MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

April 15, 2011

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
PSE Center, Exchange Road
Ortigas Complex, Pasig City

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Madam:

We are sending herewith a copy of Makati Finance Corporation SEC 17-A for the year ended 2010.

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:

CYNTHIA M. GACAYAN
CHIEF OPERATING OFFICER/CIO

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

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)

2 ND Floor, Makati
Finance Center 7823
Makati Ave., Makati City

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

CYNTHIA M. GACAYAN
Contact Person

897- 0749
Company Telephone Number

1 2 Month **3 1** Day
Fiscal Year
2010

SEC Form 17-A
FORM TYPE

Last Thursday of
0 6 Month Day
Annual Meeting

Secondary License Type, If Applicable

C R M D
Dept. Requiring this Doc.

Amended Articles Number/Section

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-A

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

1. For the fiscal year ended ......**December 31, 2010**....................

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

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

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

6. [ ] (SEC Use Only)
Industry Classification Code:

7. 7823 Makati Avenue, Makati City........................ ....1210...................
Address of principal office Postal Code

8. ....(0632).....896-02-21...
Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
common stock	**193,474,645**

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

Yes [/] No [ ]

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

Philippine Stock Exchange common stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/] No [ ]

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

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

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

Yes [/] No [ ]

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

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

Corporate Mission Statement

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

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

- *Efficiency in all aspects of operations*
- *Client satisfaction at all levels of service*
- *In-depth market penetration*
- *Creativity in the provision of competent solutions*

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

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

History and Background

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

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

In 2005, MFC ventured into motorcycle financing. Seeing that motorcycle financing is a growth area and a profitable market niche, MFC has put considerable effort in developing its MC Financing business line. As part of its efforts to grow this product, the Company has partnered with two motorcycle dealers located in Alabang and Bacoor and through MFC's business relationship with the two dealers, MFC secured a contract which gives the Company a rights of first refusal over the financing of motorcycle sales for the aforementioned locations. All motorcycle financing applications will first be processed by MFC unless they are rejected by the Company. Rejected applications on the other hand are sent to other finance companies. At the end of 2005, MC Financing accounted for 10.9% of the loan portfolio.

In 2006, the Company expanded its motorcycle financing business. MC Financing loans doubled to ₱ 39.8 million in 2006 from 2005, representing 18.3% of the loan portfolio. In order to grow their MC Financing loan portfolio without investing heavily on capital expenditures, MFC leveraged on the existing plethora of motorcycle outlets[1] and after market parts repair shops to increase the Company's sales point networks.

In 2007, MFC focused on having a balanced loan portfolio in order to diversify its revenue sources. The Company further grew its MC Financing portfolio by 56.8**%** in 2007. At the end of the year it contributed 26.5% of MFC's entire interest income.

The year 2008 was focused on setting the baseline for its Growth. We called this our "Clean Up Year".

Early 2008, MFC encountered unusually higher repossessions of motorcycles they were financing. A review of procedures and process resulted to a subsequent revamp and restructure in the organization, most specially in the MC Financing product line. A re-tooling of manpower resources was also done. Accounts generated and existing in 2007 were reviewed to confirm good quality accounts remain and better control measures put in place to ensure of no repeats in control lapses.

The review likewise steered the direction for the Company to evaluate and implement an automated infra structure specific to its financing activity to ensure better control and monitor of all the accounts it handles. New infrastructure triggered renovation on office premises and other leasehold improvements.

The Company saw 2009 as its take off point for growth. Together with the slowly recovering global and domestic economies, MFC is now back in track with more than double its Net Income Before Tax as compared to that of the year 2008.

The Philippine motorcycle industry is expected to grow in the double digits range. While the improving Philippine economy will increase the purchasing power of the average Filipino, rising gas prices have made purchasing motorcycles the more practical alternative to taking long daily commutes. Motorcycle offer an alternative to public transportation and offer a more cost-effective way for the average Filipino to commute. For the next 5 years, the Company is planning to capitalize on this growth by providing financing services in tandem with the aggressive expansion of its dealer-partners.

In 2010 MFC continued to pursue its aggressive expansion in the motorcycle financing side of the business. The expansion took off in 2009 where we ended the year doing financing transactions on twelve (12) outlets of our dealer-partners. The aggressive thrust in motorcycle financing saw us ending 2010 doing financing leasing sales transactions for twenty eight (28) of our dealer-partners' outlets. As such, volume of motorcycle units financed increased by 84.6%, from 2,713 motorcycle units in 2009 to 5,008 motorcycle units in 2010.

Given the dramatic increase in our volume of transactions for motorcycles financed, portfolio share for motorcycle financing wet up from 60% to 78%, or an 18% rise in 2010 versus 2009. Consequently, interest income went up from P69.9M in 2009 to P113.0M in 2010, or a 62% increase. We borrowed funds from financing institutions to support the substantial growth in our volume of amounts financed and consequently interest expense increased by 174 percent or from P11.7M in 2009 to P32.1M in 2010.

As expected in any expansion activity, expenses also dramtically increased. Manpower hirings were timed to allow at least six (6) months on-the-job training for all positions prior to deployment. Office supplies and forms were acquired in bulk to ensure ready and sufficient supply of forms. Advertising and promotion expenses were also higher than normal. All expansion related expenses were incurred without any corresponding income generation. For 2010, expenses went up from P48.4M in 2009 to P71.3M in 2010, or a 47 percent increase.

MFC continues to be on track ending 2010 with Net Income After Tax of P12.4M, a modest 15 percent increase from its 2009 performance.

For the next 3 years, the Company is planning to capitalize on this growth by providing financing services in tandem with the aggressive expansion of its dealer-partners. The Philippine motorcycle industry is expected to grow on the double digit range. The improving Philippine economy will increase the purchasing power of the average Filipino while the rising gas prices have made purchasing motorcycles the more practical alternative to taking daily commutes. Motorcycle offer an alternative to public transportation and offer a more cost-effective way for the average Filipino to commute.

The Company shall continue to explore other financial products and also continue to pursue plan to expand into the savings bank sector. Meanwhile, the thrust is to pursue further growth in the motorcycle financing accounts. MFC will also intend to do a modest uptake in the doctor's loan market and continue to maintain a strong quality portfolio in factoring accounts.

Operating Departments and Units

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

Rx Cashline Group

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

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

MFC Factors Group

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

MC Financing Group

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

Business Operations

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

Sales and Marketing

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

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

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

Loan Evaluation and Approval Process

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

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

The Company's Credit Committee makes the final decision on the application for Rx Cashline and MFC Factors group while the Branch Manager and the bookkeeper approves the application for MC Financing based on the AO/CSR's analysis. The Credit Committee is composed of the Senior Managing Director, the COO and the group heads.

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

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

Loan Collection Process

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

Customers that do not remit payment on the due date are classified as past due accounts while those that are more than 90 days past due are reclassified as delinquent accounts. Legal action or foreclosure of collateral may be endorsed for accounts that turn delinquent. MC Financing clients' will have their motorcycles units repossessed for 60 days past due. Clients may get them back upon payment of amortization in arrears.

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

Item 2. Properties

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

List of Foreclosed Properties as of December 31, 2010		
Location	**Size(Sqm)**	**Description**
Capitol Homesite Subd., Brgy. Cotta, Lucena City (2 lots)	561	Transferred
Bo. De Ocampo, Trece Martires City, Cavite	1,410	Transferred
LF Flores, Teachers Village, Brgy. Cotta, Lucena City (6 lots)	900	Transferred
TOTAL	**2,871**	

Item 3. Legal Proceedings

There are no legal proceedings against Makati Finance Corporation (referred to as 'the Company'), except collection and/or foreclosure cases in the normal course of its operations.

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

No matter that require voting decisions were submitted to the Security Holders in the fourth quarter of the year 2010.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Share Capital

The Company has an authorized capital of **[₱ 300,000,000]**, divided into **[300,000,000]** Common Shares, with a par value of ₱1.00 per share, out of which [**₱ 193,474,645**], divided into **[193,474,645]** shares are issued and outstanding.

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

Amendments to Authorized Capital Stock and Par Value

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

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

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

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

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

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

Also on March 11, 2002, the BOD and stockholders approved the offer of up to 19,560,000 shares from the Company's unissued common stock through initial common public offering (IPO). The application for the IPO of the Company was approved by the SEC and the Philippine Stock Exchange (PSE), on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small & Medium Enterprise Board on January 6, 2003 with an offer price of PhP1.38 per share. Underwriter was Abacus Capital & Investment Corporation.

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

Stock Dividends

On December 11, 2001, the BOD and stockholders declared stock dividends in the aggregate amount of ₱20,785,475 in favor of the stockholders of record as of May 31, 2002, with any fractional shares to be paid in cash.

Cash and stock dividends were declared in 2007, 2006 and 2005 equivalent to 30% of the Company's net income after tax. There was no sale of unregistered securities within the last three years.

On November 6, 2007, the Company declared stock dividends in the aggregate amount of **₱ 6.9** million out of the unrestricted retained earnings of the Company as of October 31, 2007 in favor of the stockholders of record as of December 31, 2006 in proportion to their shareholdings in the Company with any fractional shares to be paid in cash.

The Company also declared on November 6, 2007, stock dividends in the aggregate amount of **₱ 50.2** million out of the unrestricted retained earnings of the Company as of October 31, 2007 in favor of stockholders of record as of November 27, 2007 in proportion to their shareholdings in the Company with any fractional shares to be paid in cash.

On June 19, 2008, the BOD 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. On the same date, the BOD also approved the declaration of cash dividends amounting to P2,257,147. Fractional shares related to this declaration were settled in cash.

On June 04, 2009, the Company declared stock dividends in the aggregate amount of P819,716 out of the unrestricted retained earnings of the Company as of December 31, 2008 in favor of stockholders of record as of July 2, 2009 in proportion to their shareholdings in the Company with any fractional shares to be paid in cash.

On June 24, 2010, the BOD approved the declaration of 0.84% stock dividends in the amount of ₱1,612,240 to stockholders of record as of July 19, 2010 with distribution date not later than August 16, 2010. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱ 1,612,316. Fractional shares related to this declaration were settled in cash amounting to ₱76.

The movements in the number of shares and capital stock amount for the years ended December 31, 2010, 2009 and 2008 as follow:

	2010		2009		2008	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of year	**191,862,405**	**191,862,405**	191,042,689	191,042,689	89,999,959	89,999,959
Increase in number of shares as a result of reduction in par value				–	–	–
Stock dividends	**1,612,240**	**1,612,240**	819,716	819,716	101,042,730	101,042,730
Issuance	-	-	–	–	–	–
Balance at end of year	**193,474,645**	**193,474,645**	191,862,405	191,862,405	191,042,689	191,042,689

Share Prices:

	High	**Low**
First Quarter, 2011		
Market Price		
	₱ 1.56	**₱ 1.56**

HOLDERS OF COMMON STOCK As of December 31, 2010
TOP 20 Stockholders

Name	Nat	Class	No. of Shares	Percentage
AMALGAMATED INV. BANCORP.	FIL	A	138,202,500	71.431841%
MF PIKEVILLE HOLDINGS INC.	FIL	A	13,732,068	7.097606%
MICHAEL WEE	FOR	A	8,005,811	4.137912%
BORROMEO BROS. ESTATE INC.	FIL	A	6,322,277	3.267755%
ERIC B. BENITEZ	FIL	A	5,395,737	2.788860%
MELLISSA B. LIMCAOCO	FIL	A	4,842,685	2.503008%
RENE B. BENITEZ	FIL	A	4,610,751	2.383129%
GLENN B. BENITEZ	FIL	A	4,610,751	2.383129%
JOEL FERRER	FIL	A	1,948,995	1.007365%
RODOLFO B. HERRERA / MAX BORROMEO / CARMEN MERCADO	FIL	A	955,156	0.493685%
PCD NOMINEE CORPORATION	FIL	A	695,156	0.359301%
TERESITA B. BENITEZ	FIL	A	671,569	0.347110%
MERG REALTY DEVELOPMENT	FIL	A	334,311	0.172793%
FLB DEVELOPMENT CORPORATION	FIL	A	264,662	0.136794%
ISIDRO B. BENITEZ	FIL	A	244,985	0.126624%
MELLISSA B. LIMCAOCO ITF DANIELLE B. LIMCAOCO	FIL	A	230,516	0.119145%
RENE BENITEZ ITF LORENZO L. BENITEZ	FIL	A	230,516	0.119145%
RENE BENITEZ ITF CARMELA L. BENITEZ	FIL	A	230,516	0.119145%
GLENN BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	230,516	0.119145%
GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	230,516	0.119145%
SUB-TOTAL			**191,989,994**	**99.232638%**
OTHER STOCKHOLDERS (80)			1,484,651	0.767362%
GRAND TOTAL (100 stockholders)			**193,474,645**	**100.00%**

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

Plans and Prospects for 2011

The Company intends to continue to ride in the growth of the Philippine motorcycle industry. Thus the 2011 plan of MFC together with its dealer partner includes further expansion in various geographical reach of an additional of not less than 20 new trading areas staggered throughout the whole of 2011.

Our other product, the Rx Cash Line is also expected to grow in the double digit range in 2011.

We shall continue to explore other financial products and we also continue to pursue the plan to explore into the savings bank sector. Meanwhile, our current thrust is to pursue further growth in our motorcycle financing accounts. We will continue to maintain a strong quality portfolio in the doctor's loan market and our factoring accounts.

Lending Activities

Being its core business, the Company's thrust is into expanding and strengthening its foothold on its lending operations of niche markets and at the same time exploring with the intention of venturing into new niche markets that will guarantee sustained growth.

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, the Company'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. Its future plans and prospects include the following:

- Continue to ride on the projected double digit growth of the motorcycle industry as per Motorcycle Development Program Participant's Association.
- Continue partnerships with existing motorcycle dealers in their expansion and development of new trading areas in the southern area of Luzon.
- Increase the generation of fleet accounts in the field motorcycle financing either by Salary Deduction or Corporate installment plans.
- Implement the expansion of target markets to municipalities beyond Metro Manila
- Full implementation of the integrated automated information system installed suited for the financial services of the company
- Continuous growth in the portfolios of the Company's two (2) main credit facilities (Motorcycle Financing and Rx Cash Line)
- Continue maintaining good quality accounts in our high ticket facility (Factoring)

Funds Generation

All these plans shall require sufficient funds generation. With plans of the Additional Public Offering (APO) still on hold, the Company is looking at other sources of funds. Aside from the P500 million facility with AIB and the P50 million term loan and P10 million BP facility with UCPB and the P4 million term loan & P1 million BP facility with Union Bank, the Company, with the assistance of AIB, shall continue discussions with other financial institutions to raise additional funds to finance its growth.

Currently 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.

Discussion of Past Financial Performance

As of December 31, 2010

Results of Operation

The audited financial statements of the Company reflected Net Income after tax for the year ending December 31, 2010 at P12.36 million. This was a 15% increase over the NIAT of 2009, or an increase of P1.61 million.

The Company continued to implement its geographical expansion for the Motorcycle Financing line. Sixteen (16) new trading areas were established by our dealer partners in 2010 making a total of twenty eight (28) trading areas, where MFC absorbed all their financing transactions. The company has now a wider reach in the offer of its services resulting in a rise in amounts financed and the corresponding rise in income generation.

