

COVER SHEET

		2	8	7	8	8				
--	--	---	---	---	---	---	--	--	--	--

S.E.C. Registration Number

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

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Company's Full Name)

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

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

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

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

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

MARCOS E. LAROSA

Contact Person

(02) 7751-8132

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

Fiscal Year

2023

DEFINITIVE INFORMATION STATEMENT

SEC Form 20 - IS

FORM TYPE

0	7
---	---

Month

--	--

Day

Annual Meeting

Every last
Thursday of July

Financing

Secondary License Type, If Applicable

M	S	R	D
---	---	---	---

Dept. Requiring this Doc.

--

Amended Articles Number/Section

111

Total No. of Stockholders

Total Amount of Borrowings

--

Domestic

--

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--

File Number

LCU

--	--	--	--	--	--	--	--	--	--

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes



MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

June 29, 2023

SECURITIES AND EXCHANGE COMMISSION

G/F Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City 1307

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

THE PHILIPPINES STOCK EXCHANGE, INC.

Attention: **MS. ALEXANDRA D. TOM WONG**
OIC – Disclosure Department
6TH Floor, PSE Tower, 28TH Street cor 5th Avenue
Bonifacio Global City, Taguig City

Gentlemen:

We are sending herewith a copy of Makati Finance Corporation SEC FORM 20-
IS Definitive Information Statement in relation to Annual Stockholder's Meeting to be
held on July 27, 2023 via remote communication.

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

Very truly yours,

MAKATI FINANCE CORPORATION

Registrant

By:

MARCOS E. LAROSA

Chief Finance Officer/Compliance Officer



MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

NOTICE OF THE 2023 ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS
MAKATI FINANCE CORPORATION

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of Makati Finance Corporation, will be held on 27 July 2023, Thursday, 11:00 a.m., through remote communication, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 28 July 2022
4. Presentation and Approval of the 2022 Annual Report and 2022 Audited Financial Statements
5. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting
6. Declaration of Cash /Stock Dividends
7. Election of Directors
8. Appointment of Independent External Auditors
9. Other Matters
10. Adjournment

The record date for stockholders entitled to notice of and vote at the said meeting is 29 June 2023. Stockholders may attend through remote communication by registering at <https://sh.makatifinance.ph> between 3 July 2023 to 21 July 2023. The guidelines for attendance and participation through remote communication shall be available to registered qualified stockholders.

Any instrument authorizing a proxy to act as such shall be submitted to and received at the principal office of the corporation on or before 21 July 2023, Friday, at 5:00 pm, addressed to the attention of The Corporate Secretary. Corporate Shareholders are required to submit duly notarized Board Resolutions designating their proxies. Validation of proxies shall be on 25 July 2023, Tuesday, at 10:30 a.m. No proxy is being solicited.

Electronic copies of the Information Statement, SEC Form 17-A, 2022 Annual Report and other pertinent documents, as may be necessary under the circumstances, shall be available at the Corporation's website and/or PSE Edge.

30 June 2023.



ATTY. D. ENRIQUE O. CO
Corporate Secretary

P R O X Y

The undersigned stockholder of MAKATI FINANCE CORPORATION (the "Corporation") hereby constitutes and appoints _____ as proxy to represent and vote **all shares of stock** registered in the name of the undersigned stockholder in the books of the Corporation at all meetings (annual or special) of the stockholders of the Corporation, including that to be held on **27 July 2023, Thursday, 11:00 a.m.** and at any postponement or adjournment thereof; provided that, in the absence of the Proxy, the Chairman of the meeting is hereby appointed as the Proxy. The Proxy is authorized to vote on all matters which may be taken up by the stockholders during the meeting(s). This proxy shall be valid for all other stockholders' meetings, whether annual or special, held within a period of five (5) years from the date indicated below, unless sooner revoked or superseded by the undersigned.

Date

NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER
OR DULY AUTHORIZED REPRESENTATIVE

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

Preliminary Information Statement
 Definitive Information Statement

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

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

4. SEC Identification Number **28788**

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

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

7. Registrant's telephone number, including area code **(+632) 7751-8132**

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

Date : **July 27, 2023**
Time : **11:00 a.m.**
Place : **via remote communication**

Link of Annual Stockholders' Meeting:

https://edge.pse.com.ph/openDiscViewer.do?edge_no=25f96bd0923bd9789e4dc6f6c9b65995

9. Approximate date on which the Information Statement is first to be sent or given to security holders **July 03, 2023.**

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<u>COMMON STOCK</u>	<u>269,283,709</u>

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

Yes / No

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

PART 1. INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of the Company will be held on **July 27, 2023, 11:00 a.m. via remote communication (Zoom)**. The complete mailing address of the principal office of Makati Finance Corporation is: **3/F Mazda Makati Bldg, 2301 Chino Roces Ave. Brgy. Magallanes, Makati City, Philippines**. The Information Statement may be accessed by the Company's stockholder beginning on **July 03, 2023** at the Company's website, <https://www.makatifinance.ph>

Item 2. DISSENTERS' RIGHT OF APPRAISAL

Under Section 81, Title X of the Revised Corporation Code of the Philippines ("Revised Corporation Code"), a stockholder shall have the right to dissent and demand of the fair value of his shares in the following instances:

- (a) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all substantially all of the corporate property and assets as provided in the code; and
- (c) In case of merger or consolidation.

The procedure to be followed in exercising the appraisal right of dissenting stockholders, how right is exercised, effect of demand and termination of right, when right to payment ceases, who bears costs of appraisal and notation on certificates/rights of transferee shall be in accordance with Section 82 to 86 of the Revised Corporation Code. A stockholder must have voted against any proposed corporate action in order to avail himself of the appraisal right.

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

Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Total number of common shares outstanding as of **May 31, 2023** is **269,283,709** with a par value of P1 per share. Pursuant to Article III, Section 4 of the Company's Amended By-Laws, every stockholder shall be entitled to one (1) vote for each share of the stock standing in his name in the books of the Company on the Record Date as fixed by the Board of Directors.

Every stockholder voting on the election of directors may cumulate such number of votes in accordance with Section 24 of the Corporation Code. Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected: Provided, however, That no delinquent stock shall be voted. Unless otherwise provided in the articles of incorporation or in the by-laws, members of corporations which have no capital stock may cast as many votes as there are trustees to be elected but may not cast more than one vote for one candidate. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders or members called for an election may adjourn from day to day or from time to time but not sine die or indefinitely if, for any reason, no election is held, or if there are not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the member entitled to vote.

Stockholders of record of the Company as of **June 29, 2023** ("the Record Date") shall be entitled to notice of, and to vote at, the Annual Stockholders' Meeting.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (MORE THAN 5% AS OF MAY 31, 2023)

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

Title of class	Name, address of record owner and relationship	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percent Held
Common	Amalgamated Investment Bancorporation 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	* 117,282,360	43.5535%
Common	Motor Ace Philippines, Inc. MC Briones St. Hi-way Magukay, Mandaue City	Record and beneficial owner	Filipino	68,120,624	25.2970%
Common	Pikeville Bancshares Inc. 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	9,522,387	3.5362%
	TOTAL			194,925,371	72.3866%

* Note: Including shares lodged to PCD Nominee

**SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS WITH DIRECT OWNERSHIP
As of May 31, 2023**

Common	Eric B. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	7,509,958	2.7888%
Common	Rene B. Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	6,160,981	2.2879%
Common	Rene B. Benitez ITF Carmela Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	320,832	0.1191%
Common	Rene B. Benitez ITF Lorenzo Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	320,832	0.1191%
Common	Rene B. Benitez ITF Matias Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	308,017	0.1144%
Common	Joel S. Ferrer 2137 Lourdes St. San Miguel Village, Makati City	Beneficial owner	Filipino	2,712,670	1.0073%
Common	Maxcy Francisco Jose R. Borromeo 66 Gorordo Avenue, Cebu City	Beneficial owner	Filipino	2,524	0.0000%
Common	Max O. Borromeo Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	45,965	0.0171%
Common	Alan Michael R. Cruz 410 madrigal Avenue, Ayala Alabang, Muntinlupa	Beneficial owner	Filipino	1	0.0000%
Common	Jose Daniel R. Borromeo Mandaue, Cebu City	Beneficial owner	Filipino	2,525	0.0000%
Common	Robert Charles M. Lehmann 11F Multinational Bancorporation Bldg., 6805 Ayala Avenue, Makati City	Beneficial owner	Filipino	1	0.0000%
Common	Asterio L. Favis, Jr No 33 Yuchengco Drive Pacific Malayan Village, Muntinlupa City	Beneficial owner	Filipino	1	0.0000%
Common	Cristino L. Panlilio No. 140 Swallow Drive, Greenmeadows, Quezon City	Beneficial owner	Filipino	1	0.0000%
	All directors & officers as a group			17,384,308	6.4537%

The representative of Amalgamated Investment Bancorporation entitled to vote is Mr. Robert Charles Lehmann. The representative of MF Pikeville Holdings/Pikeville Bancshares entitled to vote is Mr. Rene B. Benitez. The representative of Motor Ace Philippines, Inc entitled to vote is Mr. Maxcy Francisco Jose R. Borromeo. There are no directors and nominees owning more than 5% of the outstanding shares who are affected by any acquisition, business combination or other reorganization, and there are no other commitments with respect to issuance of shares.

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

NOMINATIONS TO THE BOARD

The nomination committee is composed of: Mr. Alan Michael R. Cruz, Chairman, Mr. Rene B. Benitez and Mr. Asterio L. Favis, Jr. as members. Pursuant to the Company's Corporate Governance Manual, the Nomination Committee has pre-screened and shortlisted all candidates to be nominated as members of the Board of Directors. The Nomination Committee has considered the guidelines set forth in the Manual. The nominated individuals to be elected during the Stockholders' Meeting, for the term 2023 to 2024, are as follows:

1. Mr. Max Francisco Jose O. Borromeo
2. Mr. Joel S. Ferrer
3. Mr. Eric B. Benitez
4. Mr. Jose Daniel R. Borromeo
5. Mr. Maxcy Francisco Jose R. Borromeo
6. Mr. Alan Michael R. Cruz
7. Mr. Robert Charles M Lehmann
8. Mr. Asterio L. Favis, Jr.
9. Mr. Cristino L. Panlilio
10. Mr. Vincent Ee
11. Mr. Irineo A. Cases, Jr.

