	3,722,630
Security deposits		**3,384,627**	3,384,627
Software costs		**614,833**	484,122
Other investments		**80,000**	80,000
		P117,288,524	P110,848,563

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:

	Unaudited March 2017	Audited December 2016
Cost		
At January 1	**P4,869,996**	P4,523,179
Additions	**208,620**	346,817
At March 31 and December 31	**5,078,616**	4,869,996
Accumulated Amortization		
At January 1	**4,385,874**	4,055,546
Amortization for the year	**77,908**	330,328
Accumulated amortization	**4,463,782**	4,385,874
At March 31 and December 31	**P613,834**	P484,122

14. Notes Payable

This account consists of:

	Note	Unaudited March 2017	Audited December 2016
Related parties	*21*	**P394,063,741**	P413,106,895
Banks		**243,131,966**	288,379,563
Individuals		**10,200,000**	9,700,000
		P647,395,707	P711,186,458

Interest rates from borrowings range from 4.00% to 5.75% per annum in 2017 and 2016.

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.

15. Accrued Expenses

This account consists of:

	Note	Unaudited March 2017	Audited December 2016
Accrued capital gains tax	*10*	**P-**	P11,995,000
Accrued interest	*21*	**9,697,714**	11,194,105
Accrued taxes		**3,816,689**	3,769,612
Accrued occupancy costs		**3,199,760**	3,327,362
Accrued management and professional fees		**1,656,025**	2,084,266
Accrued administrative expenses		**1,302,806**	893,428
Accrued insurance payable		**425,571**	553,332
Others		**2,431,555**	3,733,013
		P22,530,120	P37,550,118

Others include accrual on SSS, Pag-ibig and Philheath 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.

	March 31, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**P56,934,992**	**P -**	**P56,934,992**	P97,617,641	P -	P97,617,641
Loans and other receivables - gross	**708,280,395**	**521,143,354**	**1,229,423,749**	755,651,926	555,998,701	1,311,650,627
Other assets	**-**	**3,464,627**	**3,464,627**	-	3,464,627	3,464,627
	765,215,387	**524,607,981**	**1,289,823,368**	853,269,567	559,463,328	1,412,732,895
Nonfinancial Assets						
Investment in an associate	**-**	**99,788,789**	**99,788,789**	-	94,962,090	94,962,090
Property and equipment	**-**	**13,181,448**	**13,181,448**	-	14,823,832	14,823,832
Investment properties - gross	**-**	**3,544,001**	**3,544,001**	-	3,544,001	3,544,001
Deferred tax assets	**-**	**58,347,696**	**58,347,696**	-	57,706,296	57,706,296
Other assets	**108,023,469**	**9,265,056**	**117,288,525**	106,899,814	484,122	107,383,936
	108,023,469	**184,126,990**	**292,150,459**	106,899,814	171,520,341	278,420,155
Less: Allowance for credit and impairment losses	**-**	**(94,750,141)**	**(94,750,141)**	-	(93,551,674)	(93,551,674)
Unearned interest income	**(197,478,408)**	**(104,382,895)**	**(301,861,303)**	(220,752,554)	(116,685,115)	(337,437,669)
Client's equity	**(30,862,721)**	**-**	**(30,862,721)**	(32,577,544)	-	(32,577,544)
	(228,341,129)	**(199,133,036)**	**(427,474,165)**	(253,330,098)	(210,236,789)	(463,566,887)
	P644,897,726	**P509,601,935**	**P1,154,499,661**	P706,839,283	P520,746,880	P1,227,586,163
Financial Liabilities						
Notes payable	**P629,703,399**	**P17,692,308**	**P647,395,707**	P691,186,458	P20,000,000	P711,186,458
Accounts payable	**6,745,396**	**-**	**6,745,396**	15,717,788	-	15,717,788
Accrued interest	**9,697,715**	**-**	**9,697,715**	11,194,105	-	11,194,105
	646,146,510	**17,692,308**	**663,838,818**	718,098,351	20,000,000	738,098,351
Nonfinancial Liabilities						
Accrued expenses	**25,823,397**	**-**	**25,823,397**	26,356,013	-	26,356,013
Retirement liability	**-**	**1,549,370**	**1,549,370**	-	1,549,370	1,549,370
Income tax payable	**1,589,740**	**-**	**1,589,740**	1,489,950	-	1,489,950
	27,413,137	**1,549,370**	**28,962,507**	27,845,963	1,549,370	29,395,333
	P673,559,647	**P19,241,678**	**P692,801,325**	P745,944,314	P21,549,370	P767,493,684