Operating income went up to P80.92 million from P58.18 million in 2009, a 39% increase in 2010 performance which was expected with the more than double geographical reach. Expenses likewise spiked up from P48.38 million in 2009 to P71.26 million in 2010. Expansion-related expenses like salary and compensation related expenses, recruitment and training costs, advertising and marketing costs, depreciation costs for new fixed assets, office supplies and forms that needed to be stocked up on and other overhead costs to support the increased number of trading areas were noted to be high. These expansion-related up-front costs were incurred sans corresponding equitable income recognition.

Financial Condition and Capital Resources

In 2010 total assets increased by P212.0 million as against that in 2009, from P454.6 million to P666.6 million which primarily due to the increase in our loan portfolio of our products being offered. There is also a noticeable increase in our notes payable by P165.2 million and other payables by P33.3 million as compared to that in 2009 which increased activities due to the geographical expansion in our trading areas.

Interest Income

The interest income this year was up by 62% from interest income for the year 2009.

Net Interest Income

Interest expense increased by 174 percent. The Company's reduction in net interest income is attributable mainly with the increased in interest expense by ₱20.4million. The reduction in income is due to expansion activity primarily in the MC Financing product.

Other Income

Other income decreased by ₱.3million or 4.4% from December 2009.

Income Before Income Tax

Due to the significant increase on interest income and operating expenses as mentioned above, income before income tax decreased by 2.6.1% from December 2009.

Net Income

The Company posted a net income of ₱ 12.36 million compared to ₱ 10.75 million in 2009 or an increase of 15%.

<u>As of December 31, 2009</u>

Results of Operations

Net Income after tax for the year ending December 31, 2009, as reflected in the audited financial statements, was at P10.75 million. This is a 96.7% increase over the NIAT of 2008, or an increase of P5.28 million .

By April 2009, the Company had started to implement its geographical expansion plans for the Motorcycle Financing line. Over the year of 2009, MFC covered a total of nine (9) new trading areas established by our dealer partners. This resulted to a wider reach in the offer of our service, therefore higher loan releases and gradual rise in income generation.

Total operating income jumped from P46.78 million in 2008 to P64.53 million in 2009, a 37.8% increase from 2008 to 2009 performance. Although interest income generated from our Motorcyle Financing line in 2009 more than doubled with the geographic expansion, related expenses also grew. As in any expansion, there is first the need to invest in the hiring and training of new manpower complement, getting and stocking up on forms and office supplies, buying new office equipment and furniture which spiked up depreciation expenses and doing more extensive marketing and advertising campaigns. All these activities meant expenses incurred up front with little matching income. Total expenses in 2009 reached P48.38 million which is 22.7% higher than the P39.41 million expenses in 2008.

Financial Condition and Capital Resources

In 2009 total assets increased by P90.9 million as against that in 2008, from P363.7 million to P454.6 million which primarily due to the increase in our loan portfolio of our products being offered. There is also a noticeable increase in our notes payable by P55.6 million and other payables by P21.8 million as compared to that in 2008 which is still a result of our geographical expansion in our trading areas.

Interest Income

The interest income this year was up by 38% from interest income for the year 2008.

Net Interest Income

Interest expense did not vary that much. The Company's reduction in net interest income is attributable mainly with the increased in interest expense by only ₱.3million. The reduction in income is due to timing of loan releases primarily in the MC Financing product.

Other Income

Other income decreased by ₱ 5.2million or 44.8% from December 2008 due to Dividend income received from AIB in 2008.

Income Before Income Tax

Due to the significant increase on interest income and operating expenses as mentioned above, income before income tax increased by 120.1% from December 2008.

Net Income

The Company posted a net income of ₱ 10.75million compared to ₱ 5.46million in 2008 or an increase of 96.7%.

<u>As of December 31, 2008</u>

Results of Operations

Audited net income for the year ending December 31, 2008 was ₱ 5.47million. This is a decrease of ₱ 9.58million or 63.6% lower than the P15.05million net income of 2007.. Operating expense is at ₱ 39.44million as of year-end. This is an increase of 42.2% compared to last year's operating expenses of ₱ 27.73million. The increase in operating expenses is primarily a result from the clean-up of accounts triggered by the computerization program we started in 2008.

Financial Condition and Capital Resources

For the year ended December 2008, the company's total assets reached ₱ 363.73million. The increase in assets was 0.6% of the total assets as of December 31, 2007. Increase in the company's receivables amounted to 11.1% from December of last year. Increase in borrowings by ₱ 2.3million is mainly due to increased loan production. Motorcycle financing beefed up its loan portfolio for the year. Four investment properties were sold during the year. The ₱ 50million prepayment with Honda Motor World Incorporated has been used up in 2008. Increase in fixed assets are additional generally transportation equipments and leasehold improvements. Likewise, the Company acquired an automated financial infrastructure for implementation in 2009.

Interest Income

The interest income year was short by 8.4% from interest income for the year 2007.

Net Interest Income

Interest expense did not vary that much. The Company's reduction in net interest income is attributable mainly with the reduction in interest income by ₱ 4.3million. The reduction in income is due to timing of loan releases primarily in the MC Financing product and the effect on the granting of promo and discount on Interest rates in 2007 to cope with the tight competition in the market and which effect we are feeling now.

Other Income

Other income decreased by ₱ 0.8million or 6.8% from December 2007.

Income Before Income Tax

Due to the significant increase on operating expenses as mentioned above, income before income tax decreased by 69.4% from December 2007.

Net Income

The Company posted a net income of ₱ 5.47million compared to ₱ 15.05million in 2007 or a decrease of 63.6%.

Item 7. Financial Statements

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

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

There are none.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Directors and Executive Officers

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

Dr. Isidro B. Benitez, 84, Filipino, is the Chairman of the Board. Dr. Benitez has served as a Director since the Company's incorporation. He is also the Chairman of Obstetrics and Gynecology of the Makati Medical Center, MERG Realty Corporation and Amalgamated Development Corporation. Concurrently, Dr. Benitez is the Vice-Chairman of AIB and a Director of Nationwide Health Systems. He was formerly the Chairman of Obstetrics and Gynecology of the University of the Philippines / Philippine General Hospital where he worked from 1955 to 1988. He is presently the Chairman of the Examining Board of SGOP, Philippines, and a member of the American College of Surgeons, the Philippine College of Surgeons and the Philippine OB-Gyne Society. He obtained his Doctor of Medicine degree from the University of the Philippines, specialized in Obstetrics and Gynecology at John Hopkins University, Baltimore, Maryland and took courses in the Senior Executive MBA Program of the Ateneo de Manila University. He is also a director of Dearborn Motors, Inc. and Vice Chairman of Amalgamated Investment Bancorporation.

Mr. Juan Carlos del Rosario, 61, Filipino, is the Vice Chairman of the Board. He 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 Insurances Co. (AIG Philippines) where he served as a member of the Board of Directors in several of its subsidiaries and affiliated companies. He was a Director of AIG Investment Corporation (Asia) Ltd., Cosmos Bottling Co., Bacnotan Cement Corporation, Investment Capital Corporation of the Philippines and Science Park of the Philippines Inc. Prior to joining the AIG/Philamlife Group, he had worked for 17 years for Chase Manhattan Bank in New York Head Office, and overseas postings in Saudi Arabia, Brazil and the

Philippines. He is a graduate of De La Salle University, Manila with Bachelor of Arts (History) and Bachelor of Science (Commerce) degrees. He received his MBA (Finance and Marketing) from Columbia University, New York City and also completed the Executive Development Program at Cornell University Graduate School of Management Ithaca, New York and the Strategic Business Economics Program at the University of Asia and the Pacific, Manila.

Ms. Teresita B. Benitez, 76, Filipino, is the Company's President. She has been a Director since 2001. She had previously worked for the Philippine Bank of Commerce as Assistant Personnel Manager and United Coconut Planters Bank as Assistant Corporate Secretary. She had also been a director at Asiatrust Bank and Amalgamated Development Corporation. At present she is the Treasurer and Director of Nationwide Health Systems and FLB Development Corporation and the President of MERG Realty and Development Corporation. Ms. Benitez obtained a Bachelor of Science degree in Commerce from the University of San Francisco.

Mr. Max O. Borromeo, 62, Filipino, is the Company's Senior Managing Director/COO. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo is concurrently President and a Director of 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. He is also a Director in the following companies: Borromeo Brothers Estate, Inc., Margarita Agro-Industrial Corp., Salud Borromeo Foundation, Inc. and McBros Development Corporation. At present, Mr. Borromeo is the governor of the Cebu Business Park. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mr. Rene B. Benitez, 49, Filipino, is the Company's Managing Director/VP. He has been a Director since 1996. Prior to joining the Company, he held the position of Country Manager of the Development Bank of Singapore ("DBS") Securities, Inc. He has had extensive experience in foreign and local investment banking and capital market operations, having been connected with Insular Investment and Trust Corporation, Shearson Lehman Brothers (USA), Prudential Bache Securities (USA) and the World Bank. He was formerly a member of the Philippine Stock Exchange and is currently Director of H. Thomas Group, Inc., Vision Air Flight Support Service, Inc., Pikeville, Inc., MERG Realty and Development Corporation, Commercial & Consumer Credit Corporation, Global Credit and Management Group, JCR Realty and Management and Interglobal Alliances. He graduated from Claremont Colleges / Pitzer College with a double degree in Business Economics and Organizational Studies. He also has a Master's Degree in Economics from Yale University.

Mr. Joel S. Ferrer, 57, Filipino, has served as a Director since 1998. Mr. Ferrer is currently the President of PARMAN Inc., an overseas recruitment company. At the same time he also manages his family's aquaculture business. 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., 73, 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 a Director of RCBC Forex Brokers Corporation. Mr. Eizmendi had been the President and Chief Operating Officer of San Miguel Corporation for 15 years. He also had been a member of the Advisory Board of Rizal Commercial Banking Corporation. Mr. Eizmendi graduated with a Bachelor of Science in Chemical Engineering Degree from the University of Santo Tomas in 1956.

Atty. Eugenio E. Reyes, 74, 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 Jacob Jacob & Associates, concurrently the Corporate Secretary of Parman, Inc. and Executive Secretary of the Philippine Association of Securities Brokers and Dealers, Inc. He was also a former Director of the Securities & Exchange Commission from 1999 to 2001. Atty. Reyes finished his Bachelor of Laws at the University of Southern Philippines in Cebu City.

Mr. Michael Wee Soon Lock, 75, 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 Service Ltd., Laguna National
Golf and Country Club, Ltd. and was the Director of NFC Merchant Bank, Ltd. Mr. Wee graduated with a Bachelor of Science Degree in Chemical Engineering from the University of Birmingham and obtained his Masters Degree in Finance from the University of British Colombia.

Mr. Jose V. Cruz, 65, 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. Glenn B. Benitez, 48, Filipino, has served as a Director since 2010. Dr. Benitez is a physician who is based in Makati Medical Center and Asian Hospital and Medical Center. He graduated from the University of the Philippines College of Medicine and received further training in Obstetrics and Gynecology in the Philippine General Hospital. He received his post –graduate training in Gynecologic Oncology in the same institution. He is currently an Associate Active Consultant, the Assistant Residency Training Officer, and the Section Head of the Gynecologic Oncology Section at the Cancer Center of the Makati Medical Center. He serves as the Assistant Chairman for Professional Services in the Department of Obstetrics and Gynecology at Ospital Ng Maynila Medical Center. He currently serves as an Associate Clinical Professor in the Department of Obstetrics and Gynecology of the UP-PGH. Dr. Benitez also received his MBA-Health from the Ateneo Graduate School of Business and manages Nationwide Health Systems Inc., an embassy-affiliated clinic (with branches in Makati, Baguio, Cebu, and Davao). He is a member of several professional societies in the Philippines.

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 2009 Annual Stockholders' Meeting.

Senior Management

***Ms. Cynthia M. Gacayan** – Chief Operating Officer, 56, Filipino.* Cynthia was employed by the Company in 2007 as its new CFO and in June 2008 was designated as Chief Operating Officer. She was the CFO/Finance Group Head of Cintree Management Services, Inc. (managing arm for the PJ Lhuillier companies) for 2 years. For 10 years she served as the Senior Vice President of Finance and Administration of the Science Park of the Philippines, Inc. (1990 – 2001). She also served as a Director for the Kyudenko Needs Creator IT Company from 2002 to 2005. Subsequently she became the CFO of Cintree Management Services Inc. in 2005 to 2007. She graduated with a Bachelor of Science degree in Accounting from the University of San Carlos in 1975. She completed her master's degree in Business Management from the University of the Philippines in 1984 and finished the Top Management Program of Asian Institute of Management in 1997

Atty. Danilo Enrique O. Co, Corporate Secretary and Legal Counsel, 42, Filipino. Atty. Co has been serving the Corporation has its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer & Ang-Co Law Offices. He is also the Corporate Secretary and legal counsel of Information Capital Technology Ventures, Inc., a publicly-listed company, and a Director and/or Corporate Secretary of several other Philippine corporations, including Western Roadhouse Foods, Inc., Papercon, Inc., Amalgamated Investment Bancorporation and Kalayaan College. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

Mr. Albert J. Batacan, Office Manager, 52, Filipino. He has been employed by the Company since 2000. Prior to his employment with the Company, Mr. Batacan had served in various functions in a number of companies through the years. His more recent job experiences were with PARMAN, Inc. as Administrative Assistant, Toyota Bel-Air, Inc. as Financing Coordinator and YL Finance, Inc. as a Marketing Officer. Mr. Batacan graduated with a Bachelor of Science in Management Degree from the Letran College.

Item 10. Executive Compensation

The Company has an existing management contract with Honda Motor World for advice and assistance in the MC Financing product assisted by Mr. Max O. Borromeo, Senior Managing Director and with Pikeville, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez, Managing Director. Each of the directors receive per diem amounting to ₱20,000 for every Board meeting they attend. In October 2010 BOD, the per diem was increased to P50,000.