Mr. Alan Michael R. Cruz, Mr. Asterio L. Favis, Jr. and Mr. Irineo A. Cases, Jr. have been nominated by Mr. Rene B. Benitez as independent directors. There are no relations between Mr. Benitez, Mr. Cruz, Mr. Favis and Mr. Cases up to the fourth degree either by consanguinity or affinity.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

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

Mr. Max Francisco Jose O. Borromeo, 74, Filipino, is the Company's *Vice Chairman*. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo is currently a Director in the following companies: Honda Motor World, Inc., HMW Lending Investors, Dearborn Motors Co., Inc, Astron Gestus, Inc., Visayas Auto Ventures, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, and Salud Borromeo Foundation, Inc. and Amalgamated Investment Bancorporation. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mr. Joel S. Ferrer, 69, Filipino, is the Company's *Treasurer*. He has been a Director since 1998. Mr. Ferrer is currently the President of PARMAN Inc., a staffing company serving local and international clients. At the same time he also oversees his investments in a real estate company. 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 Master's Degree in Business Management from the Asian Institute of Management and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Mr. Eric B. Benitez, 56, Filipino, has served as a Director since 2011. Mr. Benitez was formerly a Director in Credit Risk Management at Eurohypo AG (wholly-owned subsidiary of Commerzbank AG) in New York. Prior to Eurohypo, Mr. Benitez was a senior consultant within the Real Estate Business Advisory Services Group at the New York office of PricewaterhouseCoopers, LLP. He began his career in 1988 as an analyst in the trust department at Sanwa Bank (now part of The Bank of Tokyo-Mitsubishi UFJ) in San Francisco, CA. Previously, Mr. Benitez was formerly a Board Member of the Philippine Finance Association. He earned his BA in Applied Mathematics from the University of California, Berkeley and his MS in Real Estate from Columbia University in New York.

Mr. Maxcy Francisco Jose R. Borromeo, 49, Filipino, is the Company's President and Chief Operating Officer of Makati Finance Corporation. He joined the company in 2014 and was elected Director in 2016. Outside of Makati Finance Corporation, he is also the President of HMW Lending Investors, Inc. and MAPI Lending Investors, Inc. He also serves as Director of Honda Motor World, Inc., Motor Ace Philippines, Inc., Astron Gestus, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Borromeo Brother's Estate, Inc. and Mizukawa Motors Corporation. He is also a member of the Board of Trustees of Salud Borromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Political Science from the Ateneo de Manila University. He obtained his Master's degree in Applied Finance with a focus on banking from the University of Wollongong, Australia.

Mr. Jose Daniel R. Borromeo, 51 Filipino, he was elected as Director last July 28, 2016. He is the President and General Manager of Honda Motor World, Inc., Motor Ace Philippines, Inc., and Dream Honda, Inc. He is also the Managing Director of Borromeo Brothers Estate, Inc., Margarita Agro Industrial Corp., Tolar Development Corp. and , MC Bros. Development Corp. He is the President of Astron Gestus, Inc., Sakura Autoworld Inc., Cebu Maxi Management Corp., and Maxi Agricultural Corporation. He's the Corporate Planning Officer of Dearborn Motors, Inc. He graduated in Business Management degree major in Marketing from Hampshire College, New Hampshire, USA and completed his MBA in the University of Wollongong, Wollongong, Australia.

Mr. Alan Michael R. Cruz, 60, Filipino, he was elected as Independent Director last July 27, 2017. He is currently working as consultant of Merg Realty and Development Corporation since March 2021. He was the President and General Manager of Northpine Land, Inc. from June 2011 to December 2016. He was also the Real Estate Development Manager of San Miguel Properties, Inc. from March 2007 to June 2011. He also served as Vice President and Division Head of United Coconut Planters Bank (UCPB) from 2004-2007 and Vice President and OIC – Asset Management Division from 2000-2003. He graduated in 1985 from University of the Philippines with the degree of B.S. Architecture. He was also 10th placer in 1985 board examination.

Mr. Robert Charles "Bob" M. Lehmann, 67, Filipino, he was elected as Director last October 20, 2017. He is currently the President and CEO of Amalgamated Investment Bancorporation (AIB). Also, Mr. Lehmann is concurrently a Director of Philippine Eagle Foundation. He has served 24 years in the banking industry in various senior positions here and abroad. His last position being the Executive Vice President of Security Bank. Prior to that, he was with Standard Chartered Bank in the region for many years, after several Philippine Country Manager positions with American and U.K. banks. He has been the President of the Investment House Association of the Philippines over 3 years. A graduate of Ateneo High School, he has an undergraduate degree in B.S. International Business and a Master's in Business Administration from the University of San Francisco.

Mr. Asterio L. Favis, Jr., 70, Filipino, he was elected as Independent Director of Makati Finance Corporation last July 25, 2019. He is currently working as consultant of Amalgamated Investment Bancorporation (AIB), Ateneo-BAP Institute of Banking and Independent Director of Philippine Business Bank. Mr. Favis had been in banking industry for about 30 years handling various senior positions. His last position being the Executive Vice President(EVP) of Sterling Bank of Asia from April 2007 to December 2013, as Head, Treasury Group for two years, one year as OIC of Consumer Lending Group and three years as EVP/Office of the President . He was EVP/Head, Treasury Division of Philippine National Bank from November 2002 to March 2007. He was also SVP/Head, Financial Markets Division in AB Capital & Investment Corporation from 1999 to 2002 and SVP/Head, Treasury Division in Asianbank Corporation from 1990 to 1999.

Prior to that, he was with PCI Bank from 1983 to 1990 as AVP/Head, Foreign Exchange for three years, VP/Head, Domestic Money Market for three years and VP/Office of the President for one year. He graduated in 1976 from Ateneo de Manila University with the degree of B.S. Management Engineering (Cum Laude).

Mr. Cristino L. Panlilio, 71, Filipino, he was elected as Director of Makati Finance Corporation last July 29, 2021. Mr. Panlilio started his career as a banker for 20 years handling various senior positions in Far East Bank and PCI Bank. He later ventured into mining, chocolate manufacturing, sugar, water and food industries. Currently, he is the President and CEO of Balibago Waterworks System, Inc. (BWSI), and Chairman and President of Conglow Properties, Inc. His first big step towards entrepreneurship was when he invested in Universal Food Corporation, a ketchup manufacturing company and served as its President in 1992 to 1997. In mid-1997, he received an offer to buy out BWSI, after studying the proposal, Mr. Panlilio, together with a group of investors, officially took over BWSI and became its President and CEO in 1997 to 2010 and from 2013 to present. He also served as Managing Director of Pampanga Sugar Development Company, Inc. in 1994 to 2010. He also handled several positions in Government from August 2010 to May 2013, as Undersecretary of the Department of Trade and Industry and Managing Director of Board of Investments. He earned his AB Economics (Honor Student) & Master in Business Administration (A-grade average) degrees from the Ateneo de Manila University in 1973 and 1981, respectively. He completed his Advance Management Program from Wharton School of Finance, Philadelphia USA in 1984.

Mr. Vincent Khoon Ann Ee, CFA, 50, Singaporean, was nominated for election as Director of Makati Finance Corporation. Mr. Ee started his career in HSBC Asset Management in London, Hong Kong and New York handling various positions from 1996 to 2000. Currently, he is the Head of Investments, Asia in Schrodgers Wealth Management, Singapore. He is also a member of Investment Committee of Community Foundation of Singapore since 2014 and in Raffles Institution since 2018 as part of his Pro Bono activities. Mr. Ee was also the Chief Investment Officer and Portfolio Manager of Foord Asset Management, Singapore in 2012 to 2014. He was also the Fund Manager, Asia Ex-Japan Equities of Morgan Stanley Investment Management, Singapore in 2009 to 2012. He also served as Managing Director, Co-Founder and CEO of Libra Capital Management from 2007 to 2009. He also worked in Goldman Sachs Asset Management, Singapore as Fund Manager, Asia ex-Japan Equities from 2000 to 2007. He earned his Bachelor of Science (Econs) Accounting and Finance Degree in 1996, Second Class (Upper) Honours from London School of Economics and Political Science in London and is CFA Charterholder.

Mr. Irineo A. Cases, Jr., 47, Filipino, has been nominated for election as an Independent Director of Makati Finance Corporation. Mr. Cases expertise in overseeing and managing business operations is attributed to his experience working in multiple industries. From 2005 to 2011, he served as a Director of MT Link Asia, a medical transcription outsourcing company. Additionally, Mr. Cases currently holds several positions, including President of Consolacion Unicredit Corp.,

Vice President for Sales/Marketing of Metro Credit Finance Corp., President of Metrografix Inc., and Managing Director of Cebon Construction Services. He earned his Bachelor of Fine Arts – Major in Advertising from Far Eastern University.

INDEPENDENT DIRECTORS

In accordance with SEC Memorandum Circular 5, Series of 2017, the Certification of Independent Directors executed by the aforementioned candidates for independent directors of the Corporation are attached hereto as Annex “B-1” , “B-2” and “B-3”

Among the Directors, Alan Michael R. Cruz, Asterio L. Favis, Jr. and Irineo A. Cases, Jr. were elected as the three (3) Independent Directors of the Company at the 2023 Annual Stockholders’ Meeting.

SENIOR MANAGEMENT

Mr. Marcos E. Larosa, CPA – *Chief Finance Officer, 44, Filipino*, was employed by the Company in July 1, 2014 as its new CFO. He was the Regional Finance Manager of Dole Asia Company Limited since November 2013 before joining Makati Finance Corporation. For 11 years he has worked with Matimco Incorporated, a local wood manufacturing and distribution company handling several managerial positions; as Finance Manager (2010-2013), Sales Support Manager (2004-2009), Budget Planning and Control Manager (2003) . He graduated with a Bachelor of Science degree in Accounting from the Polytechnic University of the Philippines in 1999.