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 March 31, 2017, 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:

	March 31, 2017		December 31, 2016 (Audited)		December 31, 2015 (Audited	
	Number of Shares	**Amount**	Number of Shares	Amount	Number Of Shares	Amount
Authorized - 300,000,000 shares; P1 par value						
At January 1	**216,462,556**	**P216,462,556**	209,565,483	P209,565,483	203,312,773	P203,312,773
Stock dividends	**0**	**0**	6,897,073	6,897,073	6,252,710	6,252,710
At December 31	**216,462,556**	**P216,462,556**	216,462,556	P216,462,556	209,565,483	P209,565,483

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

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

<u>Capital Management</u>

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 quarter ended March 31, 2017 and for the year ended December 31, 2016, the Company was in compliance with the minimum paid-up capital.

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

18. Retirement Plan

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

The Company is subject to the minimum retirement benefit under the R.A. 7641, '*The Philippine Retirement Law',* which provides for retirement pay to qualified employees in the absence of any retirement plan. R.A. 7641 requires the Company to provide minimum retirement benefits to employees who have reached the age of sixty (60) years 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:

	Unaudited March 2017	Audited December 2016
Components of retirement benefit liability recorded in profit or loss as retirement benefit expense		
Current service cost	**P2,117,250**	P2,117,250
Net interest expense:		
Interest expense	**320,352**	320,352
Interest income on plan assets	**(290,366)**	(290,366)
Interest expense on effect of asset ceiling	**-**	-
	2,147,236	2,147,236
Components of retirement benefit liability recorded in OCI		
Remeasurement gain on defined benefits obligation	**(1,184,373)**	(1,184,373)
Remeasurement loss (gain) on plan assets	**(26,714)**	(26,714)
Remeasurement gain on the change in the effect of asset ceiling	**-**	-
	(1,211,087)	(1,211,087)
Total components of retirement benefit liability	**P936,149**	P936,149

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

	Unaudited March 2017	Audited December 2016
Present value of retirement benefits obligation	**P7,804,403**	P7,804,403
Fair value of plan assets	**(6,255,033)**	(6,255,033)
Net defined benefit liability	**P1,549,370**	P1,549,370

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

	Unaudited March 2017	Audited December 2016
Balance at beginning of year	**P6,551,174**	P6,551,174
Current service cost	**2,117,250**	2,117,250
Interest expense	**320,352**	320,352
Remeasurement gains on obligation arising from:		
Change in financial assumptions	**(543,030)**	(543,030)
Experience adjustment	**(641,343)**	(641,343)
Balance at end of year	**P7,804,403**	P7,804,403

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

	Unaudited March 2017	Audited December 2016
Balance at beginning of year	**P5,937,953**	P5,937,953
Interest income	**290,366**	290,366
Remeasurement loss on plan assets	**26,714**	26,714
Balance at end of year	**P6,255,033**	P6,255,033

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

	Unaudited March 2017	Audited December 2016
Balance at beginning of year	**P -**	P -
Remeasurement (gain) on the change in the effect of asset ceiling	**-**	**-**
Interest expense on effect of asset ceiling	**-**	**-**
Balance at end of year	**P -**	**P -**

Changes in the retirement benefit liability follow:

	Unaudited March 2017	Audited December 2016
Balance at beginning of year	**P613,221**	P613,221
Current service cost	**2,117,250**	2,117,250
Net interest cost on the retirement liability	**29,986**	29,986
Remeasurement loss (gain) on plan assets	**(26,714)**	(26,714)
Actuarial gains on retirement liability arising from:		
Experience adjustment	**(641,343)**	(641,343)
Changes in assumptions	**(543,030)**	(543,030)
Changes in the effect of asset ceiling	**-**	-
Balance at end of year	**P1,549,370**	P1,549,370