Executive Compensation (Amounts in ₱)		
Year	**Name and Principal Position**	**Aggregate Compensation (₱)**
For the twelve (12) Months Ended December 31, 2010 (Actual)	Executive Officers Teresita B. Benitez – President Max O. Borromeo – Senior Managing Director Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO	
	All Executive Officers as a Group	**7,808,000**
	All Board Directors and Officers as a Group	**8,880,000**
For the twelve (12) Months Ended December 31, 2009 (Actual)	Executive Officers Teresita B. Benitez – President Max O. Borromeo – Senior Managing Director Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO	
	All Executive Officers as a Group	**6,029,000**

	All Board Directors and Officers as a Group	**6,789,000**
For the twelve (12) Months Ended December 31, 2008 (Actual)	Executive Officers Teresita B. Benitez – President Max O. Borromeo – Senior Managing Director Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO	
	All Executive Officers as a Group	**6,029,000**
	All Board Directors and Officers as a Group	**6,669,000**
For the twelve (12) Months Ended December 31, 2007	Executive Officers Teresita B. Benitez – President Max O. Borromeo – Senior Managing Director Rene B. Benitez – Managing Director Cynthia M. Gacayan – Chief Finance Officer	
	All Executive Officers as a Group	**4,185,452**
	All Board Directors and Officers as a Group	**5,285,452**

Item 11. Security Ownership of Certain Beneficial Owners and Management

A. BOD AND OFFICERS OWNING MORE THAN 5% EQUITY

Title and Class		No. of Shares	% to Total
	DIRECT		
Common	Amalgamated Investment Bancorporation	**138,202,500.00**	71.431841%
Common	Pikeville Bancshares	**13,732,068.00**	7.097606%
	TOTAL	**151,934,568.00**	**78.529447%**
	INDIRECT		
	NONE	-	0%
	TOTAL	**151,934,568.00**	**78.529447%**

B. BOD AND OFFICERS WITH DIRECT OWNERSHIP

Title/Class		No. of Shares	% to Total
Common	Michael Wee Son Lock	**8,005,811.00**	4.137912%
Common	Rene B. Benitez	**4,610,751.00**	2.383129%
Common	Rene B. Benitez in trust for: Carmela L. Benitez	**230,516.00**	0.119145%
Common	Rene B. Benitez in trust for: Lorenzo L. Benitez	**230,516.00**	0.119145%
	Rene Benitez	**5,071,783.00**	**2.621419%**
Common	Glenn B. Benitez	**4,610,751.00**	2.383129%
Common	Glenn B. Benitez in trust for: Alessandra C. Benitez	**230,516.00**	0.119145%
Common	Glenn B. Benitez in trust for: Alfonso C. Benitez	**230,516.00**	0.119145%
Common	Glenn B. Benitez in trust for: Andrea C. Benitez	**230,516.00**	0.119145%
	Glenn B. Benitez	**5,302,299.00**	**2.740564%**

Common	Joel S. Ferrer	**1,948,995.00**	1.007365%
Common	Teresita B. Benitez	**671,569.00**	0.347110%
Common	Isidro B. Benitez	**244,985.00**	0.126624%
Common	Maximo O. Borromeo	**1,169,931.00**	0.604695%
Common	Juan Carlos del Rosario	**29.00**	0.000015%
Common	Francisco C. Eizmendi Jr.	**15.00**	0.000008%
Common	Atty. Eugenio E. Reyes	**15.00**	0.000008%
		22,415,432.00	11.585721%

C. BOD AND OFFICERS WITH INDIRECT OWNERSHIP

Title/Class		**No. of Shares**	**% to Total**
Common	Rene B. Benitez	**206,022**	0.106585%
Common	Glenn B. Benitez	**59,648**	0.030830%
Common	Teresita B. Benitez	**344,813**	0.178221%
Common	Maximo O. Borromeo	**3,338**	0.001725%
Common	Isidro B. Benitez	**705,000**	0.364389%
	TOTAL	**1,318,821.00**	**0.681651%**

Makati Finance Corporation does not comply with the minimum percentage requirements of listed securities held by the public of 10% of the listed company's issued and outstanding share. The Company will endeavor to increase its public float.

Item 12. Certain Relationships and Related Transactions

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

Related Party Transactions

The following transactions have been entered into with related parties:

			Elements of Transactions			
	Nature of Related	Nature of	Balance Sheet Amount		Income Statement Amount	
Related party	Party Relationship	Transaction	**2010**	2009	**2010**	2009
AIB	Stockholder	Receivables	**₱ 101,007**	₱101,007	**₱**	₱
		Notes Payable	**287,800,000**	182,100,000	-	-
		Other receivables	**38,322**	101,022	-	-
		Interest Expense			**27,274,315**	8,846,460
Merg Realty and Development Corporation	Stockholder	Receivables	-	-		
		Notes Payable	-	**500,000-**	-	-
		Rent expense			**618,240**	591,360
		Interest expense	-	-	**5,833**	99,222
MF Pikeville Bancshares.	Stockholder	Professional fees	-	-	**938,000**	868,000

			Elements of Transactions			
	Nature of Related	Nature of	Balance Sheet Amount		Income Statement Amount	
Related party	Party Relationship	Transaction	**2010**	2009	**2010**	2009
Others	Affiliates	Interest Expense		-	-	-
	Stockholders	Notes Payable	**5,000,000**	**16,740,914**	-	-
	Employees	Notes Payable	**1,000,000**	1,000,000		
	Directors	Notes Payable	**29,855,501**	1,057,034	-	-
	Directors	Management Fees	-	-	**500,000**	500,000

PART IV - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The Company's audited financial statements are hereby attached as "ANNEX A".

(b) Reports on SEC Form 17-C

The reports on SEC Form 17-C filed during the last six months ended December 31, 2010 are hereby attached "ANNEX B".

Quarterly Financial Reports ending March 31, 2010 were submitted to the SEC on April 27, 2010; quarterly ending June 30, 2010 on August 09, 2010 and for the quarter ending September 30, 2010 on November 10, 2010.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

ANNEX A

COVER SHEET

2 8 7 8 8

SEC Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

2nd Floor, Makati Finance Centre,

7823 Makati Avenue, Makati City

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

Ms. Cynthia M. Gacayan

(Contact Person)

896-0221/897-0749

(Company Telephone Number)

1 2 3 1

Month *Day*

(Fiscal Year)

A A F S

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Makati Finance Corporation
2nd Floor, Makati Finance Centre
7823 Makati Avenue, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Makati Finance Corporation, which comprise the statements of financial position as at December 31, 2010 and 2009, 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, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

SGV & Co
ERNST & YOUNG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Makati Finance Corporation as at December 31, 2010 and 2009, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and license fees in Note 26 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. The information is also not required by Securities Regulation Code Rule 68. Such information is the responsibility of the management of Makati Finance Corporation. 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.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez

Janeth T. Nuñez
Partner
CPA Certificate No. 111092
SEC Accreditation No. 0853-A
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641550, January 3, 2011, Makati City

March 25, 2011

MAKATI FINANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31 2010	2009
ASSETS		
Cash on Hand and in Banks (Note 7)	**₱22,085,397**	₱15,696,778
Loans and Other Receivables (Note 8)	**545,871,242**	339,954,337
Available-for-Sale Financial Assets (Note 9)	**75,150,000**	75,150,000
Investment Properties (Note 10)	**2,604,468**	7,812,512
Investment in Subsidiaries (Note 11)	**100,000**	100,000
Property and Equipment (Note 12)	**6,639,210**	7,162,370
Deferred Tax Assets (Note 21)	**4,157,560**	2,059,825
Other Assets (Note 13)	**10,083,681**	6,697,239
	₱666,691,558	₱454,633,061
LIABILITIES AND EQUITY		
Liabilities		
Notes payable (Notes 15 and 22)	**₱366,142,786**	₱200,897,948
Accounts payable	**61,529,430**	29,811,489
Other current liabilities (Note 16)	**10,993,239**	7,647,847
Income tax payable	**2,785,076**	2,602,081
Pension liability (Note 19)	**1,774,261**	949,867
	443,224,792	241,909,232
Equity (Note 18)		
Capital stock - ₱1 par value		
Authorized - 300,000,000 shares in 2010 and 2009		
Issued and outstanding - 193,474,645 shares in 2010 and 191,862,405 shares in 2009	**193,474,645**	191,862,405
Additional paid-in capital	**5,803,922**	5,803,922
Retained earnings	**24,288,199**	15,157,502
Net unrealized loss on available-for-sale investments (Note 9)	**(100,000)**	(100,000)
	223,466,766	212,723,829
	₱666,691,558	₱454,633,061

See accompanying Notes to Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2010	2009	2008
INTEREST INCOME (Notes 7 and 8)	**₱113,002,063**	₱69,866,624	₱47,365,319
INTEREST EXPENSE (Notes 15 and 22)	**32,086,742**	11,685,638	11,320,848
NET INTEREST INCOME	**80,915,321**	58,180,986	36,044,471
OTHER INCOME			
Service charges	**2,078,130**	5,022,798	2,575,699
Net gain on sale of investment properties and property and equipment	**1,479,043**	–	966,138
Dividends (Note 9)	**7,300**	7,300	5,363,528
Reversal of allowance for impairment losses	–	–	1,414,459
Miscellaneous (Note 20)	**5,538,688**	2,326,913	1,010,249
TOTAL OTHER INCOME	**9,103,161**	7,357,011	11,330,073
TOTAL OPERATING INCOME	**90,018,482**	65,537,997	47,374,544
OPERATING EXPENSES			
Salaries and employee benefits (Notes 19 and 22)	**22,506,133**	12,098,805	8,034,511
Management and professional fees (Note 22)	**10,401,479**	7,154,990	12,456,425
Taxes and licenses	**7,940,861**	4,437,722	3,051,896
Loss from sale and writedown of motorcycle inventories	**7,812,039**	4,687,799	7,550,771
Provision for impairment and credit losses (Note 14)	**5,118,007**	5,496,471	464,243
Depreciation and amortization (Notes 10 and 12)	**4,431,965**	3,896,588	2,167,863
Commissions	**4,414,422**	2,996,692	865,645
Travel and transportation	**2,422,324**	1,711,552	524,754
Rent (Notes 22 and 25)	**1,984,723**	769,412	1,160,586
Entertainment, amusement and recreation (Note 21)	**1,098,574**	1,583,632	325,067
Amortization of software costs (Note 13)	**478,491**	464,490	250,775
Miscellaneous (Note 20)	**5,679,911**	4,088,893	3,185,528
TOTAL OPERATING EXPENSES	**74,288,929**	49,387,046	40,038,064
INCOME BEFORE INCOME TAX	**15,729,553**	16,150,951	7,336,480
PROVISION FOR INCOME TAX (Note 21)	**3,374,300**	5,402,433	1,871,386
NET INCOME	**12,355,253**	10,748,518	5,465,094
OTHER COMPREHENSIVE LOSS			
Net unrealized loss on available for-sale investments	–	–	10,000
TOTAL COMPREHENSIVE INCOME	**₱12,355,253**	₱10,748,518	₱5,455,094
Basic/Diluted Earnings Per Share (Note 23)	**₱0.06**	₱0.06	₱0.03

See accompanying Notes to Financial Statements.

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MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 18)	Additional Paid-In Capital	Deposits for Future Stock Subscription (Note 18)	Retained Earnings (Note 18)	Net Unrealized Loss on Available For-Sale Investments (Note 9)	Total Equity
Balance at January 1, 2010	**₱191,862,405**	**₱5,803,922**	**₱–**	**₱15,157,502**	**(₱100,000)**	**₱212,723,829**
Stock dividends	**1,612,240**	–	–	**(1,612,240)**	–	–
Cash dividends	–	–	–	**(1,612,316)**	–	**(1,612,316)**
Total comprehensive income for the year	–	–	–	**12,355,253**	–	**12,355,253**
Balance at December 31, 2010	**₱193,474,645**	**₱5,803,922**	**₱–**	**₱24,288,199**	**(₱100,000)**	**₱223,466,766**
Balance at January 1, 2009	₱191,042,689	₱5,803,922	₱–	₱6,048,512	(₱100,000)	₱202,795,123
Stock dividends	819,716	–	–	(819,716)	–	–
Cash dividends	–	–	–	(819,812)	–	(819,812)
Total comprehensive income for the year	–	–	–	10,748,518	–	10,748,518
Balance at December 31, 2009	₱191,862,405	₱5,803,922	₱–	₱15,157,502	(₱100,000)	₱212,723,829
Balance at January 1, 2008	₱89,999,959	₱4,347,611	₱50,000,000	₱55,339,600	(₱90,000)	₱199,597,170
Stock dividends	52,499,041	–	–	(52,499,041)	–	–
Cash dividends	–	–	–	(2,257,141)	–	(2,257,141)
Issuance of shares of stock	48,543,689	1,456,311	(50,000,000)	–	–	–
Total comprehensive income for the year	–	–	–	5,465,094	(10,000)	5,455,094
Balance at December 31, 2008	₱191,042,689	₱5,803,922	₱–	₱6,048,512	(₱100,000)	₱202,795,123

See accompanying Notes to Financial Statements.

MAKATI FINANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱15,729,553**	₱16,150,951	₱7,336,480
Adjustments for:			
Provision for impairment and credit losses (Note 14)	**5,118,007**	5,496,471	464,243
Depreciation and amortization (Notes 10 and 12)	**4,431,965**	3,896,588	2,167,863
Gain on sale of investment properties and property and equipment	**(4,211,135)**	–	(966,138)
Loss on write-off of investment properties	**2,732,092**	–	–
Amortization of software costs (Note 13)	**478,491**	464,490	250,775
Dividend income (Note 9)	**(7,300)**	(7,300)	(5,363,528)
Reversal of allowance for impairment losses	**–**	–	(1,414,459)
Operating income before changes in working capital	**24,271,673**	26,001,200	2,475,236
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans and other receivables	**(211,034,912)**	(98,096,038)	(25,274,058)
Other assets	**(3,444,933)**	(1,234,812)	36,303,251
Increase in:			
Accounts payables	**31,717,941**	21,867,246	3,951,026
Other current liabilities	**3,345,393**	932,620	530,387
Pension liability	**824,394**	–	–
Net cash generated from (used in) operations	**(154,320,444)**	(50,529,784)	17,985,842
Income taxes paid	**(5,289,040)**	(6,582)	(11,297,658)
Net cash provided by (used in) operating activities	**(159,609,484)**	(50,536,366)	6,688,184
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investment properties	**6,349,471**	–	4,554,099
Property and equipment	**–**	–	2,304,529
Acquisitions of property and equipment (Note 12)	**(3,571,190)**	(1,603,005)	(11,970,437)
Additions to software costs (Note 13)	**(420,000)**	–	–
Cash dividends received	**7,300**	7,300	5,363,528
Net cash provided by (used in) investing activities	**2,365,581**	(1,595,705)	251,719
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of notes payable	**231,369,502**	84,525,545	43,634,456
Payments of notes payable	**(66,124,664)**	(28,953,522)	(41,327,470)
Cash dividends paid (Note 18)	**(1,612,316)**	(819,812)	(2,257,141)
Net cash provided by financing activities	**163,632,522**	54,752,211	49,845
NET INCREASE IN CASH ON HAND AND IN BANKS	**6,388,619**	2,620,140	6,989,748
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	**15,696,778**	13,076,638	6,086,890
CASH ON HAND AND IN BANKS AT END OF YEAR	**₱22,085,397**	₱15,696,778	₱13,076,638

(Forward)

OPERATIONAL CASH FLOWS FROM INTEREST

	Years Ended December 31		
	2010	2009	2008
Interest income received	**₱109,363,082**	₱66,241,890	₱46,250,481
Interest expense paid	**21,806,903**	9,970,061	11,452,478

See accompanying Notes to Financial Statements.

MAKATI FINANCE CORPORATION
NOTES TO 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. The Company's principal place of business is at 2nd Floor, Makati Finance Centre, 7823 Makati Avenue, Makati City. The Company was listed in the Philippine Stock Exchange on January 6, 2003 and is majority-owned by Amalgamated Investment Bancorporation (AIB). The Company's ultimate parent company is MF-AIB Holdings, Inc.

The accompanying financial statements of the Company were endorsed for approval by the Audit Committee on March 22, 2011 and authorized for issue by the Board of Directors (BOD) on March 25, 2011.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value, and these financial statements are presented in Philippine Peso, the Company's functional currency.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Philippine Financial Reporting Standards (PFRSs), Philippine Accounting Standard (PAS) and Philippine Interpretations which were adopted as of January 1, 2010. Except as otherwise indicated, these changes in accounting policies did not have any significant impact on the Company's financial statements.