Atty. Danilo Enrique O. Co, *Corporate Secretary and Legal Counsel, 54, Filipino*. Atty. Co has been serving the Corporation as its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is a Fellow at the Philippine Institute of Corporate Directors and is the Managing Partner of the Co Ferrer Ang-Co & Gonzales Law Offices, a full-service Philippine law firm specializing in corporate law. He is also a Director, Corporate Secretary and/or Asst. Corporate Secretary of various Philippine corporations, such as Amalgamated Investment Bancorporation, Bataan Water Services Corporation, Cuervo Appraisers Inc., Dearborn Motors Co. Inc., Empowerment Through Education Inc., Health Blocks Inc., Joy~Nostalg Foundation Inc., Kalayaan College Inc., Maroon Studios Inc., Sakura Autoworld Inc., Santos Knight Frank Inc., SeedIn Technology Inc., Sleep Well Land Development Corporation, Talent Scout Inc., The Studio of Secret 6 Inc., and Western Roadhouse Foods Inc. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

CERTIFICATION

A Certification that none of the above-named directors and officers works in the government is attached herein as Annex “A”.

FAMILY RELATIONSHIP

Mr. Maxcy Francisco Jose R. Borromeo and Mr. Jose Daniel R. Borromeo are sons of Mr. Max O. Borromeo.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the Directors and Executive Officers were involved in any legal proceedings during the past five (5) years up to the latest date that are material to evaluation. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or

otherwise limiting their involvement in any type of business, securities, commodities or banking activities, not any action by any court or administrative body to have violated a securities or commodities law.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS – NOTE 18

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

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

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

The following transactions have been entered into with related parties:

Category/Transaction	Ref	2022			2021			Nature, Terms and Condition
		Amount of Transaction	Outstanding Balances		Amount of Transaction	Outstanding Balances		
			Due from related parties	Due to related parties		Due from related parties	Due to related parties	
<i>Parent Company</i>								
Miscellaneous receivables	A	P-	P80,514	P-	P-	80,514	P-	Non-interest bearing, unsecured; No impairment
Notes payable	B	-	-	191,100,000	-	-	267,600,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		16,000,000	-	-	-	-	-	
Settlements		92,500,000	-	-	-	-	-	
Interest expense		13,725,831	-	83,855	16,145,583	-	822,018	
<i>Entities under common control</i>								
<i>Motor Ace Philippines, Inc.</i>								
Loans Receivable	A	-	2,952,145	-	-	-	-	Non-interest bearing, unsecured; No impairment
Availments		4,595,808	-	-	-	-	-	
Settlements		1288776	-	-	-	-	-	
Miscellaneous receivables	A	-	342,254	-	-	307,804	-	Non-interest bearing, unsecured; No impairment
Availments		77,350	-	-	189,543	-	-	
Settlements		42,900	-	-	121,922	-	-	
Accounts payable	D	-	-	14,456,450	-	-	13,849,458	30 day unsecured, non-interest bearing
Availments		71,576,002	-	-	73,871,039	-	-	
Settlements		70,969,009	-	-	75,216,559	-	-	

Forward

Category/Transaction	Ref	2022			2021			Nature, Terms and Condition
		Amount of Transaction	Outstanding Balances		Amount of Transaction	Outstanding Balances		
			Due from related parties	Due to related parties		Due from related parties	Due to related parties	
<i>MAPI Lending Investors, Inc.</i>								
Miscellaneous receivables	A	₱-	₱2229436	₱-	₱1,877,428	₱-	₱-	30 day unsecured,
Availments		1,157,245	-	-	745,819	-	-	non-interest bearing
Settlements		16,492,411	-	-	1,593,475	-	-	
Accounts payable	D	-	-	78,640	-	-	75,372	Non-interest bearing,
Availments		3,268	-	-	29,722	-	-	unsecured
Settlements		-	-	-	29,722	-	-	
Short term placements	C	-	-	-	15,687,174	-	-	Short-term interest
Availments		611,209	-	-	1,576,792	-	-	bearing placements at 10.5%
Settlements		16,298,384	-	-	11,600,846	-	-	annual interest rate
Interest income		1216597	-	-	-	-	-	
<i>HMW Lending Investors, Inc.</i>								
Loans Receivable	A	-	5,840,453	-	-	-	-	Non-interest bearing, unsecured;
Availments		-	-	-	-	-	-	No Impairment
Settlements		2,725,970	-	-	-	-	-	
<i>Honda Motor World, Inc.</i>								
Loans Receivable	A	-	1,269,809	-	-	-	-	
Availments		-	-	-	-	-	-	
Settlements		739,583	-	-	-	-	-	
Miscellaneous receivables	A	-	170,673	-	132,598	-	-	Non-interest bearing, unsecured;
Availments		64,325	-	-	109,036	-	-	No Impairment
Settlements		26,250	-	-	82,455	-	-	
Accounts payable	D	-	-	2,923,459	-	-	1,864,681	Unsecured, interest bearing
Availments		26,019,931	-	-	23,949,667	-	-	placement at 10.0%
Settlements		24,961,153	-	-	23,924,764	-	-	annual interest rate
<i>Pikeville Bancshares</i>								
Professional fees		1,193,920	-	275 520	1 193 920	-	-	Payment of consultancy fees

Category/Transaction	Ref	2022			2021			Nature, Terms and Condition
		Amount of Transaction	Outstanding Balances		Amount of Transaction	Outstanding Balances		
			Due from related parties	Due to related parties		Due from related parties	Due to related parties	
<i>MERG Realty Development Corp.</i>								
Miscellaneous receivables	A	P-	P18,057	P-	P18,057	P-	P-	Non-interest bearing; No impairment
Availments		-	-	-	-	-	-	
Settlements		-	-	-	-	-	-	
Notes payable	B	-	-	32,819,218	-	-	31,334,008	Unsecured interest bearing placements at 5.5% annual interest rate;
Availments		1,485,210	-	-	1,417,998	-	-	no impairment
Settlements	-	-	-	-	-	-	-	
Interest expense		1,747,306	-	-	1,668,233	-	-	
Directors and other stockholders								
Notes payable	B	-	-	14,985,086	-	-	-	Unsecured interest bearing placements at 5.5% annual interest rate;
Availments		4,565,890	-	-	4,687,646	-	-	no impairment
Settlements		11,873,090	-	-	132,000	-	-	
Interest expense		919,964	-	-	1,099,070	-	-	
Professional and other management fees		-	-	2,466,407	-	-	-	Payment of professional fees
TOTAL			P12,903,341	P259,188,635		P388,318	P338,258,880	

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

- A. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 3).
- B. As at December 31, 2022 and 2021, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱257.41 million and ₱342.50 million. Interest expense from these borrowings amounted to ₱31.47 million and ₱34.12 million in 2022 and 2021, respectively (Note 9).
- C. The Company had short-term placements amounting to ₱15.69 million in 2021 at 8.5% interest rate with maturities ranging from 30 to 120 days. Short-term placements as at December 31, 2021 fully matured in 2022. (see Note 2).
- D. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Information as to the aggregate compensation paid to Chairman and four mostly highly compensated executive officers, as well as other directors and officers during the last two completed fiscal years are as follows:

SUMMARY COMPENSATION TABLE				
YEAR	NAME AND PRINCIPAL POSITION	SALARY/MANAGEMENT FEE	BONUS	OTHER COMPENSATION
2023 (Estimate)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borrromeo – Vice Chairman Maxcy R. Borrromeo – President/COO Marcos E. Larosa – Chief Finance Officer	7,624,433	1,401,869	430,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,318,354	1,801,276	2,480,000
2022 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borrromeo – Vice Chairman Maxcy R. Borrromeo – President/COO Marcos E. Larosa – Chief Finance Officer	9,365,012	1,436,790	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	11,058,932	1,901,379	2,230,000
2021 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borrromeo – Vice Chairman Maxcy R. Borrromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,365,012	1,436,790	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	11,058,932	1,901,379	2,230,000
2020 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borrromeo – Vice Chairman Maxcy R. Borrromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	8,554,321	2,605,984	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,248,241	2,909,595	2,190,000

Each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

Type of Meeting	Directors/Members
Board Meeting	₱ 50,000.00 *
Board Committee Meeting	₱ 10,000.00 *

Note : * gross of taxes

Name of Director	Total Compensation Received as a Director *
Rene B. Benitez <i>Chairman – Board of Directors</i>	₱273,520
Max O. Borrromeo <i>Vice Chairman – Board of Directors</i>	₱263,520
Maxcy Francisco Jose R. Borrromeo <i>President – Board of Directors</i>	₱244,111
Joel S. Ferrer <i>Treasurer – Board of Directors</i>	₱254,111
Eric B. Benitez <i>Director</i>	₱244,111
Jose Daniel R. Borrromeo <i>Director</i>	₱254,111
Alan Michael R. Cruz <i>Independent Director</i>	₱294,111
Robert Charles M. Lehmann <i>Director</i>	₱244,111
Asterio L. Favis, Jr. <i>Independent Director</i>	₱284,111
Cristino L. Panlilio <i>Director</i>	₱228,380
Vincent Khoon Ann Ee <i>Director</i>	₱118,380

Note : * gross of taxes

The Company has an existing management contract with Cebu Maxi Management Corporation for advice and assistance to be provided by Mr. Max O. Borrromeo, Vice Chairman and with Pikeville Resources, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez, Chairman. There are no special compensatory plan or arrangement with any officer, which would give undue advantage over any other employee of the Company. No stock warrants or stock options on the Company's shares have been issued or given to the Directors or Executive Officers as a form of compensation for services rendered. The Compensation Committee has four members, one of whom is independent director namely: Joel S. Ferrer (Chairman), Alan Michael R. Cruz, Jose Daniel R. Borrromeo, Asterio L. Favis, Jr. and Cristino L. Panlilio.

IDENTITY OF SIGNIFICANT EMPLOYEES

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

Item 7. INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of Isla Lipana & Co. is the incumbent external auditor of the Company for the calendar year 2022. The Company has complied with SRC Rule 68 (3)(b)(iv), regarding rotation of external auditors or engagement partners every five years. Ms. Ruth F. Blasco, the partner in charge as the signing Partner, of the Company. It is expected that the Company will appoint its external auditor for year 2023 in the upcoming Stockholders' Meeting.