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:

	Unaudited March 2017	Audited December 2016
Cash and cash equivalents	**P900,725**	P900,725
AFS financial assets	**5,049,688**	5,049,688
Accrued and other receivables	**304,620**	304,620
	P6,255,033	P6,255,033

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

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:

	Unaudited March 2017	Audited December 2016
Penalties	**P2,568,554**	P11,735,907
Recoveries	**1,098,875**	6,812,744
Others	**345,662**	95,410
	P4,013,091	P18,644,061

Miscellaneous expenses consist of the following items:

	Unaudited March 2017	Audited December 2016
Communication	**P608,871**	P2,837,607
Insurance	**463,108**	2,494,214
Stationeries and supplies	**416,245**	1,653,120
Repairs and maintenance	**193,176**	623,579
Meetings and conferences	**76,056**	518,330
Training and development	**42,750**	201,748
Others	**36,732**	746,016
	P1,836,938	P9,074,614

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 March 31, 2017 and December 31, 2016 follow:

	Unaudited March 2017	Audited December 2016
Current:		
MCIT	**P-**	P2,833,371
RCIT	**99,790**	-
Deferred	**(641,400)**	(29,180,987)
	(P541,610)	(P26,347,616)

The components of deferred tax assets follow:

	Unaudited March 2017	Audited December 2016
Deferred tax assets on:		
Allowance for impairment and credit losses	**P28,425,042**	P27,783,642

Inventory write-down of motorcycle	**19,302,690**	19,302,690
NOLCO	**11,135,654**	11,135,654
Accrued expenses	**981,160**	981,160
Past service cost	**80,095**	80,095
	59,924,641	59,283,241
Deferred tax liabilities on:		
Remeasurement gain on defined benefit obligation	**1,576,945**	1,576,945
	P58,347,696	P57,706,296

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:

	Unaudited March 2017	Audited December 2016
Income before income tax	**P5,159,333**	P19,984,333
Income tax computed at statutory rate (30%)	**P1,547,800**	P5,995,300
Additions to (reduction in) income tax resulting from the tax effects of:		
Nondeductible expense	**(641,400)**	4,089,080
Non-deductible interest expense	**-**	35,467
Interest income subjected to final tax and dividend income	**-**	(85,982)
Tax exempt income and nontaxable income	**(1,448,010)**	(39,621,496)
Others	**-**	3,240,015
Effective Income tax benefit	**(P541,610)**	(P26,347,616)

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:

		2016			2015			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	*Ref*	**Amount of Transactions**	**Due from Related Parties**	**Due to Related Parties**	Amount of Transactions	Due from Related Parties	Due to Related Parties	**Nature, Terms and Condition**
Parent Company								
Amalgamated Investment Bancorporation								
Miscellaneous receivables	*a*	**P -**	**P80,514**	**P -**	P80,514	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		**53,400,000**	**-**		45,000,000	-	-	
Settlements		**173,000,000**	**-**	**-**	171,300,000	-	-	
Interest expense		**29,062,864**	**-**	**6,030,664**	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*	**84,634,527**	**-**	**-**	-	-	-	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**	**-**	**-**	-	-	-	
Other Related Parties								
Motor Ace Philippines Inc.								
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	-	-	