PFRS 2 Amendments, *Group Cash-settled Share-based Payment Transactions*
The amendments to PFRS 2 clarified the scope and the accounting for group cash-settled share-based payment transactions.

PFRS 3, *Business Combinations* (Revised) and PAS 27, *Consolidated and Separate Financial Statements* (Amended)
PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010.

PAS 39, *Financial Instruments: Recognition and Measurement (*Amendment*) - Eligible Hedged Items*
The amendment to PAS 39, effective for annual periods beginning on or after July 1, 2009, clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*
This Interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

Improvements to PFRS
The omnibus amendments to PFRS were issued primarily with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes in accounting policies but did not have any significant impact on the financial position or performance of the Company.

- PFRS 2, *Share-based Payment*, clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3 (Revised).

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8, *Operating Segment Information*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*, clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*, explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets*, clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38, *Intangible Assets*, clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. It also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39, *Financial Instruments: Recognition and Measurement*, clarifies the following:
  - that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
  - that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.
  - that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Amendment to Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Amendment to Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*, states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Significant Accounting Policies

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

The Company recognizes financial assets or financial liabilities in the statement 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.

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for financial instruments measured at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs.

The Company classifies its financial assets in the following categories: Securities at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS investments. 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 investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of financial position date. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized cost.

The Company's financial assets and liabilities are of the nature of loans and receivables and AFS investments, and other financial liabilities, respectively.

Determination of fair value
The fair value for financial instruments traded in active markets at the statement of financial position date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

'Day 1' difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on valuation methodologies whose variables include only data from observable markets, the Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in the statement of comprehensive income when it qualifies for recognition or some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market and for which the Company has no intention of trading. This accounting policy relates to statement of financial position captions, "Cash on hand and in banks" and "Loans and other receivables".

After initial measurement, loans and receivables are carried at amortized cost using the effective interest (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in the statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized in the statement of comprehensive income.

Loans and receivables are stated at the outstanding balance, reduced by unearned discounts and capitalized interest on restructured loans and allowance for impairment losses.

Loans and receivables are classified as nonperforming 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. Receivables are considered past due when three installment payments are in arrears.

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. This is diminished proportionately as the receivables from factoring are collected.

AFS investments
AFS investments are those nonderivative financial assets that are designated as such or are not classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS investments pertain to golf club shares and an investment in an affiliated company.

After initial measurement, AFS investments are measured at fair value. The unrealized gains or losses arising from the fair valuation of AFS investments are excluded from reported earnings and are reported as "Net unrealized loss on AFS investments" in other comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the statement of comprehensive income. Interest earned on the AFS investment, is reported as interest income using the EIR method. Dividends earned are recognized in the statement of comprehensive income when the Company's right to receive payment is established. The losses arising from impairment of such investments are recognized in the statement of comprehensive income.

Notes payable and other borrowed funds
Issued financial instruments or their components, which are not designated at FVPL, are classified as notes payable or other appropriate account titles for such borrowed funds, 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, notes payable and other borrowings are subsequently measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of EIR.

Other financial liabilities
Other financial liabilities are financial liabilities not designated as 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. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR 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.

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 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 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, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of Financial Assets

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment

may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
If there is objective evidence that a credit loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the statement of comprehensive income. Interest income continues to be accrued based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated credit loss decreases because of an event occurring after the impairment was recognized, the previously recognized credit loss is reduced by adjusting the allowance for impairment losses. If a future write-off is later recovered, any amounts formerly charged are credited to the "Provision for impairment and credit losses" account in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a receivable has a variable interest rate, the discount rate for measuring any credit loss is the current EIR, adjusted for the original credit risk premium.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

AFS financial assets
In the case of equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment loss, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss - is removed from equity and recognized in other comprehensive income. Impairment losses on equity investments are not reversed through the profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

Investments in Subsidiaries
Subsidiaries pertain to all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The Company's investments in subsidiaries are carried at cost less allowance for impairment losses.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, and any directly attributable costs to bring the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected as income or loss in the statement of comprehensive income.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

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

The useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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, the assets are written down to their recoverable amount. See policy on impairment of property and equipment, investment properties and other assets

<u>Investment Properties</u>
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment in value.

Foreclosed properties are classified under investment properties at foreclosure date.

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

Amortization of buildings and improvements is calculated on a straight-line basis over the estimated useful life of 15 years from the time of acquisition of the investment property.

Investment properties are derecognized when they have either been disposed of or when the investment property 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 the statement of comprehensive income in the year of derecognition.

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.

Motorcycle Inventories

The Company forecloses the chattel mortgages attached to the loans pertaining to the MC Financing upon default. The Company recognizes motorcycle inventories at their net realizable value 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 excess of the cost over the net realizable value is recognized as a writedown of motorcycle inventories in the statement of income.

Software Costs

Software costs, included under "Other Assets" account in the statement of financial position, include costs incurred relative to the development of the Company's software. Software costs are amortized over three to five years on a straight-line basis from the date of its available for use.

Impairment of Property and Equipment, Investment Properties and Other Assets

At each statement of financial position date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell 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 groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit 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.

For nonfinancial assets excluding goodwill, an assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. 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.

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 against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal on all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Unearned interest income is recognized as income over the terms of the receivable using the EIR method. Interest income on nondiscounted receivables is accrued as earned likewise using EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

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 Company's right to receive the payment is established.

Income Taxes

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of comprehensive income.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced 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 asset to be utilized. Unrecognized deferred tax assets are reassessed as at statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in other comprehensive income are recognized in other comprehensive income and not in the profit or loss.

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 gave 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 lessor

Finance leases, where the Company transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. A lease receivable is recognized at an amount equivalent to the net investment (asset cost) in the lease.

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 the statement of comprehensive income on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) where, 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 assessment 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.

Contingent Liabilities and Contingent Assets

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

Borrowing Costs
Borrowing costs are recognized as expense in the year in which these costs are incurred. Borrowing costs consist of interest and other costs that the Company incurs in connection with borrowing of funds.

Retirement Cost
The Company has a funded, noncontributory defined benefit retirement plan, administered by trustees, covering their permanent employees.

The retirement cost of the Company is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The liability recognized in the statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceed 10.00% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. The excess actuarial gains or losses are recognized over the average remaining working life of the employees participating in the plan.

Past service costs are recognized immediately in the statement of comprehensive income, unless the changes to the retirement plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year attributable to equity holders 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.

Events after Statement of Financial Position Date
Post year-end events that provide additional information about the Company's position at the statement of financial position date (adjusting events) are reflected in the Company's financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the financial statements when material.

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 6.

Future Changes in Accounting Policies

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. Except as otherwise indicated, the Company does not expect that the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on the financial statements.

PAS 24 (Amended), *Related Party Disclosures*

The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues*

The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

PAS 12, *Income Taxes* (Amendment) - *Deferred Tax: Recovery of Underlying Assets*

The amendment to PAS 12 is effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

PFRS 7, *Financial Instruments: Disclosures* (Amendments) - *Disclosures-Transfers of Financial Assets*

The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

PFRS 9, *Financial Instruments: Classification and Measurement*

PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets.

Philippine Interpretation IFRIC - 14 (Amendment), *Prepayments of a Minimum Funding Requirement*

This interpretation is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Philippine Interpretation IFRIC - 15, *Agreement for Construction of Real Estate*
This interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Philippine Interpretation IFRIC - 19, *Extinguishing Financial Liabilities with Equity Instruments*
This interpretation is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs 2010
adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, Improvements to IFRSs is an omnibus of amendments to PFRSs. The amendments have not been 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC-13, *Customer Loyalty Programmes*

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgments

(a) *Fair values of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation (see Note 4).

(b) *Operating lease commitments*
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 25).

Estimates

(a) *Impairment of unquoted AFS equity investment*
The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20.00% or more and 'prolonged' as longer than 6 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The carrying values of the unquoted AFS equity investment of the Company amounted to ₱75.15 million as of December 31, 2010 and 2009 (see Note 9).

(b) *Impairment of loans and other receivables*
The Company maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables carrying balance and the computed present value. Factors considered in an individual assessment are payment history, past due status and term. The collective assessment would require the Company to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers.

Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. Allowance for credit losses amounted to ₱6.06 million and ₱0.94 million as of December 31, 2010 and 2009 respectively. The carrying value of loans and other receivables amounted to ₱545.87 million and ₱339.95 million as of December 31, 2010 and 2009, respectively (see Note 8).

(c) *Impairment of nonfinancial assets*
Property and equipment and investment properties
The Company assesses impairment on its property and equipment and investment properties 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.

The carrying values of property and equipment and investment properties amounted to ₱6.64 million and ₱2.60 million, respectively, as of December 31, 2010 and ₱7.16 million and ₱7.81 million, respectively, as of December 31, 2009 (see Notes 10 and 12).

(d) *Recognition of deferred tax assets*
The Company reviews the carrying amounts of deferred taxes at each statement of financial position 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 Company recognized deferred tax assets amounting to ₱4.16 million and ₱2.06 million as of December 31, 2010 and 2009, respectively (see Note 21).

(e) *Present value of retirement obligation*
The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates. As of December 31, 2010 and 2009, the present value of the retirement obligation amounted to ₱2.56 million and ₱1.85 million, respectively (see Note 19).

(f) *Estimating useful lives of property and equipment and investment properties*
The Company estimates the useful lives of its property and equipment for and investment properties based on the period over which these assets are expected to be available for use (see Note 2). The estimated useful lives of property and equipment 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 assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

4. Fair Value Measurement

The following table presents a comparison of the carrying amounts and fair values of financial assets and financial liabilities on the statements of financial position of the Company as of December 31:

	Carrying Value		Fair Value	
	2010	2009	**2010**	2009
Financial Assets				
Cash on hand and in banks	**₱22,085,397**	₱15,696,778	**₱22,085,397**	₱15,696,778
Loans and other receivables				
Receivable from customers:				
Consumer	**413,471,791**	178,388,937	**413,471,791**	178,388,937
Services	**94,847,650**	117,181,616	**94,847,650**	117,181,616
Construction	**26,205,404**	24,286,400	**26,205,404**	24,286,399
Manufacturing	**4,961,522**	13,989,820	**4,961,522**	13,989,820
Other receivables	**6,384,875**	6,107,564	**6,384,875**	6,107,564
AFS financial assets	**75,150,000**	75,150,000	**75,150,000**	75,150,000
Financial Liabilities				
Notes payable	**366,142,786**	200,897,948	**366,142,786**	200,897,948
Accounts payable	**61,529,430**	29,811,489	**61,529,430**	29,811,489
Other current liabilities	**4,256,522**	3,753,670	**4,256,522**	3,753,670

The Company does not have instruments carried at fair value through profit or loss in 2010 and 2009. The methods and assumptions used by the Company in estimating the fair value of financial instruments follow:

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

Loans and other receivables
Carrying amounts approximate fair values as there is no significant change in the market interest rates from grant date.

AFS financial assets
AFS quoted equity shares - Fair values are based on quoted prices published in markets.

AFS unquoted shares - Unquoted equity shares where the fair value is not reasonably determinable due the unpredictable nature of future cash flows and the lack of a suitable method of arriving at a reliable fair value are carried at cost.

Liabilities
The carrying amounts of accrued expenses, accounts and other payables and notes payable approximate fair values due to their short-term maturities.

5. Financial Risk Management Objectives and Policies

Financial Risk
The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and foreign exchange risk.

Credit risk and concentration of assets and liabilities
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, enters into collateral arrangements with counterparties, and limits the duration of exposures. Finally, credit applications go through a process of screening using the Company's credit standards to minimize risk.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown before the effect of mitigation through the use of master netting arrangements or collateral agreements and except for cash in banks.

	2010	2009
Cash in banks (Note 7)	**₱16,436,855**	₱12,901,462
Loans and other receivables		
Receivable from customers:		
Consumer	**604,669,380**	265,090,367
Services	**131,376,504**	157,685,457
Construction	**35,122,360**	19,985,458
Manufacturing	**6,224,579**	26,412,058
Other receivables	**6,384,875**	6,107,564
	783,777,698	475,280,904
Unearned interest income	**(206,208,145)**	(103,091,859)
Client's equity	**(31,698,311)**	(32,234,708)
	545,871,242	339,954,337
AFS financial assets (Note 9)	**75,150,000**	75,150,000
Total credit risk exposure	**₱621,021,242**	₱415,104,337

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 motor itself as collateral in case the borrower defaults on its loan.

The table below shows a comparison of the credit quality of the Company's loans and other receivables (gross of unearned interest income, client's equity and allowance for impairment losses) that are neither past due nor impaired as of December 31:

2010

	Neither Past Due nor Impaired					
	High Grade	**Medium Grade**	**Low Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Receivable from customers:						
Consumer	**₱593,394,597**	**₱–**	**₱–**	**₱11,274,783**	**₱2,017,120**	**₱606,686,500**
Services	**12,349,744**	**116,782,057**	**–**	**3,157,851**	**2,777,345**	**135,066,997**
Construction	**–**	**22,146,417**	**–**	**13,325,852**	**–**	**35,472,269**
Manufacturing	**4,781,786**	**–**	**–**	**179,736**	**1,263,057**	**6,224,579**
Other receivables	**6,384,875**	**–**	**–**	**–**	**–**	**6,384,875**
	₱616,911,002	**₱138,928,474**	**₱–**	**₱27,938,222**	**₱6,057,522**	**₱789,835,220**

2009

	Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	Total
Receivable from customers:						
Consumer	₱262,529,635	₱–	₱–	₱2,560,732	₱–	₱265,090,367
Services	157,044,182	664,415	–	916,375	–	158,624,972
Construction	19,985,458	–	–	–	–	19,985,458
Manufacturing	5,070,258	493,493	–	–	20,848,307	26,412,058
Other receivables	6,107,564	–	–	–	–	6,107,564
	₱450,737,097	₱1,157,908	₱–	₱3,477,107	₱20,848,307	₱476,220,419

The credit quality of loans and receivables was determined as follows:

- 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 follows:

	December 31, 2010					
	<30 days	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**
Consumer	**₱4,716,534**	**₱1,989,588**	**₱1,150,587**	**₱1,389,291**	**₱2,028,783**	**₱11,274,783**
Services	**1,294,902**	**265,918**	**219,331**	**327,871**	**1,049,829**	**3,157,851**
Construction	**1,286,088**	**964**	–	–	**12,038,800**	**13,325,852**
Manufacturing	–	–	–	–	**179,736**	**179,736**
	₱7,297,524	**₱2,256,470**	**₱1,369,918**	**₱1,717,162**	**₱15,297,148**	**₱27,938,222**

	December 31, 2009					
	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
Consumer	₱1,278,601	₱401,734	₱164,774	₱362,019	₱353,604	₱2,560,732
Services	418,939	180,869	101,204	215,363	–	916,375
	₱1,697,540	₱582,603	₱265,978	₱577,382	₱353,604	₱3,477,107

Liquidity risk

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 maturity profile of the Company's financial assets and liabilities as of December 31, 2010 and 2009 based on undiscounted contractual payments.