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

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

Information on Independent Accountant and Other Related Matters

(A) External Audit Fees and Services

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

For the annual statutory and regulatory engagements including out-of-pocket expenses, MFC has engaged Isla Lipana & Co. for FY 2022 audit period for a service fee of ₱357,280. The Company has not engaged Isla Lipana & Co. for any tax-related service or any other professional services. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the BOD. Recommendations by the audit committee are then deliberated during the Board meetings.

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There had been no disagreements with Isla Lipana & Co. with regard to accounting policies and financial disclosures of the Company. Ms. Ruth F. Blasco, the engagement partner, the signing partner, are the appointed auditors of the Company for the Calendar Year ending December 31, 2022, and has not yet completed the five-year cap requirement of SEC.

Item 8. COMPENSATION PLANS

No action is to be taken during the 2023 ASM with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

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

In 2019, the Company, upon the approval of its stockholders has declared a Special Stock Dividends amounting 12.9549278928% of the outstanding capital stock equivalent to a maximum of 30,000,000 shares of stocks, and was released out of its un-issued capital stock. On the same date, the BOD also approved the declaration of cash dividends amounting to P1,376,174.

For the year 2020, the Board of Directors approved the following: 30% of FY 2019 audited net income after tax of P21,705,649 649 is P6,511,694 of which is 50% was declared as stock dividend amounting to P3,255,847 in favor of the stockholders as of record date 27 August 2020 with distribution date not later than 22 September 2020.

For the year 2021, the Board of Directors approved the following: 30% of FY 2020 audited net income after tax of P10,827,303 is P3,248,191 of which is 50% was declared as stock dividend amounting to P1,624,095 in favor of the stockholders as of record date 26 August 2021 with distribution date not later than 21 September 2021.

For the year 2022, the Board of Directors approved the following: 30% of FY 2021 audited net income after tax of P 9,704,406 is P 2,911,322 of which is 50% was declared as stock dividend amounting to P 1,455,661 in favor of the stockholders as of record date 25 August 2022 with distribution date not later than 21 September 2022.

In 2023, it is expected that the Board shall propose dividend declaration of 30% of FY2022 Net Income after tax in the next BOD Meeting in July 27, 2023.

SEC 49, REVISED CORPORATION CODE, REQUIRED DISCLOSURE

1. The material information on the current stockholders are found in the discussions on SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (p. 3), SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS WITH DIRECT A description of the voting and vote tabulation procedures used in previous meeting;
2. A description of the voting and vote tabulation procedures used in previous meeting; or members to ask questions and a record of the questions asked and answers given.

The voting procedures used in the previous meeting are found on p. 17 of the 2022 Definitive Information Statement. For each item for approval, the Chairman opened the floor for questions and comments from the Shareholders. The Corporate Secretary tabulated the votes and the results were recorded in the Minutes of the 2022 Annual Stockholders' Meeting of the Corporation.

3. The matters discussed and resolutions reached;
4. A record of the voting results for each agenda item;

The following matters and/or resolutions were discussed and approved during the 2022 Annual Stockholders' Meeting:

- a. Minutes of the 2021 Annual Stockholders' Meeting of the Corporation held on 28 July 2022;
- b. 2021 Annual Report, together with the 2020 Audited Financial Statements;
- c. Ratification of the Acts, Contracts, Investments and Resolutions of the Board of Directors and Management;
- d. Declaration of Cash and Stock Dividends;
- e. Election of Directors;
- f. Appoint of Roxas Cruz Tagle and Co. as the independent external financial auditors of the Corporation;

For the Election of the Board of Directors, there were eleven (11) nominees for the eleven (11) Board seats; each of the nominees received the unanimous vote of all of the shareholders present or represented by proxy during the meeting and were all elected to the Board of Directors. All other matters were approved by the unanimous vote of all of the shareholders present or represented by proxy during the meeting.

5. A list of the directors or trustees, officers and stockholders or members who attended the meeting;

The Stockholders who attended the 2022 Annual Stockholders' Meeting remotely and by proxy were recorded and certified by the Corporate Secretary, as follows:

Total Number of Shares Outstanding	267,828,098
Total No. of Shares of Stockholders Participating Remotely	16,325,247
<i>Percentage</i>	6.10%
Total No. of Shares of Stockholder Represented by Proxy	172,706,287
<i>Percentage</i>	64.48%
Total Shares held by Stockholders Participating Remotely and by Proxy	189,031,534
<i>Percentage</i>	70.58%
Total Shares Not Represented	78,796,564
<i>Percentage</i>	29.42%

The Directors and Corporate Officers who attended the 2022 Annual Stockholders' Meeting are as follows:

Directors Present:

RENE B. BENITEZ	Chairman and Director
MAX O. BORROMELO	Vice-Chairman and Director
ERIC B. BENITEZ	Director
JOSE DANIEL R. BORROMELO	Director
MAXCY FRANCISCO JOSE R. BORROMELO	President and Director
ALAN MICHAEL R. CRUZ	Independent Director
ASTERIO L. FAVIS JR.	Independent Director
JOEL S. FERRER	Treasurer and Director
ROBERT CHARLES M. LEHMANN	Director
CRISTINO L. PANLILIO	Director

Officers Present:

DANILO ENRIQUE O. CO
MARCOS E. LAROSA

Corporate Secretary and Legal Counsel
Chief Finance Officer/ Chief Information
Officer and Compliance Officer

1. Material information on the current stockholders, and their voting rights OWNERSHIP (p. 4), and TOP 20 STOCKHOLDERS (p. 29).
2. Appraisals and performance report for the board and the criteria and procedure for assessment

The appraisal and performance report for the board and the criteria and procedure for assessment are found in the discussions on COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE (p. 37).

3. Director's disclosures on self-dealing and related party transactions.

Directors disclosure on self-dealing and related party transactions are found in the discussions on CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS (pp. 10 to 12)

Item 10. MODIFICATION OR EXCHANGE SECURITIES

No action will be taken at the annual meeting that will result in any modification or exchange of securities.

Item 11. FINANCIAL AND OTHER INFORMATION

The Company's Audited Financial Statements for the year ended 31 December 2022 is attached herewith as Annex "C" to form an integral part hereof.

Item 12. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS

No action is to be taken during the 2023 ASM with respect to any transaction involving: (i) merger or consolidation into or with any other person or of any other person into or with MFIN; (ii) acquisition by MFIN or any of its security holders of securities of another person; (iii) acquisition of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial part of the assets of MFIN; or (v) liquidation or dissolution of MFIN.

Item 13. ACQUISITION OR DISPOSITION OF PROPERTY

No action is to be taken during the 2023 ASM with respect to acquisition or disposition of any property of MFIN.

Item 14. RESTATEMENT OF ACCOUNTS

No action is to be taken during the 2023 ASM with respect to restatement of any asset, capital or surplus account of MFIN.

D. OTHER MATTERS**Item 15. ACTION WITH RESPECT TO REPORTS AND PROPOSED ACTION**

There is no action to be taken with respect to any report of MFIN or of its directors, officers or

committees, except for the approval of the minutes of the previous annual meeting of MFIN.

The following actions require approval from the stockholders during the 2023 ASM:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on July 28, 2022.
2. Presentation and Approval of the 2022 Annual Report and the 2022 Audited Financial Statements

A copy of the 2022 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2022 Annual Report will be presented during the Annual Stockholders' Meeting.

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

The dividend policy dictates that 30% of 2022 Net Income after Tax will be declared as dividends. It is expected that the Board shall proposed this in the next BOD Meeting in July 27, 2023.

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

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

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

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

5. Appointment of Independent External Auditor for 2023

Except for the election of directors which is discussed in other parts of the report, there are no other matters that require the approval of stockholders.

Item 16. MATTERS NOT REQUIRED TO BE SUBMITTED

No action is to be taken with respect to any matter that does not require the submission to a vote of security holders.

Item 17. AMENDMENT OF CHARTER, BY-LAWS AND OTHER DOCUMENTS

No action is to be taken during the 2023 Annual Stockholders' Meeting with respect to the amendment of the Company's Charter, By-Laws or other documents.

Item 18. OTHER PROPOSED ACTION

Other than the matters indicated in the Notice and Agenda included in this Information Statement, There no other actions proposed to be taken at the meeting.

Item 19. VOTING PROCEDURES

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

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

- a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his/her/their respective name of record as of the close of business hours of **June 29, 2023**. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before **July 21, 2023** for inspection and recording shall be honored for purposes of voting.
- b) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.
- c) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. The stockholder under this voting system has the option to (i) to cast all his votes in favor of one (1) nominee; or (ii) distribute those votes in the same principle among as many nominees as he shall see fit. Only candidates duly nominated during the meeting shall be voted by the stockholders entitled to vote or by their proxies.
- d) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.
- e) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and will be done by show of hands and counted manually by the Corporate Secretary or by the appropriate motion for approval duly made and seconded by the shareholders, as verified by the Corporate Secretary. The Corporate Secretary, Atty. Danilo Enrique O. Co shall tabulate the votes.

Item 20. PARTICIPATION OF STOCKHOLDERS BY REMOTE COMMUNICATION

To ensure the safety and welfare of its stockholders, directors, officers, and employees, the Company will dispense with physical attendance of stockholders at the meeting and will conduct the meeting online.

In order for the Company to properly conduct validation procedures, stockholders who wish to participate in the meeting via remote communication and/or vote in absentia must register at <https://sh.makatifinance.ph> between 3 July 2023 to 21 July 2023.

UNDERTAKING TO PROVIDE ANNUAL REPORT

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

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

SIGNATURES

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

MAKATI FINANCE CORPORATION
Issuer

A handwritten signature in black ink, appearing to read 'M. Larosa', is written over a horizontal line. The signature is enclosed within a large, loopy, hand-drawn oval shape.