Forward

Category/Transaction	Ref	2016 Amount of Transactions	2016 Outstanding Balances Due from Related Parties	2016 Outstanding Balances Due to Related Parties	2015 Amount of Transactions	2015 Outstanding Balances Due from Related Parties	2015 Outstanding Balances Due to Related Parties	Nature, Terms and Condition
Accounts payable	*f*		**P -**	**P6,985,826**			P22,527,325	30-day unsecured, non-interest bearing
Availments		**P213,727,286**	**-**	**-**	P357,660,360	P -	-	
Settlements		**229,268,785**	**-**	**-**	352,413,225	-	-	
Honda Motor World Inc.								
Miscellaneous receivables	*a*	**-**	**2,446,093**	**-**	-	2,345,171	-	Non-interest bearing, unsecured; no impairment
Availments		**114,049**	-	**-**	-	-	-	
Settlements		**13,127**	-	**-**	-	-	-	
Accounts payable	*f*		-	**5,995,224**	-	-	4,580,255	30-day unsecured, non-interest bearing
Availments		**58,828,867**			73,665,047	-	-	
Settlements		**57,413,898**			75,227,428	-	-	
Notes payable	*b*	**-**	-	**-**	-	-	-	Unsecured, interest-bearing placement at 10.0% annual interest rate
Availments		**13,300,000**	-	**-**	-	-	-	
Settlements		**13,300,000**	-	**-**	-	-	-	
Interest expense		**42,472**	-	**-**	-	-	-	
Pikeville Bancshares								
Professional fees		**1,102,080**	-	**-**	1,102,080	-	-	Payment of professional fees for consultancy
MERG Realty Development Corporation								
Miscellaneous Receivables	*a*	**-**	**18,057**	**-**	-	18,057	-	Non-interest bearing, no impairment
Availments		**-**	-	**-**	-	-	-	
Settlements		**-**	-	**-**	-	17,779	-	
Notes Payable	*b*	**-**	-	**13,000,000**	-	-	13,000,000	Unsecured interest-bearing placement at 5.5% annual interest rate; no impairment
Settlement		**-**	-	**-**	23,000,000	-	-	
Interest expense		**726,917**	-	**726,917**	830,653	-	830,653	
<u>*Directors and other stockholders*</u>								
Notes payable	*b*	**-**	-	**35,206,895**	-	-	65,653,363	Unsecured, 1-year interest bearing placement at 6.0% annual interest rate
Availments		**19,771,610**	-	**-**	8,046,219	-	-	
Settlements		**50,218,078**	-	**-**	11,968,752	-	-	
Interest expense		**2,539,861**	-	**1,054,752**	4,636,886	-	1,875,699	
Professional fees and other management fees		**4,379,191**	**c**	**-**	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:

		Unaudited March 2017	Audited December 2016
a.	Net income	**P5,700,942**	P46,331,949
b.	Weighted average number of outstanding common shares	**216,462,556**	216,462,556
c.	Basic/diluted earnings per share (a/b)	**P0.03**	P0.21

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:

	Unaudited March 2017	Audited December 2016
Less than one year	**P8,836,109**	P8,836,109
Between one and five years	**24,795,708**	24,795,708
	P33,631,817	P33,631,817

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**
	P30,334,036

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**
	P16,696,350

C. Tax Cases

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

D. Tax Assessment

As at March 31, 2017, 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.

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

	March 2017 (Unaudited)	Dec. 2016 (Audited)	March 2016 (Unaudited)
SOLVENCY AND LIQUIDITY RATIOS			
Current ratio	96.92%	94.44%	108.71%
Debt to equity ratio	146.65%	166.81%	205.84%
Quick ratio	115.00%	114.39%	63.09%
PROFITABILITY RATIOS			
Return on assets (annualized)	1.98%	3.77%	3.17%
Return on equity (annualized)	4.90%	10.07%	9.65%
Net profit margin	13.39%	16.97%	20.35%
ASSET TO EQUITY RATIO	246.65%	266.81%	305.84%
INTEREST RATE COVERAGE RATIO	1.56	1.44	2.43
OTHER RELEVANT RATIOS			
Ratio or percentage of total real estate investments to total assets	0.23%	0.21%	0.20%
Total receivables to total assets	69.80%	69.16%	71.20%
Total DOSRI receivables to networth	0.04%	0.00%	12.18%
Amount of receivables from a single corporation to total receivables:			
Motor Ace Philippines, Inc. (MAPI)	0.24%	0.22%	0.26%
Honda Motor World, Inc. (HMWI)	0.31%	0.29%	0.25%
Amalgamated Investment Bancorporation (AIB)	0.02%	0.02%	
MAPI Lending Investors, Inc (MAPILI)	0.01%	0.01%	
Seine Garments Corporation	0.01%	0.01%	

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

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

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

- Debt to equity ratio – computed as interest bearing loans and borrowings divided by total stockholders' equity

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

PROFITABILITY RATIOS

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

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

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