	2010				
	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 5 years	Total
Financial assets					
Cash on hand and in banks	**₱22,085,397**	**₱–**	**₱–**	**₱–**	**22,085,397**
Loans and other receivables					
Receivable from customers:					
Consumer	**3,825,543**	**68,206,333**	**534,654,624**	**–**	**606,686,500**
Services	**85,732,175**	**38,974,456**	**5,771,418**	**4,588,948**	**135,066,997**
Construction	**15,194,293**	**977,288**	**3,687,671**	**15,613,017**	**35,472,269**
Manufacturing	**1,539,189**	**243,511**	**–**	**4,441,879**	**6,224,579**
Other receivables	**184,373**	**2,339,440**	**1,206,249**	**2,654,813**	**6,384,875**
	₱128,560,970	**₱110,741,028**	**₱545,319,962**	**₱27,298,657**	**₱811,920,617**
Financial liabilities					
Notes payable	**₱370,194,775**	**₱11,355,978**	**₱–**	**₱–**	**₱381,550,753**
Accounts payable	**61,529,430**	**–**	**–**	**–**	**61,529,430**
Other current liabilities	**4,256,522**	**–**	**–**	**–**	**4,256,522**
	₱435,980,727	**₱11,355,978**	**₱–**	**₱–**	**₱447,336,705**

	2009				
	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 5 years	Total
Financial assets					
Cash on hand and in banks	₱15,696,778	₱–	₱–	₱–	₱15,696,778
Loans and other receivables					
Receivable from customers:					
Consumer	87,064,212	87,476,146	90,550,009	–	265,090,367
Services	607,226	83,421,865	53,547,109	21,048,772	158,624,972
Manufacturing	4,041,704	5,070,258	17,300,096	–	26,412,058
Construction	3,397,206	8,186,444	8,401,808	–	19,985,458
Other receivables	184,373	5,923,191	–	–	6,107,564
	₱110,991,499	₱190,077,904	₱169,799,022	₱21,048,772	₱491,917,197
Financial liabilities					
Notes payable	₱204,651,617	₱–	₱–	₱–	₱204,651,617
Accounts payable	29,811,489	–	–	–	29,811,489
Other current liabilities	3,753,670	–	–	–	3,753,670
	₱238,216,776	₱–	₱–	₱–	₱238,216,776

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 reflect the prevailing market interest rates. The rates are benchmarked against the applicable treasury bills and MART rate for most of the peso-denominated investments.

The following table demonstrates the sensitivity of the Company's profit before tax and equity to a reasonably possible change in interest rates as of December 31, 2010 and 2009, with all variables held constant.

Notes Payable

	Effect on profit before tax Change in basis points	
	+100 basis points	**-100 basis points**
December 31, 2010	**(₱3,661,428)**	**₱3,661,428**
December 31, 2009	(2,008,979)	2,008,979

There is no other impact on the Company's equity other than those already affecting the net income. The interest rates on notes payable are subject to repricing ranging from 30 to 91 days based on market rates considered by the issuer.

Foreign exchange risk
The Company has no foreign currency denominated financial assets and liabilities as of December 31, 2010 and 2009. Accordingly, the Company does not have exposure to foreign exchange risk.

6. Segment Information

The Company has three (3) main products: Rx Cashline - loans tailored to medical professionals, MFC Factors - receivable factoring services and Motorcycle Financing, loans to motorcycle buyers.

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.

Below is the performance of each of the product line based on allocable revenues and expenses.

	2010				
	Rx Cash Line	**MC Factors**	**MC Financing**	**Others**	**Total**
Loans	**₱50,229,814**	**₱105,661,037**	**₱589,332,925**	**₱29,193,660**	**₱774,417,436**
Results of operation					
Revenues					
Interest income	₱18,824,788	₱12,781,093	₱80,956,468	₱439,715	₱113,002,064
Other income	2,057,489	1,243,650	–	5,802,022	9,103,161
	20,882,277	14,024,743	80,956,468	6,241,737	122,105,225
Expenses					
Interest expense	2,566,939	4,171,276	24,385,924	962,603	32,086,742
Provision for impairment and credit losses	2,017,120	349,909	2,750,978	–	5,118,007
Operating expenses	6,851,776	2,030,536	40,890,979	19,397,632	69,170,923
	11,435,835	6,551,721	68,027,881	20,360,235	106,375,672
Net operating income (loss)	9,446,442	7,473,022	12,928,587	(14,118,498)	15,729,553
Less provision for income tax	–	–	–	3,374,300	3,374,300
Net income (loss)	₱9,446,442	₱7,473,022	₱12,928,587	(₱17,492,798)	₱12,355,253
Statement of financial position					
Total assets	₱36,354,687	₱73,962,725	₱400,455,183	₱155,918,963	₱666,691,558
Total liabilities	₱35,457,978	₱57,619,217	₱336,850,843	₱13,296,754	₱443,224,792
Other segment information					
Capital expenditures	₱–	₱–	₱–	₱3,571,190	₱3,571,190
Depreciation and amortization	₱508,684	₱150,750	₱2,885,160	₱1,365,862	₱4,910,456

	2009				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Loans	₱53,547,109	₱107,449,027	₱261,192,637	₱47,316,856	₱469,505,629
Results of operation					
Revenues					
Interest income	19,092,709	16,185,768	32,401,037	2,187,110	69,866,624
Other income	3,194,643	901,281	539,700	2,721,387	7,357,011
	22,287,352	17,087,049	32,940,737	4,908,497	77,223,635
Expenses					
Interest expense	1,935,176	3,046,105	6,704,357	–	11,685,638
Provision for impairment and credit losses	2,346,035	3,150,436	–	–	5,496,471
Operating expenses	5,389,635	1,924,527	19,514,573	17,061,840	43,890,575
	9,670,846	8,121,068	26,218,930	17,061,840	61,072,684
Net operating income (loss)	12,616,506	8,965,981	6,721,807	(12,153,343)	16,150,951
Less provision for income tax	–	–	–	5,402,433	5,402,433
Net income (loss)	₱12,616,506	₱8,965,981	₱6,721,807	(₱17,555,776)	₱10,748,318
Statement of financial position					
Total assets	₱53,520,742	₱74,301,171	₱174,491,207	₱152,319,941	₱454,633,061
Total liabilities	₱40,060,880	₱63,058,681	₱138,789,671	₱–	₱241,909,232
Other segment information					
Capital expenditures	₱–	₱–	₱–	₱1,603,005	₱1,603,005
Depreciation and amortization	₱453,996	₱179,222	₱927,853	₱2,799,607	₱4,360,678

	2008				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Loans	₱64,864,730	₱168,745,329	₱83,256,116	₱19,535,258	₱336,401,433
Results of operation					
Revenues					
Interest income	17,632,093	13,600,368	15,273,890	858,968	47,365,319
Other income	1,168,023	1,891,388	365,874	7,904,788	11,330,073
	18,800,116	15,491,756	15,639,764	8,763,756	58,695,392
Expenses					
Interest expense	2,794,991	4,621,960	3,903,897	–	11,320,848
Provision for impairment and credit losses	464,243	–	–	–	464,243
Operating expenses	4,057,638	1,605,387	8,292,784	25,618,012	39,573,821
	7,316,872	6,227,347	12,196,681	25,618,012	51,358,912
Net operating income (loss)	11,483,244	9,264,409	3,443,083	(16,854,256)	7,336,480
Less provision for income tax	–	–	–	1,871,386	1,871,386
Net income	₱11,483,244	₱9,264,409	₱3,443,083	(₱18,325,642)	₱5,465,094

The Company has no significant customers which contribute 10% or more of the revenues.

7. Cash on Hand and in Banks

This account consists of:

	2010	2009
Cash in banks	**₱16,436,855**	₱12,901,462
Cash on hand	**5,648,542**	2,795,316
	₱22,085,397	₱15,696,778

Cash in banks earns interest at the prevailing bank deposit rates with ranges from 0.30% to 0.63% in 2010 and from 0.40% to 0.70% in 2009. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term placement rate.

Interest income on cash in banks amounted to ₱0.04 million, ₱0.07 million and ₱0.09 million in 2010, 2009 and 2008, respectively.

8. Loans and Receivables

This account consists of:

	2010	2009
Receivable from customers:		
Consumer	**₱606,686,500**	₱265,090,367
Services	**135,066,997**	158,624,972
Construction	**35,472,269**	19,985,458
Manufacturing	**6,224,579**	26,412,058
Other receivables (Note 22)	**6,384,875**	6,107,564
	789,835,220	476,220,419
Unearned interest income	**(206,208,145)**	(103,091,859)
Client's equity	**(31,698,311)**	(32,234,708)
Allowance for impairment losses (Note 14)	**(6,057,522)**	(939,515)
	₱545,871,242	₱339,954,337

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

As of December 31, 2010 and 2009, nonperforming receivables under loans receivable amounted to ₱10.90 million and ₱20.85 million, respectively. Restructured loans amounted to ₱10.14 million and ₱27.50 million in 2010 and 2009, respectively.

Other receivables consist of lease contract receivables, sales contract receivables and accrued interest receivable.

Interest rates on loans receivable ranges from 1.25% to 3.50% plus gross receipts tax per month.

Interest income earned from receivable from customers amounted to ₱112.56 million, ₱67.68 million and ₱46.51 million in 2010, 2009 and 2008, respectively.

9. Available-for-Sale Financial Assets

This account pertains to golf club shares which are carried at fair value, net of unrealized loss and allowance for impairment losses and in AIB which is carried at cost. Details of these investments follow:

Cost	₱78,477,008
Net unrealized loss	(100,000)
Allowance for impairment losses (Note 14)	(3,227,008)
	₱75,150,000

On September 12, 2007, the Company purchased 9,000,000 shares of stocks of AIB for a total consideration of ₱75.00 million. This investment is accounted for at cost due to a lack of reliable method to establish fair value. On January 11, 2008, AIB declared dividends amounting to ₱5.36 million which were received by the Company during the year.

10. Investment Properties

The rollforward analysis of this account follows:

	2010			2009		
	Land	**Improvements**	**Total**	Land	Improvements	Total
Cost						
At January 1	**₱4,434,352**	**₱7,291,041**	**₱11,725,393**	₱4,434,352	₱7,291,041	₱11,725,393
Write-off	**(810,351)**	**(2,989,005)**	**(3,799,356)**	–	–	–
Disposal	**–**	**(4,302,036)**	**(4,302,036)**	–	–	–
At December 31	**3,624,001**	**–**	**3,624,001**	4,434,352	7,291,041	11,725,393
Accumulated Depreciation and Amortization						
At January 1	**–**	**2,893,348**	**2,893,348**	–	2,555,732	2,555,732
Depreciation and amortization	**–**	**337,616**	**337,616**	–	337,616	337,616
Write-off	**–**	**(1,067,264)**	**(1,067,264)**	–	–	–
Disposal	**–**	**(2,163,700)**	**(2,163,700)**	–	–	–
At December 31	**–**	**–**	**–**	–	2,893,348	2,893,348
Allowance for Impairment Losses (Note 14)	**1,019,533**	**–**	**1,019,533**	1,019,533	–	1,019,533
Net Book Value	**₱2,604,468**	**₱–**	**₱2,604,468**	₱3,414,819	₱4,397,693	₱7,812,512

The aggregate fair value of the investment properties of the Company amounted to ₱9.82 million as of December 31, 2010 and 2009. The Company sold certain investment properties at a gain of ₱1.55 million in 2010.

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.

11. Investment in Subsidiaries

This account consists of:

	Percentage of ownership	
Acquisition cost:		
Commercial and Consumer Credit Corporation (3C)	100%	₱1,000,000
Global Credit and Management Group/3C (GCMGI/3C)	51%	1,000,000
3C Pawnshop	100%	100,000
		2,100,000
Allowance for impairment losses (Note 14)		(2,000,000)
		₱100,000

3C and GCMGI/3C have ceased operations in 1999 and 1996, respectively.

As of December 31, 2010, 3C Pawnshop has not yet started commercial operations.

12. Property and Equipment

The rollforward analysis of this account follows:

	2010			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	**₱2,584,615**	**₱873,326**	**₱9,583,170**	**₱13,041,111**
Additions	**1,248,662**	**–**	**2,322,528**	**3,571,190**
At December 31	**3,833,277**	**873,326**	**11,905,698**	**16,612,301**
Accumulated Depreciation and Amortization				
At January 1	**1,006,818**	**112,228**	**4,759,696**	**5,878,742**
Depreciation and amortization	**742,584**	**89,782**	**3,261,983**	**4,094,349**
At December 31	**1,749,402**	**202,010**	**8,021,679**	**9,973,091**
Net Book Value	**₱2,083,875**	**₱671,316**	**₱3,884,019**	**₱6,639,210**

	2009			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱4,567,710	₱873,326	₱8,286,540	₱13,727,576
Additions	306,375	–	1,296,630	1,603,005
Reclassification (Note 13)	(2,289,470)	–	–	(2,289,470)
At December 31	2,584,615	873,326	9,583,170	13,041,111
Accumulated Depreciation and Amortization				
At January 1	217,405	22,446	2,079,919	2,319,769
Depreciation and amortization	789,413	89,782	2,679,777	3,558,972
At December 31	1,006,818	112,228	4,759,696	5,878,741
Net Book Value	₱1,577,797	₱761,098	₱4,823,474	₱7,162,370

Motorcycle inventory is transferred to transportation equipment when they are used in business by the employees. The transportation equipment is valued at the inventory's carrying amount. In 2010 and 2009, the Company transferred motorcycle inventories amounting to ₱1.62 million and ₱1.30 million, respectively.

13. Other Assets

This account consists of:

	2010	2009
Motorcycle inventories	**₱7,659,084**	₱2,737,304
Software costs	**1,766,489**	1,824,980
Prepaid expenses	**408,176**	1,891,024
Miscellaneous	**249,932**	243,931
	₱10,083,681	₱6,697,239

Motorcycle inventory pertains to repossessed units from the Company's motorcycle financing business carried at its net realizable value.

The movements in software costs follow:

	2010	2009
Cost		
At January 1	**₱2,690,245**	₱400,775
Additions	**420,000**	–
Reclassification (Note 12)	–	2,289,470
At December 31	**3,110,245**	2,690,245
Accumulated Amortization		
At January 1	**865,265**	400,775
Amortization for the year	**478,491**	464,490
Accumulated amortization	**1,343,756**	865,265
At December 31	**₱1,766,489**	₱1,824,980

14. Allowance for Impairment Losses

Movements in allowance for impairment losses follow:

	December 31, 2010			
	Receivable from Customers			
	Manufacturing	Services	Consumer	Total
At January 1	₱913,148	₱26,367	₱–	₱939,515
Provisions during the year	349,909	2,750,978	2,017,120	5,118,007
At December 31	₱1,263,057	₱2,777,345	₱2,017,120	₱6,057,522
Individually impaired	₱1,263,057	₱2,750,978	₱2,017,120	₱6,031,155
Collectively impaired	–	26,367	–	26,367
Total	₱1,263,057	₱2,777,345	₱2,017,120	₱6,057,522

As of December 31, 2010, the gross amount of loans and receivable individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to ₱6.06 million.

	December 31, 2009					
	Receivable from Customers			Other		
	Manufacturing	Services	SME	Receivables	Others	Total
At January 1	₱3,668,549	₱4,741,308	₱4,010,796	₱119,459	₱419,887	₱12,959,999
Provisions during the year	5,496,471	–	–	–	–	5,496,471
Accounts written-off	(8,251,872)	(4,714,941)	(4,010,796)	(119,459)	(419,887)	(17,516,955)
At December 31	₱913,148	₱26,367	₱–	₱–	₱–	₱939,515
Individually impaired	₱913,148	₱–	₱–	₱–	₱–	₱913,148
Collectively impaired	–	26,367	–	–	–	26,367
Total	₱913,148	₱26,367	₱–	₱–	₱–	₱939,515

As of December 31, 2009, the gross amount of loans and receivable individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to ₱20.85 million.