MARCOS E. LAROSA / CFO/Compliance Officer
Signature and Title

Date: June 29, 2023

BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

Makati Finance Corporation (“MFC” or the “Company”) is a company providing quality financial services and advisory to its clients. The Company has been in the financial services sector since 1966, navigated its way out of the Asian Financial Crisis in 1997-1999, and was listed in the PSE following a successful initial public offering (IPO) in 2003. Since listing, MFC has posted net profits and has consistently declared 30% of its net income as dividends every year which is the Company’s dividend policy established in 2003. However, in 2019, the Company, upon the approval of its stockholders has declared a Special Stock Dividends amounting 12.9549278928% of the outstanding capital stock equivalent to a maximum of 30,000,000 shares of stocks, and was released out of its un-issued capital stock to stockholders of record as of 22 August 2019 with a payment date not later than 18 September 2019.

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

Corporate Mission Statement

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

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

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

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

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

History and Background

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

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

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

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

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

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

Makati Finance Corporation (MFC) has achieved impressive financial results in 2022. The Company reported an increase in Net Income of 84% compared to the previous year, which is a clear indicator of its strong financial performance. MFC's 41% increase in other income was a significant contributor to the overall increase in net income. This increase in other income was mainly due to the valuation of its ROPOA (Real and Other Properties Owned and Acquired) in its latest appraisal report.

The Loans Portfolio decreased by 6% from Php 871m in 2021 to Php 815m in 2022, this was mainly due to the Company's cautious approach in evaluating creditworthiness of new loan

applicants. MFC mainly focused on servicing its existing and long-time clients, which ensured the quality of its loan portfolio and minimized the risk of default.

MFC's cautious approach to credit evaluation, coupled with its focus on servicing existing clients, has proven to be a sound strategy that has paid off. The Company's impressive financial results are a testament to its commitment to responsible lending and prudent management of its assets.

Operating Departments and Units

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

Sales Group

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

Marketing Team

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

Credit & Verification Team

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

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

Loan Collections Team

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

Clients, whose checks have bounced and or has missed their respective due dates are immediately advised by the AOs in charge to settle the payment as soon as possible with consequent late payment charges and handling fees. With this, it is important to take note that MFC normally evaluates the circumstances of bounced checks on a case-to-case basis to maintain profitable relations with their clients as much as possible. The CSRs, on the other hand, most often directly and personally collects the loan amortizations of Motorcycle Financing customers. Some customers prefer to pay directly to the branch office.

Remedial Team

Customers that do not remit payment on the due date are classified as past due accounts while those that are more than 90 days past due are reclassified as delinquent accounts and are referred to the remedial team for follow up collection. Past due client who responded positively to the collection effort by the Remedial team are offered repayment schemes that will allow them to re-structure their accounts. For those who continuously refused to heed the collection demand of the Remedial team are endorsed to our accredited collection agencies. The last recourse, if all remedial measure fails is the endorsement of the account for Legal action or foreclosure of collateral as these accounts are already classified as delinquent. Motorcycle units are repossessed by MFC from loan accounts which are over 90 days past due. Clients may redeem upon payment of amortization in arrears.

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

Employees

As of December 31, 2022, the Company accounted for a total of 156 employees, distributed as follows:

<u>Rank</u>	<u>2022 No. of Employees</u>	<u>Projected 2023 No. of Employees</u>
Officers	3	3
Managerial/Supervisory	25	26
Rank and File	128	143
Total	156	172
<u>Employment Status</u>	<u>No. of Employees</u>	
Regular	144	
Probationary	12	
Total	156	

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

ITEM 2. Properties

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

List of Foreclosed Properties as of December 31, 2022		
Location	Size(s.qm)	Description
(Farm Land) Santan St., Cityland Cityview II Farm Lot Subdivision, Barangay De Ocampo, Trece Martires City, Cavite (ROPA1)	1,410	Transferred
(House and Lot) Blk 23, Lot 1, Montevista Hts., Subd.,Brgy. Dolores, Taytay, Rizal (ROPA3)	181	Transferred
(House and Lot) Blk 23, Lot 2, Montevista Hts., Subd.,Brgy. Dolores, Taytay, Rizal (ROPA4)	198	Transferred
(House and Lot-2storey)Lot 1-B, Blk 17, No. 26 Sardinia St., San Francisco Village, Barangay Muzon, Taytay, Rizal (ROPA5)	157	Transferred
(House and Lot) Lot 9, Blk 1, Victoria Ave. Brookside Hills Subd., San Isidro, Cainta, Rizal	279	Transferred
(Lot) Lot 15-F, Iruhin Central R1, Tagaytay City (ROPA7)	2,231	Transferred
(Lot) Bo. of Labit West, Urdaneta, Pangasinan (ROPA 8)	6,374	Transferred
Residential House, Guiguinto, Bulacan (ROPA 9)	210	Transferred
TOTAL	11,040	

ITEM 3. Legal Proceedings

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

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

No matter that require voting decisions were submitted to the Security Holders in the fourth quarter of the year 2022.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matter

(1) Market Information

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

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

The latest available price information on Makati Finance’s stock price is **₱1.48** per share as of **June 29, 2023**.

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

Quarter Ending	Market Prices	
	High	Low
June 2023	1.48	1.48
March 2023	2.10	2.10
December 2022	2.35	2.35
September 2022	3.12	3.12
June 2022	2.16	2.15
March 2022	2.20	2.20
December 2021	2.50	2.50
September 2021	2.40	2.40
June 2021	2.72	2.72
March 2021	2.53	2.53

(2) Holders

HOLDERS OF COMMON STOCK as of May 31, 2023 TOP 20 Stockholders

There are a total of 111 stockholders as of May 31, 2023

Name	Nat	Class	No. of Shares	Percentage
*AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	76,529,806	28.42%
MOTOR ACE PHILIPPINES, INC.	FIL	A	68,120,624	25.30%
PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	59,705,368	22.17%
BORROMEO BROS. ESTATE INC.	FIL	A	10,016,387	3.72%
MF PIKEVILLE HOLDINGS, INC.	FIL	A	9,522,387	3.54%
GRACEFIELD CAPITAL HOLDINGS INC.	FIL	A	8,910,117	3.31%
ERIC B. BENITEZ	FIL	A	7,509,958	2.79%
MELLISSA B. LIMCAOCO	FIL	A	6,740,206	2.50%
GLENN B. BENITEZ	FIL	A	6,417,388	2.38%
RENE B. BENITEZ	FIL	A	6,160,981	2.29%
JOEL FERRER	FIL	A	2,712,670	1.01%
MICHAEL WEE	FOR	A	1,025,376	0.38%
MARY GRACE V. REYES	FIL	A	799,595	0.30%
SALUD BORROMEO FOUNDATION	FIL	A	544,422	0.20%
TERESITA B. BENITEZ	FIL	A	523,736	0.19%
MERG REALTY DEVELOPMENT	FIL	A	465,300	0.17%
LIMCAOCO, MELISSA B. ITF DANIELLE B. LIMCAOCO	FIL	A	320,832	0.12%
LIMCAOCO, MELISSA B. ITF MICHAELA. LIMCAOCO	FIL	A	320,832	0.12%
GLENN BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	320,832	0.12%
GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	320,832	0.12%
SUB-TOTAL			266,987,649	99.15%
OTHER STOCKHOLDERS (91)			2,296,060	0.85%
GRAND TOTAL (111 stockholders)			269,283,709	100.00%

Note: * Exclusive of uncertificated shares that were lodged to PCD Nominee.

Currently the Company is compliant in the PSE continuing listing requirement rule on minimum public ownership. The rule requires a 10% minimum public float. MFC has 17.72% public float.

(3) Dividends

As approved by the BOD and upon concurrence by the stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2020, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱3,255,847. Fractional shares were paid in cash. For the year 2021, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱1,624,095. Fractional shares were paid in cash. For the year 2022, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱1,455,660. Fractional shares were paid in cash.

Item 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plans and Prospects for 2023

Makati Finance Corporation (MFC) has had a remarkable year in 2022, despite a decrease in Loans Portfolio. The Company's increase in Net Income by 84% compared to the previous year, mainly due to a 41% increase in other income, highlights the strength of its business model and prudent management practices.

As MFC looks towards 2023, the Company's focus will remain on responsible lending, with a continued emphasis on implementing stricter credit criteria for new loan applicants. At the same time, the Company will continue to service its existing and long-time clients, which will help maintain the quality of its loan portfolio and minimize the risk of default.

MFC is also set to increase its presence in the SME market by tapping into social media platforms, joining exhibits, and increasing the number of agents. By offering competitive commission programs, MFC aims to attract more agents and expand its reach in the SME market, which is a crucial segment of the Philippine economy.

Furthermore, MFC will continue to enhance its operational efficiency by investing in new technology and improving its processes, which will ultimately lead to a better customer experience and a more streamlined loan application process.

MFC's prospects for 2023 look promising, with a clear strategy in place to maintain its strong financial performance while expanding its reach in the SME market. The Company's prudent management practices and commitment to responsible lending have proven to be a sound business model, and MFC is well-positioned to continue delivering value to its shareholders and customers in the years to come.

Funds Generation

We currently have a ~~P~~350 million facility with Amalgamated Investment Bancorporation (AIB) and P350 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2023.

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

Discussion of Past Financial Performance

As of December 31, 2022

Results of Operation

As of December 31, 2022, Makati Finance Corporation (MFC) has achieved impressive financial results, with an 84% increase in net income compared to the previous year. This increase was mainly due to the valuation of its Real and Other Properties Owned and Acquired, which contributed to a 41% increase in other income.

Total comprehensive income for 2022 was P22.06 million, a 33% increase compared to P12.85 million in 2021.

Total Operating Expenses remained almost the same at P141.9 million in 2022, versus P141.3 million in 2021.

MFC's Interest Income in 2022 amounted to P158.98 million, with breakdowns of P22.9 million from Rx Cashline, P57.4 million from MFC Factors and Business Loans, and P65.4 million from Motor Vehicle (MC/Car/Leisure Bikes) Financing.

Earnings per Share increased to P0.07 from P0.04 in 2021.

Financial Condition and Capital Resources

The Company's total assets as of December 31, 2022, were P1,114.14 million, and total liabilities declined by 18% or P118.76 million, from P669.81 million in 2021 to P551.05 million in 2022. This decline was mainly due to net loan payments from excess cash of the Company.