Impairment Assessment
The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties.

The Company assesses impairment of its loans and receivables into two areas: individually assessed allowances and collectively assessed allowances.

The Company determines allowance for each significant receivable on an individual basis. Among the items that the Company considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable, and accounts of defaulted agents.

For the collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectibility.

The total impairment losses on the receivables recognized in statement of comprehensive income amounted to ₱5.12 million, ₱5.50 million and ₱0.46 million in 2010, 2009 and 2008 respectively.

15. Notes Payable

This represents unsecured short-term loans with interest rates ranging from 7.50% to 8.00% and 8.00% to 11.83% per annum in 2010 and 2009, respectively.

Notes payable maturing within one year from the respective statement of financial position dates amounted to ₱356.64 million and ₱200.90 million as of December 31, 2010 and 2009, respectively. Interest expense on these notes payable amounted to ₱32.09 million, ₱11.69 million, ₱11.32 million in 2010, 2009 and 2008, respectively.

16. Other Current Liabilities

This account consists of:

	2010	2009
Accrued interest	**₱4,256,522**	₱3,753,670
Accrued taxes	**3,585,967**	993,503
Other accrued expenses	**3,150,750**	2,900,674
	₱10,993,239	₱7,647,847

17. 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 statement of financial position date.

	2010			2009		
	Less than twelve months	**Over twelve months**	**Total**	Less than twelve months	Over twelve months	Total
Financial Assets						
Cash on hand and in banks	**₱22,085,397**	**₱–**	**₱22,085,397**	₱15,696,778	₱–	₱15,696,778
Loans and other receivables - gross	**789,835,220**	**–**	**789,835,220**	476,220,419	–	476,220,419
AFS financial assets	**–**	**75,150,000**	**75,150,000**	–	75,150,000	75,150,000
	811,920,617	**75,150,000**	**887,070,617**	491,917,197	75,150,000	567,067,197
Nonfinancial Assets						
Property and equipment	**–**	**6,639,210**	**6,639,210**	–	7,162,370	7,162,370
Investment properties	**–**	**2,604,468**	**2,604,468**	–	7,812,512	7,812,512
Investment in a subsidiary	**–**	**100,000**	**100,000**	–	100,000	100,000
Deferred tax assets	**–**	**4,157,560**	**4,157,560**	–	2,059,825	2,059,825
Other assets	**8,317,192**	**1,766,489**	**10,083,681**	4,872,259	1,824,980	6,697,239
	8,317,192	**15,267,727**	**23,584,919**	4,872,259	18,959,687	23,831,946
Less: Allowance for credit losses	**6,057,522**	**–**	**6,057,522**	939,515	–	939,515
Unearned interest income	**206,208,145**	**–**	**206,208,145**	103,091,859	–	103,091,859
Client's equity	**31,698,311**	**–**	**31,698,311**	32,234,708	–	32,234,708
	243,963,978	**–**	**243,963,978**	136,266,082	–	136,266,082
	₱576,273,831	**₱90,417,727**	**₱666,691,558**	₱360,523,374	₱94,109,687	₱454,633,061
Financial Liabilities						
Notes payable	**₱356,642,786**	**₱9,500,000**	**₱366,142,786**	₱200,897,948	₱–	₱200,897,948
Accounts payable	**61,529,430**	**–**	**61,529,430**	29,811,489	–	29,811,489
Other current liabilities	**4,256,522**	**–**	**4,256,522**	3,753,670	–	3,753,670
	422,428,738	**9,500,000**	**431,928,738**	234,463,107	–	234,463,107
Nonfinancial Liabilities						
Other current liabilities	**6,736,717**	**–**	**6,736,717**	3,894,177	–	3,894,177
Income tax payable	**2,785,076**	**–**	**2,785,076**	949,867	–	949,867
Pension liability	**–**	**1,774,261**	**1,774,261**	–	2,602,081	2,602,081
	9,521,793	**1,774,261**	**11,296,054**	4,844,044	2,602,081	7,446,125
	₱431,950,531	**₱11,274,261**	**₱443,224,792**	₱239,307,151	₱2,602,081	₱241,909,232

18. Equity

On June 24, 2010, the BOD approved the declaration of 0.84% stock dividends in the amount of ₱1,612,240 to stockholders of record as of July 19, 2010 with distribution date not later than August 16, 2010. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1,612,316. Fractional shares related to this declaration were settled in cash amounting to ₱76.

On June 4, 2009, the BOD approved the declaration of 0.43% stock dividends in the amount of ₱819,716 to stockholders of record as of July 2, 2009 with distribution date not later than July 28, 2009. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱819,812. Fractional shares related to this declaration were settled in cash amounting to ₱48.00.

On June 19, 2008, the BOD approved the declaration of 2.51% stock dividends in the aggregate amount of ₱52,499,041 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,257,147. Fractional shares related to this declaration were settled in cash amounting to ₱35.00.

In 2007, the Company received an additional capital infusion from its stockholders for their subscription of 48,543,689 shares to be issued out of the proposed increase in authorized capital stock from 90 million common shares to 300 million common shares with a par value of ₱1 per share. This was recorded as deposits for future stock subscription in the amount of ₱50.00 million. In addition, the BOD approved the declaration of stock dividends in the maximum of 50,241,970 shares for shareholders as of November 27, 2007 and distributed in 2008 upon approval of the SEC of the increase in authorized capital stock. Fractional shares related to this declaration were settled in cash amounting to ₱41.00. The SEC approved the increase in authorized capital stock on March 6, 2008.

The movements in the number of shares and capital stock amount for the years ended December 31, 2010, 2009 and 2008 follows:

	December 31, 2010		December 31, 2009		December 31, 2008	
	Number of Shares	**Amount**	Number of Shares	Amount	Number Of Shares	Amount
At January 1	**191,862,405**	**₱191,862,405**	191,042,689	₱191,042,689	89,999,959	₱89,999,959
Stock dividends	**1,612,240**	**1,612,240**	819,716	819,716	52,499,041	52,499,041
Issuance of shares of stock	–	–	–	–	48,543,689	48,543,689
At December 31	**193,474,645**	**₱193,474,645**	191,862,405	₱191,862,405	191,042,689	₱191,042,689

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. No changes were made in the objectives, policies or processes for the year ended December 31, 2010 and 2009, respectively.

The Company considers the total equity as presented in the statement of financial position as capital.

19. Retirement Plan

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

The principal actuarial assumptions used in determining retirement liability for the Company's retirement plan as of January 1 are shown below:

	2010	2009
Discount rate	**7.93%**	9.82%
Expected rate of return on assets	**7.00**	7.00
Future salary increases	**8.00**	10.00

The funded status and amounts recognized in the statement of financial position for the net pension liability as of December 31, 2010 and 2009 follow:

	2010	2009
Present value of fund obligation	**₱2,560,001**	₱1,853,196
Fair value of plan assets	**(1,984,150)**	(1,562,501)
Deficit	**575,851**	290,695
Unrecognized actuarial gains	**1,198,410**	659,172
Net pension liability	**₱1,774,261**	₱949,867

Movement in the pension liability during the year follows:

	2010	2009
At January 1	**₱949,867**	₱926,784
Retirement expense	**1,024,394**	594,793
Contributions	**(200,000)**	(571,710)
At December 31	**₱1,774,261**	₱949,867

Movements in the present value of plan obligation follow:

	2010	2009
At January 1	**₱1,853,196**	₱1,096,849
Current service cost	**985,514**	603,795
Interest cost	**171,050**	107,711
Actuarial loss (gain)	**(449,759)**	44,841
At December 31	**₱2,560,001**	₱1,853,196
Experience adjustments	**(₱752,411)**	₱260,661

Movements in the fair value of plan assets recognized follow:

	2010	2009
At January 1	**₱1,562,501**	₱990,791
Contributions paid by employer	**200,000**	571,710
Expected return on plan assets	**116,375**	89,365
Actuarial gain (loss)	**105,274**	(89,365)
At December 31	**₱1,984,150**	₱1,562,501
Experience adjustments	**₱105,274**	(₱89,365)

Actual return on plan assets amounted to ₱0.22 million and nil in 2010 and 2009, respectively.

The retirement expense included in salaries and employee benefits in the statement of comprehensive income follows:

	2010	2009
Current service cost	**₱985,514**	₱603,795
Interest cost	**171,050**	107,711
Expected return on plan assets	**(116,375)**	(89,365)
Actuarial gains	**(15,795)**	(27,348)
	₱1,024,394	₱594,793

The Company expects to contribute ₱1.50 million to the retirement fund in 2011.

The categories of plan assets follow:

	2010	2009
Government securities	**80.15%**	78.26%
Time deposits	**10.46**	9.28
Accrued interest receivables	**0.72**	0.60
Savings deposits	**8.67**	0.02
Others	–	11.84
	100.00%	100.00%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

Information on the Company's retirement plan is as follows:

	2010	2009	2008	2007
Present value of the defined benefit obligation	**₱2,560,001**	₱1,853,196	₱1,096,849	₱1,668,419
Faire value of plan assets	**1,984,150**	1,562,501	990,791	934,295
Deficit on plan assets	**575,851**	290,695	106,058	734,124
Experience adjustments arising on plan liabilities	**752,411**	260,661	853,586	275,772
Experience adjustments arising on plan assets	**105,274**	89,365	8,905	21,681

20. **Miscellaneous Expenses**

Miscellaneous income consists of the following items:

	2010	2009	2008
Penalties	**₱2,301,290**	₱1,543,809	₱ 865,874
Miscellaneous	**3,237,398**	783,104	144,375
	₱5,538,688	₱2,326,913	₱1,010,249

Miscellaneous income includes recovery from written-off receivables.

Miscellaneous expenses consist of the following items:

	2010	2009	2008
Stationeries and supplies	**₱1,279,117**	₱854,263	₱427,252
Communication	**1,242,447**	784,180	521,409
Utilities	**695,263**	906,116	730,942
Repairs and maintenance	**620,278**	508,923	177,074
Advertising and promotions	**466,290**	170,459	151,071
Insurance	**534,918**	484,364	653,086
Meetings and conferences	**220,649**	77,698	59,966
Training and development	**190,092**	85,707	28,071
Miscellaneous	**430,857**	217,183	436,657
	₱5,679,911	₱4,088,893	₱3,185,528

Miscellaneous expenses include donations and other expenses

21. Income Taxes

Provision for income tax consists of:

	2010	2009	2008
Current:			
RCIT	**₱5,472,035**	₱2,602,081	₱1,668,247
Final	**–**	6,582	17,699
	5,472,035	2,608,663	1,685,946
Deferred	**(2,097,735)**	2,793,770	185,440
	₱3,374,300	₱5,402,433	₱1,871,386

The components of deferred tax assets follow:

	2010	2009
Allowance for impairment losses	**₱2,123,116**	₱587,714
Accrued expenses	**1,987,174**	1,414,156
Past service cost	**47,270**	57,955
	₱4,157,560	₱2,059,825

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

	2010	2009	2008
Statutory income tax	**₱4,718,866**	₱4,845,285	₱2,567,768
Tax effects of:			
Interest already subjected to final tax and dividend income	**(1,442,748)**	(5,481)	(1,908,209)
Income subjected to CGT	**93,600**	–	(624,530)
Nondeductible interest expense	**4,582**	3,258	30,709
Change in unrecognized deferred tax assets	**–**	313,061	708,275
Nondeductible expense	**–**	246,310	1,805,648
Change in tax rate	**–**	–	(708,275)
Effective income tax	**₱3,374,300**	₱5,402,433	₱1,871,386

Republic Act (RA) No. 9337, *An Act Amending National Internal Revenue Code*, provides that the RCIT rate shall be 30.00% and interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subjected to final tax.

Under current tax regulations, the maximum amount of entertainment, amusement and recreation (EAR) expenses allowable as deduction from gross income for purposes of income tax computation shall not exceed 1.00% of the gross revenue of a company engaged in the sale of services.

22. 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.

The following transactions have been entered into with related parties:

Related Party	Nature of Related Party Relationship	Nature of Transaction	Elements of Transactions: Statement of Financial Position Amount 2010	2009	Statement of Comprehensive Income Amount 2010	2009	2008
AIB	Stockholder	Receivables	**₱101,007**	₱101,007	**₱–**	₱–	₱–
		Note payable	**287,800,000**	182,100,000	–	–	–
		Other receivables	**38,322**	101,022	–	–	–
		Interest expense	–	–	**27,274,315**	8,846,460	10,332,861
Merg Realty and Development Corporation	Stockholder	Rent expense	–	–	**618,240**	591,360	591,360
		Notes payable	–	500,000	–	–	–
		Interest expense	–	–	**5,833**	99,222	51,945
Feliz Management, Inc.	Affiliate	Professional fees	–	–	–	–	945,012
Pikeville Bancshares	Affiliate	Professional fees	–	–	**938,000**	868,000	930,000
Merg Resources	Affiliate	Rent expense	–	–	–	–	200,000
Others	Affiliates	Interest expense	–	–	–	–	88,760
	Stockholders	Notes payable	**5,000,000**	16,740,914	–	–	–
	Employees	Notes payable	**1,000,000**	1,000,000	–	–	–
	Directors	Notes payable	**29,855,501**	1,057,034	–	–	–
	Directors	Management fees	–	–	**500,000**	500,000	720,000

The remuneration of directors and other members of key management consist of short-term benefits amounting to ₱4.60 million, ₱4.36 million and ₱4.43 million in 2010, 2009 and 2008, respectively, included in the Management and professional fees account in the statement of comprehensive income.

23. Earnings Per Share

EPS amounts were calculated as follows:

		2010	2009	2008
a.	Net income	**₱12,355,253**	₱10,748,518	₱5,465,096
b.	Weighted average number of outstanding common shares	**194,304,845**	191,452,547	182,509,273
c.	Basic/diluted earnings per share (a/b)	**₱0.06**	₱0.06	₱0.03

As of December 31, 2010 and 2009, there were no shares of stock that have a dilutive effect on the EPS of the Company.

24. Contingent Liability

In 2003, the Company received a preliminary assessment notice from the BIR for various tax liabilities covering the taxable year 1999 amounting to ₱5.33 million. In 2004, the Company entered into a compromise settlement with the BIR for the settlement of this assessment at ₱0.72 million. Of this amount, ₱0.39 million were paid representing basic deficiency tax and compromise penalty. The balance represents interest. On December 19, 2006, the Company filed an abatement on its outstanding tax liability amounting to ₱0.33 million and has not received any reply as of December 31, 2010.

25. Lease Commitment

The Company leases its office space for a period of one (1) year under a lease contract expiring on September 30, 2011. Total rent expense incurred in 2010, 2009 and 2008 amounted to ₱1.98 million, ₱0.77 million and ₱1.16 million, respectively. The lease contract is renewable annually upon agreement of the lessor and the Company.

As of December 31, 2010 and 2009, minimum lease payments due within one year from statement of financial position date amounted to ₱0.62 million and ₱0.59 million, respectively.