Interest Income

The interest income this year ended at ₱158.98.72 million in 2022 from ₱174.72 million in 2021, 9% lower vs last year, mainly due to lower loan releases during the PANDEMIC.

Net Interest Income

Net interest income amounted to ₱125.85 million in 2022, lower versus ₱138.83 million in 2021. This is mainly due to lower loan releases during the pandemic.

Other Income

Other income (including gain on sale of repossessed assets) increased by ₱11.5 million, from ₱27.94 million in 2021 to ₱39.44 million in 2022, mainly due to the valuation of its Real and Other Properties Owned and Acquired in its latest appraisal report.

Income Before Income Tax

As of December 31, 2022, the company's Income before tax amounted to ₱23.4 million, a bit lower versus ₱25 million in 2021.

As of December 31, 2021

Results of Operation

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

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

Net Operating Expenses in 2021 ended at ₱136.69 million, higher versus ₱124.16 million in 2020. Interest income in 2021 amounted to ₱174.7 million; major breakdown of which is ₱22 million from Rx Cashline, ₱67.89 million from MFC Factors and Business Loans

and ₱77.1 million from Motor Vehicle (MC/Car/Leisure Bikes) Financing.

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

Financial Condition and Capital Resources

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

Interest Income

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

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

As of December 31, 2020

Results of Operation

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

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

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

Interest income in 2020 amounted to ₱164.1 million; major breakdown of which is ₱25.5 million from Rx Cashline, ₱55.4 million from MFC Factors and Business Loans and

₱75.5 million from Motor Vehicle (MC/Car/Leisure Bikes) Financing.

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

Financial Condition and Capital Resources

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

Interest Income

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

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

Funds Generation

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

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

As of December 31, 2019

Results of Operation

The Company released a total loans of ₱1.05 billion in 2019, 40% higher or about ₱296 million versus ₱758 million in 2018. On the other hand, total collections amounted to ₱904 million, an increase of 28% or about ₱196 million versus ₱709 million in 2018, which resulted to a net income of ₱21.7 million, or about 137% higher versus ₱9.2 million in 2018 as reflected in its audited financial statements.

Total operating income ended at ₱175.7 million in 2019 from ₱135.3 million in 2018. The growth was mainly due to increased in collections which generated an interest income of ₱173.3 million in 2019 from ₱133.9 million in 2018. Total expenses in 2019 ended at ₱141.3 million, higher versus ₱117.4 million in 2018, mainly due to additional provisions

for expected credit losses which includes the Company's preliminary assessment on the impact of novel strain of coronavirus (COVID-19).

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

As of December 31, 2019, Earnings Per Share ended at ₱0.10 from ₱0.04 in 2018.

Financial Condition and Capital Resources

Total assets as of December 31, 2019 ended at ₱1,324.62 million, higher versus ₱1,018.44 million in 2018 mainly due to increase in loans receivables by ₱281.6 million from ₱738.59 million in 2018 to ₱1,020.2 million in 2019. On the other hand, total liabilities also grew by ₱294.07 million, from ₱509.15 million in 2018 to ₱803.21 million in 2019 mainly due to net loan availments amounting to ₱244.57 million during the year.

Interest Income

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

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

Funds Generation

We currently have a P385 million facility with Amalgamated Investment Bancorporation (AIB) and P324 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2020.

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

As of December 31, 2018

Results of Operation

Net Income after Tax for the year ending December 31, 2018, as reflected in the audited financial statements ended at ₱9.2 million, though lower versus P54.4million a year ago mainly due to a onetime gain on sale of investment in an associate amounting to Php 102 million in 2017. However, the Company's Income after taking out the gain on sale of investment significantly improved from a loss of Php 50.65 million in 2017 to an income of Php 9.2 million in 2018, mainly driven by reduction in the Company's operating expenses from P223.25 million in 2017 to just Php 117.4 million in 2018.

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

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

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

Financial Condition and Capital Resources

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

Interest Income

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

As of December 31, 2018, the company's Income before share in net income of an associate and gain on sale of investment in an associate amounted to ₱18.65 million, higher versus a loss of ₱68.55 million in 2017, mainly due to reduction in operating expenses from ₱223.25 million in 2017 to just ₱117.4 million in 2018.

KEY PERFORMANCE INDICATORS:

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

**MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2022**

	2022	2021
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	126.69%	129.75%
Debt to equity ratio	49.46%	55.25%
Quick ratio	104.49%	109.61%
PROFITABILITY RATIOS		
Return on assets	1.60%	0.80%
Return on equity	3.17%	1.79%
Net profit margin	10.80%	5.82%
ASSET TO EQUITY RATIO	197.86%	223.47%
INTEREST RATE COVERAGE RATIO	22.12	1.70
OTHER RELEVANT RATIOS		
Ratio or percentage of total real estate investments to total assets	8.15%	5.21%
Total receivables to total assets	73.18%	71.19%
Total DOSRI receivables to net worth	2.31%	2.67%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	0.40%	0.47%
Honda Motor World, Inc.	0.18%	0.04%
Amalgamated Investment Bancorporation	0.01%	0.01%
HMW Lending Investors, Inc..	0.72%	0.91%

Computation for the Ratios:

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

PART III – CORPORATE GOVERNANCE

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

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

In reference to SEC Memorandum Circular No.15 Series of 2017, The Company shall no longer be required to file a Consolidated Changes in the ACGR. Pursuant to its regulatory and supervisory power under the Section 5 of the Securities Regulation Code, mandates all companies to submit an Integrated Annual Corporate Governance Report (I-ACGR). Beginning 2018, covering the information for the year 2017, the I-ACGR will be replacing the ACGR and the PSE CG Disclosure Survey.

Document	Submitted to	Date of Submission
2020 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	June 15, 2021
	The Philippine Stock Exchange, Inc. (PSE)	
2021 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	May 15, 2022
	The Philippine Stock Exchange, Inc. (PSE)	
2022 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	May 15, 2023
	The Philippine Stock Exchange, Inc. (PSE)	

SIGNATURES

Pursuant to the requirement of the Securities Regulation Code, this Definitive Information Statement (SEC 20-IS) is to be signed on its behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 29 JUN 2023, 2023.

By:

RENE B. BENITEZ
Chairman of the Board

MAXCY FRANCISCO JOSE R. BORROME0
President

MAX O. BORROME0
Vice Chairman

JOEL S. FERRER
Treasurer

MARCOS E. LAROSA
Chief Finance Officer/Compliance Officer

DANILO ENRIQUE O. CO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 29 JUN 2023 day of 2023, affiant(s) exhibiting to me their _____, as follows:

<u>NAME/NO.</u>	<u>GOVT.I.D.</u>	<u>PLACE OF ISSUE</u>
RENE B. BENITEZ		
MAXCY FRANCISCO JOSE R. BORROME0		
MAX O. BORROME0		
JOEL S. FERRER		
MARCOS E. LAROSA		
DANILO ENRIQUE O. CO		

Doc No. 513
Page No. 104
Book No. XIV
Series of 2023

NOTARY PUBLIC

ATTY. RENEMA M. VILLA
Notary Public of Makati City
Appointment No. M-111

Until December 31, 2024
PTR No. MKT 9508644; 01-03-2023; Makati City
ISP Lifetime No. 013695; 12-27-2013; I.C.
Roll No. 37226
MCLE Compliance No. VII-0024195; 11-15-2023
Ground Floor, Makati Terrace Condominium
3650 Davita St., Brgy. Tejeros, Makati City 1204

COVER SHEET

		2	8	7	8	8			
--	--	---	---	---	---	---	--	--	--

S.E.C. Registration Number

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

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Company's Full Name)

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

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

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

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

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

MARCOS E. LAROSA
 Contact Person

(02) 7751-8132
 Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

Fiscal Year

2023

SEC Form 17-Q
 1st Qtr. 2023
 FORM TYPE

Secondary License Type, If Applicable

Financing

0	7
---	---

Month

--	--

Day

Annual Meeting

Every last
Thursday of July

M	S	R	D
---	---	---	---

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

1	1
---	---

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--

File Number

_____ LCU

--	--	--	--	--	--	--	--	--	--

Document I.D.

_____ Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2023**

2. Commission identification number **28788**

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

MAKATI FINANCE CORPORATION

4. Exact name of issuer as specified in its charter

MAKATI CITY, PHILIPPINES

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

6. Industry Classification Code: (SEC Use Only)

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

8. Issuer's telephone number, including area code **(0632) 7751-8132**

9. Former name, former address and former fiscal year, if changed since last report **7823 MAKATI AVENUE, POBLACION, MAKATI CITY 1210**

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
---------------------	---

COMMON STOCK	269,283,709*
---------------------	---------------------

**as reported by the stock transfer agent as of March 31, 2023*

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

Yes No

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

PHILIPPINE STOCK EXCHANGE Common Stock

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes [/] No []

TABLE OF CONTENTS

PART I - FINANCIAL STATEMENTS

Item 1. Financial Statements

- Unaudited Interim Statements of Financial Position as of March 31, 2023 and 2022, and Audited Consolidated Statements of Financial Position as of December 31, 2022.
- Unaudited Interim Statements of Comprehensive of Income for the First Three Months ended March 31, 2023 and 2022, and Audited Consolidated Statements of Income as of December 31, 2022.
- Unaudited Interim Statement of Changes in Equity for the First Three Months ended March 31, 2023 and 2022, and Audited Consolidated Statement of Changes in Equity as of December 31, 2022.
- Unaudited Interim Statements of Cash Flows for the First Three Months Ended March 31, 2023 and 2022, and Audited Consolidated Statements of Cash Flows as of December 31, 2022.
- Notes to Interim Consolidated Financial Statements 6 Item 2. Management's Discussion and Analysis of the Financial Condition 41 and Results of Operations

PART II - OTHER INFORMATION

Item 3. Developments as of March 31, 2023

Item 4. Other Notes to 2023 Operations and

Item 5. Performance Indicators

Signature

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

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

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending March)

	2023	2022
NET INTEREST INCOME RATIO	80.20%	82.13%
EBIT MARGIN	36.83%	44.03%
RETURN ON ASSETS (ANNUALIZED)	0.90%	1.71%
DEBT TO EQUITY	98.90%	122.42%
RETURN ON EQUITY (ANNUALIZED)	1.80%	3.81%

The net interest income ratio, as of March 31, 2023 stood at 80.20%, which was lower compared to 82.13% in the same period last year. This is mainly due to increase in interest expense by 5%, from ₱7.31 million in 2022 to ₱7.67 million in 2023 as borrowing rates have continued to rise since the 1st quarter of 2022 up to the present. The Company's Notes Payable amounted to ₱469 million, representing a 15% decrease versus the same period last year. This reduction was due to the utilization of internally generated excess cash by the Company for net settlements, resulting in savings in interest payments during the 1st quarter this year. Conversely, the EBIT margin, which assesses profitability performance as the annualized net income before interest expenses and taxes divided by the total interest income, ended at 36.83% this year, lower versus 44.03% in 2022. The Return on assets was 0.90% in 2023, down from 1.71% in 2022, primarily due to a decrease in Net Income this year. This ratio of annualized net income over the total assets is an indicator of management effectiveness. Furthermore, the return on equity which calculates annualized net income relative to stockholders' equity, was 1.80% in 2023, a decline from 3.81% in the same period last year. The ROE evaluates the return on funds provided by the stockholders. Overall, the income generated steadily grows as the Company's high quality loan portfolio expands.

Liquidity

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

Events that will Trigger Material Direct or Contingent Financial Obligation

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

Material Off-Balance Sheet Transactions, Arrangements or Obligations

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

Material Commitments for Capital Expenditure

The Company is planning to purchase its own office space in 2023.

Results of Operations/Material Changes in Financial Statement Accounts

The company reported a net income of ₱2.54 million for the first quarter of 2023, representing a 5% decrease compared to the same period last year. As of March 2023, the company incurred total operating expenses amounting to ₱32.53 million, reflecting a 2.78% increase compared to the same period last year. This increase is attributed to the company's heightened aggressiveness as overall business operations return to normal following the post-pandemic period. The company remains committed to adhering to the newly implemented Accounting Standards for asset valuation and continues to allocate provisions for doubtful accounts within the prescribed limits.

The total assets stood at ₱1,125.06 million as of March 2023, marking a 0.98% increase from ₱1,114.15 million as of December 31, 2022. The Loans Receivable portfolio experienced a 2% growth, equivalent to approximately ₱20 million, rising from ₱815.3 million on December 31, 2022, to ₱835.15 million as of March 31, 2023. This growth has been achieved through the company's proactive operations, which prioritize stricter credit controls.

As of March 31, 2023, the total liabilities amounted to ₱559.4 million, reflecting a 1.52% increase compared to ₱551 million as of December 31, 2022.

Material Events or Uncertainties

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

PART II--OTHER INFORMATION

NOT APPLICABLE.

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

SIGNATURES

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



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

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

DateMay 15, 2023



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

Signature and Title.....**Chief Finance Officer/Compliance Officer**...

Date May 15, 2023

ANNEX A

INTERIM FINANCIAL STATEMENTS For the Period Ending March 31, 2023 With Comparative Figures for 2022

MAKATI FINANCE CORPORATION*(A Subsidiary of Amalgamated Investment Bancorporation)***INTERIM STATEMENTS OF FINANCIAL POSITION
FOR THE PERIOD ENDING MARCH 31, 2023, 2022 AND DECEMBER 31, 2022**

	Note	March 31, 2023 (Unaudited)	Dec.31, 2022 (Audited)	March 31, 2022 (Unaudited)
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	2	27,561,856	34,051,506	₱97,507,662
Loans and other receivables, net	3	481,609,891	476,372,353	518,080,915
Other assets, net	4	106,575,477	108,457,610	119,557,391
Total Current Assets		₱615,747,224	₱618,881,469	₱735,145,968
Non-current Assets				
Loans and other receivables, net	3	353,542,337	338,928,285	335,098,226
Property and equipment, net	5	5,762,942	6,276,492	7,722,357
Investment properties	6	90,801,000	90,801,000	64,111,081
Right-of use asset, net	16	18,730,644	18,730,644	32,311,216
Deferred tax assets, net	13	40,476,424	40,530,674	43,839,813
Total Non-current Assets		509,313,347	495,267,095	483,082,693
TOTAL ASSETS		₱1,125,060,571	₱1,114,148,564	₱1,218,228,661
<u>LIABILITIES AND EQUITY</u>				
Current Liabilities				
Notes payable	9	420,161,578	419,496,400	511,654,225
Accounts payable		36,243,644	40,392,497	50,754,334
Accrued expenses	8	24,507,888	20,587,598	20,073,551
Lease liabilities	16	6,493,544	6,493,544	6,611,667
Income tax payable	13	2,321,920	1,529,041	3,277,142
Total Current Liabilities		₱489,728,574	₱488,499,080	₱592,370,919
Non-Current Liabilities				
Notes payable	9	48,891,667	42,052,330	40,293,634
Lease liabilities	16	15,019,195	15,019,195	29,644,749
Retirement benefit obligation, net	14	5,778,727	5,478,727	8,212,942
Total Non-current Liabilities		₱69,689,589	₱62,550,252	₱78,151,325
Total Liabilities		₱559,418,163	₱551,049,332	₱670,522,244
Equity				
Capital stock	10	269,283,709	269,283,709	267,828,098
Additional paid-in capital		5,803,922	5,803,922	5,803,922
Retained earnings		280,303,076	277,759,900	268,033,608
Remeasurement gain on retirement benefit obligation	16	10,251,701	10,251,701	6,040,789
Total Equity		₱565,642,408	₱563,099,232	₱547,706,417
TOTAL LIABILITIES AND EQUITY		₱1,125,060,571	₱1,114,148,564	₱1,218,228,661

(The notes on pages 1-37 are an integral part of these financial statements.)

MAKATI FINANCE CORPORATION*(A Subsidiary of Amalgamated Investment Bancorporation)***INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDING MARCH 31, 2023, 2022 and DEC. 31, 2022**

	Note	March 31, 2023 (Unaudited)	Dec.31, 2022 (Audited)	March 31, 2022 (Unaudited)
Interest income	2.3	₱ 38,725,636	₱158,979,539	₱ 40,963,679
Interest expense	9	(7,668,774)	(33,125,884)	(7,319,723)
Net Interest Income		₱31,056,862	₱125,853,655	₱33,643,956
Other income				
Service charges	11	2,122,836	4,681,392	909,350
Miscellaneous	12	2,564,782	34,760,438	3,645,551
Total other income		₱4,687,618	₱39,441,830	₱4,554,901
Total operating income		₱35,744,480	₱165,295,485	₱38,198,857
Operating expenses				
Salaries and employee benefits		13,858,528	60,608,488	14,724,372
Provision for credit losses	3	2,883,000	18,840,356	1,488,000
Taxes and licenses		3,204,627	13,696,781	3,995,292
Occupancy costs		4,781,663	12,310,518	5,104,585
Depreciation and amortization	5	692,917	9,473,494	1,094,636
Travel and transportation		1,696,879	7,664,302	1,912,749
Management and professional fees		1,448,369	7,037,544	1,596,790
Commission		824,130	1,097,649	(64,322)
Provision for (reversal of) impairment loss of repossessed assets		-	377,146	(53,976)
Entertainment, amusement and recreation		140,510	375,368	53,587
Miscellaneous	12	2,823,552	10,407,838	1,627,867
Total operating expenses		₱32,354,175	₱141,889,484	₱31,479,580
Income before tax		₱3,390,305	₱23,406,001	₱6,719,277
Income tax expense	13	(847,129)	(5,552,903)	(1,503,793)
Net income		₱2,543,176	₱17,853,098	₱ 5,215,484
Other comprehensive income		-	4,210,913	-
Total comprehensive income		₱2,543,176	₱22,064,011	₱ 5,215,484
Basic and Diluted Earnings Per Share	10	0.01	0.07	₱0.02

See Notes to the Financial Statements.

*As of March 31, 2023, December 31, 2022 and March 31, 2022, there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION*(A Subsidiary of Amalgamated Investment Bancorporation)***STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING MARCH 31, 2023 AND 2022, AND DECEMBER 31, 2022**

	Capital stock (Note 10)	Additional paid-in capital	Retained earnings	Remeasurement gain (loss) on retirement benefit obligation (Note 16)	Total equity
Balances at January 1, 2023	269,283,709	5,803,922	277,759,900	10,251,701	563,099,232
Transactions with owners					
Stock dividends	-	-	-	-	-
Cash dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Comprehensive income					
Net income for the year	-	-	2,543,176	-	2,543,176
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	2,543,176	-	2,543,176
Balance at March 31, 2023	269,283,709	5,803,922	280,303,076	10,251,701	565,642,408
Balances at January 1, 2022	267,828,098	5,803,922	262,818,124	6,040,788	542,490,932
Transactions with owners					
Stock dividends	1,455,611	-	(1,455,611)	-	-
Cash dividends	-	-	(1,455,711)	-	(1,455,711)
Total transactions with owners	1,455,611	-	(2,911,322)	-	(1,455,711)
Comprehensive income					
Net income for the year	-	-	17,853,098	-	17,853,098
Other comprehensive income	-	-	-	4,210,913	4,210,913
Total comprehensive income	-	-	17,853,098	4,210,913	22,064,011
Balances at December 31, 2022	269,283,709	5,803,922	277,759,900	10,251,701	563,099,232

	Capital stock (Note 10)	Additional paid-in capital	Retained earnings	Remeasurement gain (loss) on retirement benefit obligation (Note 16)	Total equity
Balances at January 1, 2022	₱267,828,098	₱5,803,922	₱262,818,124	₱6,040,788	₱542,490,932
Transactions with owners					
Stock dividends	—	—	—	—	—
Cash dividends	—	—	—	—	—
Total transactions with owners					
Comprehensive income					
Net income for the year	—	—	5,215,484	—	5,215,484
Other comprehensive loss	—	—	—	—	—
Total comprehensive income (loss)	—	—	5,215,484	—	5,215,484
Balance at March 31, 2022	₱267,828,098	₱5,803,922	₱268,033,608	₱6,040,788	₱547,706,417