26. Supplementary Information Required Under Revenue Regulations 15-2010

The Company also reported and/or paid the following types of taxes for the year:

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

Gross receipts tax	₱5,581,762
Documentary stamp tax on loan instruments	1,690,427
License and permit fees	254,672
Others	414,000
	₱7,940,861

Withholding Taxes
Details of withholding taxes for the year follow:

	Total Amount Remitted	Balance as of December 31, 2010
Expanded withholding taxes	₱2,084,790	₱702,474
Withholding taxes on compensation and benefits	1,622,898	73,404
Final withholding taxes	35,316	3,918
	₱3,743,004	₱779,796

SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Makati Finance Corporation
2nd Floor, Makati Finance Centre
7823 Makati Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation (the Company) as of December 31, 2010 and 2009 and for each of the three years ended December 31, 2010, included in this Form 17-A and have issued our report thereon dated March 25, 2011. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1 and SEC Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez

Janeth T. Nuñez
Partner
CPA Certificate No. 111092
SEC Accreditation No. 0853-A
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2009
June 1, 2009 valid until May 31, 2012
PTR No. 2641550, January 3 2011, Makati City

March 25, 2011

SIGNATURES

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

By:

DR. ISIDRO B. BENITEZ	**TERESITA B. BENITEZ**	**CYNTHIA M. GACAYAN**
Chairman	President	COO/CFO

MAKATI CITY

Subscribed and sworn before me this MAR 2 4 2011 day of ______, affiant (s) exhibiting to me his/her Residence Certificate as follows:

NAME	RES. CERT. NO.	DATE	PLACE OF ISSUE
DR. ISIDRO B. BENITEZ	05930542	1/06/11	MAKATI
MS. TERESITA B. BENITEZ	05930541	1/06/11	MAKATI
MS. CYNTHIA GACAYAN	05964087	1/19/11	MAKATI

ATTY. FIDEL L. EVANGELISTA
NOTARY PUBLIC
UNTIL DEC.31.2012
ROLL 31498
IBP NO. 835882 11-10-2010 PASIG
PTR NO. 2641660 01-03-2011 MAKATI
MCLE COMPLIANCE NO. I-C005897
MCLE EXEMPTION NO. III-000664
APPOINTMENT NO. M-144
TIN NO. 120-884-559-000

Doc No._________;

Page No. ________;

Book No.________;

SERIES OF _______;

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of Makati Finance Corporation is responsible for all information and representations contained in the audited financial statements as at and for each of the three years in the period ended December 31, 2010. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration to materiality.

It is in this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that the transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial date (ii) material weaknesses in the internal controls; (iii) and fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Sycip, Gorres & Velayo, the independent auditors appointed by the Board of Directors and Stockholders, have audited the financial statements of the company in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such audit, in the report to the Company's Board of Directors and stockholders.

DR. ISIDRO B. BENITEZ	**TERESITA B. BENITEZ**	**CYNTHIA M. GACAYAN**
Chairman	President	COO/CFO

MAR 24 2011

Personally came and appear before on this _____ day of __________ 2011, at Makati City, Dr. Isidro Benitez, Ms. Teresita Benitez and Ms. Cynthia Gacayan with community Tax Certificate Nos.05930542;05930541; and 05964087 issued on Jan. 06, Jan. 06 , & Jan. 19 of 2011 respectively at Makati City known to me and to me known to be the same persons who executed the foregoing STATEMENT OF MANAGEMENT'S RESPONSIBILITY and acknowledged that the same is their free act and voluntary deed.

This instrument consisting of ______ pages including this whereon the acknowledgement is written, together with its' Annexes, has been signed by the party and witnesses on each and every page thereof.

WITNESS MY HAND AND SEAL, at the place and on the date first above written.

VANGELISTA
UBLIC
.31,2012
1498
-10-2010 PASIG
-03-2011 MAKATI
E NO. I-0005897
NO. III-000664

Doc No. 118;
Page No. 25;
Book No. XVI;
SERIES OF 2011;

REPORTS TO SEC PER SEC FORM 17-C

ANNEX B

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY

January 22, 2010

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road, Ortigas Complex
Pasig City, Metro Manila

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

Madam:

We are submitting herewith SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting. Held today, January 22, 2010 at Ascott Residences.

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

MAKATI FINANCE CORPORATION
Registrant

By:

Cunanan

MERLINDA V. CUNANAN
Accounting & Finance Manager

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

COVER SHEET

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S.E.C. Registration Number

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

C O R P O R A T I O N

(Company's Full Name)

2 ND Floor, Makati

Finance Center 7823

Makati Ave., Makati City

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

MERLINDA CUNANAN

Contact Person

897- 0749

Company Telephone Number

1st Thursday of

1 2	3 1	SEC Form 17 - C	0 6	
Month	Day	FORM TYPE	Month	Day

Fiscal Year

2010

Annual Meeting

Secondary License Type, If Applicable

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **January 22, 2010**
   (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

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

6. (SEC Use Only)
   Industry Classification Code:

7. **7823 Makati Avenue, Makati City**
   Address of principal office

   1210
   Postal Code

8. **(062) 896-02-21**
   Registrant's telephone number, including area code

9. N.A.
   Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	191,862,405

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

The regular quarterly meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held today, January 22, 2010, all of the members of the Board of Directors were present and acting throughout. The Board has approved the request for the 2010 Budget. The Board has elected two (2) new Directors namely Mr. Stephen Ng and Glenn B. Benitez. Also, the Board has approved request for the increase of credit line with Amalgamated Investment Bancorporation to P500M.

The next Board meeting was later set on March 24, 2010 at 9 o'clock in the morning.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Registrant

By:

MERLINDA V. CUNANAN
Accounting & Finance Manager

Date: 22 January 2010

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY

March 24, 2010

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road, Ortigas Complex
Pasig City, Metro Manila

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

Madam:

We are submitting herewith SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting. Held today, March 24, 2010 at Ascott Residences.

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

MAKATI FINANCE CORPORATION
Registrant

By:

Cunanan

MERLINDA V. CUNANAN
Accounting & Finance Manager

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

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S.E.C. Registration Number

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

C O R P O R A T I O N

(Company's Full Name)

2 ND Floor, Makati

Finance Center 7823

Makati Ave., Makati City

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

MERLINDA CUNANAN

Contact Person

897- 0749

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

2010

SEC Form 17 - C

FORM TYPE

Last Thursday of

0 6

Month Day

Annual Meeting

Secondary License Type, If Applicable

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **March 24, 2010**
(Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

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

6. (SEC Use Only)
Industry Classification Code:

7. **7823 Makati Avenue, Makati City**
Address of principal office

1210
Postal Code

8. **(062) 896-02-21**
Registrant's telephone number, including area code

9. N.A.
Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	191,862,405

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

The regular quarterly meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held today, March 24, 2010, at which at least a majority of the members of the Board of Directors was present and acting throughout.

The Board approved the presentation of 2009 Financial Statements.

Stephen Ng Kah Seen, has not yet been qualified as a Director of Makati Finance Corporation, considering that he is not a stockholder of record. Even before he can qualify, he submitted a letter to the Corporation resigning as Director thereof.

The Nominations Committee informed the Board that it has pre-screened and shortlisted the candidate for members of the Board of Directors to be nominated during the next Annual Stockholders' Meeting. The candidates to be nominated are as follows: Isidro B. Benitez, Juan Carlos Del Rosario, Teresita B. Benitez, Max O. Borromeo, Rene B. Benitez, Francisco C. Eizmendi Jr., Joel S. Ferrer, Eugenio E. Reyes, Michael Wee, Glenn Benitez and Jose V. Cruz.

The next Board meeting and the Annual Stockholders' meeting was later set on June 24, 2010 at 3pm and 5pm respectively, with May 26, 2010 as record date.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Registrant

By:

MERLINDA V. CUNANAN
Accounting & Finance Manager

Date: 24 March 2010

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

June 24, 2010

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road, Ortigas Complex
Pasig City, Metro Manila

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

Ma'am:

We are submitting herewith SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting and Annual Stockholders' Meeting. Held today, June 24, 2010 at Ascott Residences.

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

MAKATI FINANCE CORPORATION
Registrant

By:

MERLINDA V. CUNANAN
Accounting & Finance Manager

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

COVER SHEET

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S.E.C. Registration Number

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

C O R P O R A T I O N

(Company's Full Name)

2 ND F l o o r , M a k a t i

F i n a n c e   C e n t e r   7 8 2 3

M a k a t i   A v e . ,   M a k a t i   C i t y

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

MERLINDA V. CUNANAN

Contact Person

897-07-49

Company Telephone Number

1 2	3 1
Month	*Day*

Fiscal Year

2009

SEC Form 17 - C

FORM TYPE

0 6	0 4
Month	*Day*

Annual Meeting

Secondary License Type, If Applicable

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **June 24, 2010**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

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

6. (SEC Use Only)
   Industry Classification Code:

7. **7823 Makati Avenue, Poblacion, Makati City** **1210**
   Address of principal office Postal Code

8. **(632) 896-02-21**
   Registrant's telephone number, including area code

9. N. A.
   Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	191,862,405

11. Indicate the item numbers reported herein:...

I. The Regular Meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held on 24 June 2010. The following were approved by the Board of Directors:

a. Minutes of the Regular Board Meeting held on 24 March 2010.

b. Stock Dividends amounting to 0.8403301835% of the outstanding capital stock equivalent to a maximum of 1,612,277.70 shares of stock, to be issued out of the un-issued capital stock to stockholders of record as of 22 July 2010 with a payment date not later than 16 August 2010. Fractional shares shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares, as of 22 July 2010.

c. Cash Dividends in the amount of P1,612,277.70 or an equivalent of 0.00840330183 per share (0.8403301835%) to stockholders of record as of 22 July 2010 with a payment date of 16 August 2010. Both dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2009.

d. The Board has approved the designation and appointment as the Chief Information Officer and Compliance Officer of Ms. Cynthia M. Gacayan.

e. The Board has approved to adopt the Revised Manual on Corporate Governance.

f. The Next Board meeting was scheduled on October 22, 2010 at 9:00 a.m.

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

a. Minutes of the Annual Stockholders' Meeting held on 4 June 2009.

b. The 2009 Annual Report and 2009 Audited Financial Statements.

c. Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the immediately previous Annual Shareholder's Meeting of 4 June 2009.

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

ISIDRO B. BENITEZ
JUAN CARLOS DEL ROSARIO
TERESITA B. BENITEZ
RENE B. BENITEZ
MICHAEL WEE
JOEL S. FERRER
FRANCISCO C. EIZMENDI, JR.
MAX O. BORROMEO
EUGENIO E. REYES
GLENN B. BENITEZ
JOSE V. CRUZ

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

e. Appointment of SYCIP GORRES VELAYO & CO. as the Corporation's External Auditor for the Year 2010.

f. Stock Dividends amounting to 0.8403301835% of the outstanding capital stock equivalent to a maximum of 1,612,277.70 shares of stock, to stockholders of record as of 22 July 2010 with a payment date not later than 16 August 2010. The stock dividends shall be paid out of the audited net profits of the Corporation as of December 31, 2009 and shall be issued out of the un-issued capital stock. Fractional shares shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares, as of 22 July 2010.

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

a. OFFICERS:

Dr. Isidro B. Benitez - Chairman
Mr. Juan Carlos del Rosario - Vice-Chairman
Ms. Teresita B. Benitez - President
Mr. Max O. Borromeo - Senior Managing Director
Mr. Rene B. Benitez - Managing Director
Ms. Cynthia M. Gacayan - Chief Operating Officer
Atty. Danilo Enrique O. Co - Corporate Secretary
Mr. Joel S. Ferrer - Treasurer
Mr. Servando B. Alvarez, Jr. - Assistant Treasurer
Ms. Cynthia M. Gacayan - Chief Information Officer and Compliance Officer

b. Committees:

Executive Committee	Audit Committee
Mr.Max O. Borromeo, Chairman Mr. Juan Carlos Del Rosario Mr. Rene B. Benitez Ms. Teresita B. Benitez Mr. Joel S. Ferrer	Atty. Eugenio E. Reyes*, Chairman Dr. Isidro B. Benitez Mr. Juan Carlos del Rosario Mr. Joel S. Ferrer
Compensation Committee	Nomination Committee
Mr. Joel S. Ferrer, Chairman Dr. Isidro B. Benitez Mr. Francisco C. Eizmendi Jr. *	Mr. Rene B. Benitez, Chairman Mr. Max O. Borromeo Mr. Francisco C. Eizmendi Jr. *
	* Independent Directors

SIGNATURES

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

Date: June 24, 2010

MAKATI FINANCE CORPORATION
Registrant

By:

MERLINDA V. CUNANAN
Accounting & Finance Manager

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

MAKATI FINANCE
FINANCIAL SERVICES AND ADVISORY

October 22, 2010

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road, Ortigas Complex
Pasig City, Metro Manila

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

Madam:

We are submitting herewith SEC 17-C to disclose some material items discussed on Makati Finance Corporation's Board of Director's Meeting. Held today, October 22, 2010 at Ascott Residences.

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

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
Chief Operating Officer/CIO

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

COVER SHEET

2 8 7 8 8

S.E.C. Registration Number

MAKATI FINANCE CORPORATION

(Company's Full Name)

2ND Floor, Makati Finance Center 7823 Makati Ave., Makati City

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

CYNTHIA M. GACAYAN

Contact Person

897- 0749

Company Telephone Number

1 2	3 1	SEC Form 17 - C	Last Thursday of 0 6	
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

2010

Annual Meeting

Secondary License Type, If Applicable

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **October 22, 2010**
(Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

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

6. (SEC Use Only)
Industry Classification Code:

7. **7823 Makati Avenue, Makati City**
Address of principal office

1210
Postal Code

8. **(062) 896-02-21**
Registrant's telephone number, including area code

9. N.A.
Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	193,474,645

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

The regular quarterly meeting of the Board of Directors of MAKATI FINANCE CORPORATION ("MFC") was held today, October 22, 2010, at which at least a majority of the members of the Board of Directors was present and acting throughout.

The next Board meeting was later set on January 21, 2011 at 9:00 o'clock in the morning.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Registrant

By:

CYNTHIA M. GACAYAN
Chief Operating Officer/CIO

Date: 22 October 2010

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

March 05, 2010

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Center
Exchange Road, Ortigas Complex
Pasig City, Metro Manila

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

Dear Madam,

This is to inform you that the Securities and Exchange Commission approved the application for the Amendment of the By-Laws of **MAKATI FINANCE CORPORATION**, amending its annual stockholders' meeting from the first Thursday of June to the **last** Thursday of June in each year.

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

MAKATI FINANCE CORPORATION
Registrant

By:

MERLINDA V. CUNANAN
Accounting & Finance Manager

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)

2 N D   F l o o r ,   M a k a t i

F i n a n c e   C e n t e r   7 8 2 3

M a k a t i   A v e . ,   M a k a t i   C i t y

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

MERLINDA CUNANAN

Contact Person

897- 0749

Company Telephone Number

1 2	3 1	SEC Form 17 - C	Last Thursday of 0 6	
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

2010

Annual Meeting

Secondary License Type, If Applicable

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **March 05, 2010**
   (Date of earliest event reported)

2. SEC Identification Number: **28788**

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

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

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

6. (SEC Use Only)
   Industry Classification Code:

7. **7823 Makati Avenue, Makati City** — **1210**
   Address of principal office — Postal Code

8. **(062) 896-02-21**
   Registrant's telephone number, including area code

9. N.A.
   Former name or former address, if changed since last report

10. Securities registered pursuant to SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	191,862,405

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

The Securities and Exchange Commission, approved the application for the Amendment of the By-Laws of **MAKATI FINANCE CORPORATION**, amending its annual stockholders' meeting from the first Thursday to the **last** Thursday of June in each year.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Registrant

By:

MERLINDA V. CUNANAN
Accounting & Finance Manager

Date: 05 March 2010

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

Company Reg. No. 28788

CERTIFICATE OF FILING
OF
AMENDED BY-LAWS

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the Amended By-Laws of

MAKATI FINANCE CORPORATION

copy annexed, adopted on June 04, 2009 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and majority of the said Board was approved by the Commission on this date pursuant to the provisions of Section 48 of the Corporation Code of the Philippines Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 11th day of February, Twenty Ten.

BENITO A. CATARAN
Director
Company Registration and Monitoring Department

COVER SHEET

2 8 7 8 6

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)

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

C E N T E R 7 8 2 3 M A K A T I

A V E . M A K A T I C I T Y

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

Contact Person

Company Telephone Number

1 2 3 1

AMENDED BY-LAWS

FORM TYPE

last Thursday of June

N/A

Secondary License Type, if Applicable

Dept. Requiring this Doc

Article III

Amended Articles Number/Section

Total Amount of Borrowings

99

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 purpose

CFA

L A W

25 January 2010

SECURITIES AND EXCHANGE COMMISSION
SEC Building
[illegible] Avenue
Mandaluyong City

Re: **AMENDMENT OF BY-LAWS; CHANGE OF DATE OF ANNUAL STOCKHOLDERS' MEETING**

Gentlemen:

On behalf of our client **MAKATI FINANCE CORPORATION**, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, we respectfully request for the approval of the amendment of its By-Laws amending its annual stockholders' meeting from the first Thursday of June to the **last** Thursday of June in each year.

Enclosed herewith in support of this request are the following documents:

- Certificate of Amendment of the By-Laws;
- Amended By-Laws; and
- Company Data Maintenance Form.

Should you have any questions on any of the foregoing, we shall be available to discuss them with you at your most convenient time.

Thank you for your usual prompt attention.

Very truly yours,

CO FERRER & ANG-CO LAW OFFICES

By:

D. ENRIQUE O. CO

MA. ISABEL Z. LALUNA

CO FERRER & ANG-CO LAW OFFICES
[illegible] Altaria Centre, 31 Annapolis St., Greenhills, San Juan, Metro Manila, Philippines
(632) [illegible]41026 to 27 · (632) 5840704 · legal_services@cfa[illegible] · www.cfa-law.com

CERTIFICATE OF AMENDMENT
OF THE BY-LAWS OF

MAKATI FINANCE CORPORATION

CRMD-CFRD
SEC
RECEIVED BY:

KNOW ALL MEN BY THESE PRESENTS:

The undersigned Corporate Secretary and all the Members of the Board of Directors of **MAKATI FINANCE CORPORATION** (hereinafter referred to as the "Corporation") do hereby certify that the accompanying copy of the Amended By-Laws of the Corporation embodying the underscored amendment to Section 2, Article III, changing the date of the annual stockholders' meeting of the Corporation is true and correct and was approved by the affirmative vote of at least a majority of the members of the Board of Directors, and by the vote of stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation at their respective meetings held on 04 June 2009 at the principal office of the Corporation.

IN WITNESS WHEREOF, we have hereunto signed this Certificate this [illegible], at [illegible].

ISIDRO B. BENITEZ *Chairman* TIN: 105-339-733	**JUAN CARLOS DEL ROSARIO** *Vice-Chairman* TIN: 129-544-413
TERESITA B. BENITEZ *President/Director* TIN: 105-339-733	**MAX O. BORROMEO** *Senior Managing Director* TIN: 108-479-305
RENE B. BENITEZ *Managing Director* TIN: 137-438-386	**JOEL S. FERRER** *Treasurer/Director* TIN: 103-276-130

FRANCISO C. EIZMENDI, JR.
Director
TIN: 119-132-505

EUGENIO E. REYES
Director
TIN: 116-244-865

MICHAEL WEE
Director
PASSPORT NO.: S1049225B

DANILO ENRIQUE O. CO
Corporate Secretary
TIN: 134-866-959

SUBSCRIBED AND SWORN to before me this [illegible] 2010 at QUEZON CITY Metro Manila, affiants exhibiting to me their Community Tax Certificate or Passport Nos., as follows:

Name	Community Tax Certificate/Passport No.	Date/Place Issued
Isidro B. Benitez	[illegible]	[illegible]
Juan Carlos Del Rosario	[illegible]	[illegible]
Rene B. Benitez	[illegible]	[illegible]
Teresita B. Benitez	[illegible]	[illegible]
Max O. Borromeo	[illegible]	[illegible]
Francisc C. Eizmendi, Jr.	[illegible]	[illegible]
Joel S. Ferrer	[illegible]	[illegible]
Eugenio E. Reyes	[illegible]	[illegible]
Michael Wee	[illegible]	[illegible]
Danilo Enrique O. Co	26489113	1/8/09, San Juan City

Doc. No. [illegible]
Page No. [illegible]
Book No. [illegible]
Series of 2009.

[illegible] C. GORIOLA
NOTARY PUBLIC
[illegible] COMMISSION NO. NP-052
[illegible] DEC 31, 2011
[illegible]
[illegible]
[illegible] ATTORNEY NO. 25103

AMENDED
BY-LAWS
OF
MAKATI FINANCE CORPORATION

Article I

Offices

Section 1. The principal office of the corporation shall be located at Makati, Metro Manila, Philippines. The corporation may establish branch offices and places of business at such other places as may be determined by the Board of Directors.

Article II

Board of Directors

Section 1. Number, qualifications, etc.

The corporate powers of the corporation shall be vested in and exercised, and the property and business of the corporation shall be managed by its Board of Directors, consisting of eleven (11) members who shall be elected at the annual meeting of the stockholders owing or representing the majority of the *subscribed capital stock and shall* serve until their successors shall have been elected and shall have qualified. Each director shall be the holder of at least one share of the voting stock of the corporation. (As amended on January 28, 1998)

Section 2. Quorum

The directors shall act only as a Board, and the individual director has no power as such. A majority of the directors shall be necessary at all meetings to constitute a *quorum* for the transaction of any business and every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act.

Section 3. Vacancies

In case of any vacancy in the Board of Directors by reason of death, resignation, retirement, disqualification or any other causes, except removal and expiration of term, such vacancy may be filled by a majority vote of the *remaining* directors, if still constituting a quorum, or a special meeting of the stockholders may be called for the purpose of electing a director or directors who shall serve for the unexpired term.

[illegible] as it may deem fit, when not prohibited by [illegible] of the Board of Directors in the course of the current business [illegible] to any standing or special committee or to officers, and to [illegible] to be agents of the Corporation with such powers and upon [illegible] deemed fit.

[illegible] corporate acts and resolutions of the Board of Directors shall be approved, confirmed and/or ratified by the vote of a majority of the Directors present during the [illegible] where a quorum exists, provided that no resolution shall be passed by the [illegible] Directors in respect of any of the following matters unless approved by [illegible] of at least two-thirds (2/3) of the number of Directors:

[illegible] Any advance of credit extension in whatever form [illegible] to any person or juridical entity in the amount exceeding [illegible] of the outstanding capital stock of the Corporation.

b. Any borrowing or making of any loan by the Corporation in the [illegible] exceeding thirty three (33%) of the outstanding capital stock of the Corporation other than normal trade credit.

[illegible] The creation of any other [illegible] not in the ordinary course of business including overdraft [illegible] of arrangement.

d. Entry into or variation of [illegible] license or [illegible] agreements, joint venture agreements, or management contracts.

[illegible] Entry into or variation of any [illegible] including [illegible] the Shareholders' [illegible]

[illegible]

[illegible] All matters requiring the affirmative vote of Shareholders constituting two-thirds (2/3) of the issued and outstanding capital stock of the Corporation.

Except as otherwise provided by law, all corporate acts and resolutions of the Board of Directors shall be approved, confirmed and/or ratified by the vote of a majority of the Directors present during the meeting at which a quorum exists. [illegible]

Article III

Stockholders

Section 1. Place of Meeting

All the meetings of the stockholders shall be held at the principal office of the corporation.

Section 2. Annual and Special Meetings

The annual meeting of the stockholders shall be held on the last[1] Thursday of June in each year, if not a legal holiday, and if a legal holiday, then on the next business day following. The stockholders owning or representing a majority of the subscribed capital stock shall elect by a plurality vote a Board of Directors and shall transact such other business as may properly be brought before such meeting.

Special meetings of the stockholders for any purpose or purposes may be called at any time by the President or by order of the majority of the members of the Board of Directors, or upon a request of any stockholder owning at least ten percent (10%) of the outstanding capital stock.

Section 3. Notice

Written notice of every meeting of the stockholders stating the date, time and place of the meeting, accompanied by the agenda of the matters to be taken up and by the proxy or information statement and/or materials as may be required by law or regulation shall be sent by personal delivery or by mail to each qualified stockholder thereat at such addresses as it appears in the books of the corporation or by publication in a newspaper of general circulation within such period as may from time to time be required by law or regulation.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting. (As amended on 11 March 2002)

Section 4. Voting

At every meeting of stockholders, each stockholder with voting privilege shall be entitled to one vote for each share of the stock standing in his name in the books of the corporation; provided however, that in the election of Directors, each stockholder with voting privilege shall be entitled to cumulate his votes in the manner provided by law. Each stockholder may vote by proxy provided

[1] As amended by the Board of Directors and Stockholders of the Corporation at their respective meetings on 04 June 2009.

the proxy has been appointed in writing by the stockholder himself or his duly authorized attorney. **Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary.** This instrument appointing a proxy shall presented to and lodge with the Secretary at or prior to the time of the meeting.

Except as otherwise provided by law, all corporate actions requiring the approval of the Stockholders shall be decided by the affirmative vote of the majority of the issued and outstanding capital stock of the corporation. (As amended on March 11, 2002)

Section 5. **Quorum**

No stockholders' meeting shall be competent to decide any matter or transact any business, unless a majority of the outstanding capital stock is present or represented thereat, except as otherwise provided by law.

Section 6. **Conduct of Meeting**

Meeting of the stockholders shall be presided over by the Chairman of the Board, or in his absence, the Vice-Chairman, or if none of the foregoing is in office and present and acting, by the President. The Secretary, shall act as Secretary of every meetings, but if not present, the chairman of the meeting shall appoint a secretary of the meeting. The chairman of the meeting may adjourn the meeting from time to time, without notice other than announced at the meeting.

Article IV

Officers and Agents

(As Amended on April 18, 1996)

Section 1. The officers of the corporation shall consist of a Chairman of the Board of Directors, a Vice-Chairman, a President, an Executive Vice-President, a Treasurer, an Assistant Treasurer, a Corporate Secretary, an Assistant Corporate Secretary, and such other officers as the Board may deem necessary and proper, including any number of Vice-Presidents.

Section 2. All officers shall be elected to their respective offices by a majority of the Board of Directors. Two or more offices may be vested in the same person whenever needed or deemed convenient or expedient provided their functions are not incompatible with each other.

Section 3. **Chairman of the Board**

The Chairman of the Board of Directors shall be elected by the Board of Directors from their own number. He shall have the following powers and duties:

[illegible] and to see that their [illegible] agents, employees and [illegible] [illegible] and [illegible] their [illegible] to such managers or boards, [illegible] [illegible] may determine to secure the faithful discharge [illegible] of their official trust;

c. Execute in behalf of the corporation contracts [illegible] agreements [illegible] the said corporation [illegible] [illegible] exclusive and the [illegible] or any other officer [illegible] official or agent to sign contracts and agreements on behalf of [illegible];

d. Unless other officers are so designated by the Board, [illegible] sign, execute and deliver shares [illegible] [illegible] which the Board may designate [illegible] [illegible] promissory notes and [illegible] of payment of sums of money in the name and in behalf of the corporation;

e. Submit matters of policy for the consideration of the Board of Directors;

f. Submit an annual report of the operations of the corporation to the Board of Directors and at such other times as the latter [illegible] and an annual report [illegible] at the annual meeting;

g. [illegible] such other powers and [illegible] [illegible] as the Board [illegible] [illegible] delegate;

[illegible] required to perform all of the duties of the President during [illegible] absence or incapacity of the latter for any cause.

Section [illegible] Treasurer

[illegible] shall be [illegible] [illegible] the following powers and duties:

a. [illegible] all [illegible] and [illegible] books and keep complete and accurate record of receipts and disbursements and [illegible] [illegible] that all expenditures are evidenced by appropriate vouchers;

Section 1[illegible]. Board of Advisers

The corporation may create a Board of Advisers which shall be composed of such number of members, who may or may not be a stockholder of the corporation, to be fixed and appointed by the Board of Directors. The Board of Advisers shall advise the Board of Directors and the Executive Committee on such matters as the Board of Directors and the Executive Committee may [illegible]. The Board of Advisers shall be entitled to such compensation or per diem as may be fixed by the Board of Directors.

Section 1[illegible]. Vacancies in and Delegation of Officers

[illegible] of the President, Executive Vice President, Treasurer, Assistant Treasurer, Corporate Secretary or Assistant Corporate Secretary or other [illegible] death, resignation, retirement or otherwise, the [illegible] may choose a successor or successors [illegible] term.

In the case of temporary absence of any officer of the corporation or for other reason that the Board of Directors may deem sufficient, the Board of Directors may delegate the powers and duties of such officer to any other officer [illegible] provided a majority of the Board concur therein and such delegation is not [illegible] any express provision of these By-Laws.

Article V

Certificate of Stock

Section 1. Issue

The Board of Directors shall provide for [illegible] of the capital stock of the corporation and shall prescribe the form and design of the certificates of stock. Each stockholder whose share of stock has been paid in full shall be entitled to a certificate or certificates of stock for such share. The certificates shall be signed by the President [illegible] and by the Secretary and sealed with the corporate seal. Certificates of stock may be issued in series, each of which shall be in consecutive order with the number of certificates in each series to be determined by the Board from the Certificate Books of the corporation [illegible]. Where any such certificate is [illegible] by a transfer agent and/or by a registrar, the signature of the President and the Secretary or Assistant Secretary and the seal of the corporation upon such certificates may be by facsimiles, printed or engraved. (As Amended on [illegible])

Section 2. Transfer of Shares of Stock

Shares of stock shall be transferred by delivery of the certificate [illegible] by the [illegible] or by his attorney-in-fact or other person legally [illegible] [illegible]

[illegible]

Section [illegible] Loss or Destruction of Certificates

[illegible]

Article VI

Depositories, Calendar Year, Dividends

Section [illegible] Depositories

[illegible]

Section [illegible] Calendar Year

[illegible]

Section [illegible] Dividends

[illegible]

[illegible]

Section [illegible] Inspection of Books of Accounts

[illegible]

No. 03[illegible]

[illegible]		AMOUNT

SCANNED ON

DATE SCANNED

TOTAL

[illegible] IN WORDS

COLLECTING OFFICER