MAKATI FINANCE CORPORATION*(A Subsidiary of Amalgamated Investment Bancorporation)***INTERIM STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDING MARCH 31, 2023 AND 2022, AND DECEMBER 31, 2022**

	Note	March 31, 2023 (Unaudited)	Dec. 31, 2022 (Audited)	March 31, 2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱3,390,305	₱23,406,001	₱ 6,719,274
Adjustments for:				
Provision (recovery) for credit losses on loans and other receivables	3	2,883,000	18,840,356	1,488,000
Depreciation and amortization	5,16	692,917	9,417,435	1,155,778
Fair value change in investment properties	6	—	(24,602,534)	—
Retirement benefits expense	14	300,000	3,180,335	—
Interest expense from lease liabilities	16	—	1,249,467	—
Provision for (reversal of) impairment loss of repossessed assets	4	—	377,146	247,014
Gain from sale of repossessed assets	4	—	(463,451)	—
Operating income before changes in working capital		₱7,266,222	₱31,404,755	₱9,610,066
Decrease (increase) in:				
Loans and other receivables		(22,733,500)	37,655,324	24,748,285
Other assets		1,882,133	(67,361,622)	137,025
Increase (decrease) in:				
Accounts payable		(4,148,853)	4,669,740	26,127,183
Other Payables		—	—	(23,041,015)
Accrued expenses		3,919,199	(2,243,613)	2,219,347
Net cash flows used in operating activities		(₱13,814,799)	₱4,124,584	₱39,800,891
Income taxes paid	13	—	(3,857,517)	—
Proceeds from sale of repossessed assets		—	77,887,488	—
Net cash from operating activities		(₱13,814,799)	₱78,154,555	₱39,800,891

Forward

		March 31, 2023	Dec. 31, 2022	March 31, 2022
	Note	(Unaudited)	(Audited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	5	(179,366)	(683,956)	(129,974)
Additions to software		—	(113,116)	—
Additions to investment properties	6	—	(3,070,225)	—
Net cash used in investing activities		(P179,366)	(P3,867,297)	(P129,974)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable		70,740,749	219,516,745	29,580,459
Settlement of notes payable		(63,236,234)	(322,674,571)	(42,339,155)
Payment of lease liabilities	16	—	(8,737,993)	—
Cash dividends paid		—	(1,455,711)	—
Net cash from financing activities		P7,504,515	(P113,351,530)	(P12,758,696)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS				
		(6,489,650)	(39,064,272)	24,391,884
Cash and cash equivalents				
January 1		34,051,506	73,115,778	73,115,778
December 31		P27,561,856	P34,051,506	P 97,507,662
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest received		P38,725,636	P174,740,291	P40,963,679
Interest paid		P4,421,430	P35,996,213	P7,319,723

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD ENDED MARCH 31, 2023 AND 2022

(WITH COMPARATIVE FIGURES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022)

Note 1 - General information

Makati Finance Corporation (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 17, 1966. The Company is a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market.

The Company is considered a public company under Rule 3.1 of Implementing Rules and Regulations of the Securities Regulation Code (SRC), which, among others, defines a public company as any corporation with a class of equity securities listed on an exchange, or with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities.

On March 11, 2022, the Board of Directors (BOD) and shareholders approved the offer of up to 19,560,000 shares from the Company’s unissued common shares through initial common public offering (IPO). The application for the IPO of the Company was approved by the SEC and the Philippine Stock Exchange (PSE) on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of P1.38 per share.

As at March 31, 2023, December 31, 2022 and March 31, 2022 the Company’s closing price at the PSE amounts to 2.10, P2.35 and 2.20 per share, respectively.

Amalgamated Investment Bancorporation (AIB) (the “Parent Company”) owns 42.89% of the Company as at March 31, 2023, December 31, 2022 and March 31, 2022.

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

The Company has 150,156 and 171 employees, as at March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

Note 2 - Cash and cash equivalents

This account consists of:

	31-Mar-23 Unaudited	31-Dec-21 Audited	31-Mar-22 Unaudited
Cash on hand	P 949,372	P650,871	P 580,108
Cash in banks	26,612,484	33,400,635	80,934,775
Cash equivalents	-	-	15,992,779
	P 27,561,856	P34,051,506	P 97,507,662

Cash in banks earn interest at the prevailing bank deposit rates which range from 0.05% to 0.15% as of March 31, 2023 and December 31, 2022. Interest income on cash in banks amounted to P3,044, P31,283, and P 2,659 as of March 31, 2023, December 31, 2022, and March 31, 2022 respectively.

Cash equivalents include short-term placements with MAPI Lending investors, Inc. and HMW Lending Investors, Inc. at 10.5% and 8.5% interest rates, respectively, and with maturities ranging from 30 to 120 days. Cash equivalents as at December 31, 2021 fully matured in 2022.

Note 3 - Loans and other receivables, net

The account consist of:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Receivables from customers			
Consumer	P1,073,974,885	P1,031,311,381	P1,075,454,721
Services	273,698,424	266,927,819	294,309,910
Other receivables	12,808,586	13,085,453	13,284,068
	1,360,481,895	1,311,324,653	1,383,048,699
Unearned interest discounts	(381,935,679)	(355,513,027)	(398,727,638)
Allowance for Credit Losses ECL	(143,393,988)	(140,510,988)	(131,141,920)
	P 835,152,228	P 815,300,638	P 853,179,141

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

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Motorcycle financing	482,127,794	P 436,806,686	P444,244,587
Business loans	538,445,884	525,983,849	493,453,688
Rx cash line	178,226,744	179,098,116	182,598,778
Car loans	64,465,756	73,851,287	100,872,784
Receivables purchased	3,057,353	3,057,353	67,494,591
Corporate salary loans	4,448,796	5,467,779	7,580,942
	P1,270,772,327	P1,224,265,070	P1,296,245,370
Personal loans	35,017,238	31,624,014	27,846,075
Pension loans	14,656,042	14,884,222	13,914,919
Leisure bike loans	14,448,799	14,588,482	13,398,886
Accrued interest receivable	5,918,804	5,918,804	11,270,801
Housing loans	6,860,099	6,958,608	7,354,193
Due from affiliates	101,007	554,143	101,007
Sales contract receivable	-	-	168,200
Advances to officers and employees	513,555	-	734,263
Miscellaneous receivables	12,194,024	12,531,310	12,014,985
	P1,360,481,895	P1,311,324,653	P1,383,048,699

Miscellaneous receivables pertain to receivables from employees and other related and non-related parties.

Interest rates on loans and other receivables range from 1.2% to 3.0% add-on rate per month plus gross receipts tax. Interest income earned on loans receivables amounted to P38.73 million, P158.95 million, and P40.96 million as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

Certain motorcycle financing receivables amounting to P186.23 million, P227.61 million and P234.22 million were used as collateral on notes payable to banks as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively (see Note 9).

The following table shows the breakdown of loans (gross of allowance for ECL) as to collateral as at March 31, 2023 and December 31, 2022:

	31-Mar-23 Unaudited	%	31-Dec-22 Audited	%
Secured loans				
Chattel mortgage	396,400,255	40.51%	383,569,862	40.13%
Real estate mortgage	177,221,093	18.11%	177,231,108	18.54%
Other collaterals*	34,409,681	3.52%	31,272,185	3.27%
Total secured	P608,031,029	62.14%	P592,073,155	61.94%
Unsecured	370,515,188	37.86%	363,738,471	38.06%
	P978,546,217	100.00%	P955,811,626	100.00%

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

Movements in allowance for ECL follows:

	March 31, 2023 (Unaudited)			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	P116,168,180.00	P 19,877,093.00	P 4,465,715.00	P140,510,988.00
Provision during the year	2,483,000.00	400,000.00	-	2,883,000.00
Write-off during the year	-	-	-	-
At March 31	P118,651,180.00	P 20,277,093.00	P4,465,715.00	P143,393,988.00

	December 31, 2022			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	P109,621,244	P15,566,961	P4,465,715	P129,653,920
Provision (recovery) during the year	14,530,224	4,310,132	-	18,840,356
Write-off during the year	(7,983,288)	-	-	(7,983,288)
At December 31	P116,168,180	P19,877,093	P4,465,715	P140,510,988

	March 31, 2022 (Unaudited)			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	109,621,244	15,566,961	4,465,715	129,653,920
Provisions during the year	1,008,000	480,000	-	1,488,000
At March 31	P110,629,244	P16,046,961	P4,465,715	P131,141,920

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

Note 4 - Other Assets, net

This account consists of:

	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Repossessed assets, net	P 96,492,704	P 99,692,514	P 109,262,844
Prepaid securities	4,576,699	3,569,794	6,105,403
Security deposits	4,733,792	4,733,792	3,731,292
Software costs	692,282	381,510	377,852
Financial asset at fair value through other comprehensive income (FVOCI)	80,000	80,000	80,000
	P 106,575,477	P 108,457,610	P 119,557,391

Repossessed assets pertain to motorcycle units that were repossessed from the Company's motorcycle financing business.

The movement in repossessed assets follow:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-March-22 Unaudited
Cost			
At January 1	P 141,497,296	P 150,809,469	P 150,890,469
Additions	11,540,392	68,111,860	230,217
Disposals	(14,740,202)	(77,424,037)	(376,234)
At March 31 and December 31	138,297,482	141,497,292	150,744,452
Allowance for impairment losses			
At January 1	41,804,778	41,427,632	41,427,632
Allowance for (reversal of) impairment during the year	-	377,146	53,976
Write-off	-	-	-
At March 31 and December 31	41,804,778	41,804,778	41,481,608
Carrying amount	P 96,492,704	P 99,692,514	P 109,262,844

Included in the statement of total comprehensive income are the gain from sale of repossessed assets amounting to P271,231, P463,451, and P302,554 as at March 31, 2023, December 31, 2022 and March 31, 2022, respectively. Proceeds from sale amounted to P14.74 million, P77.89 million, and P 0.37 million as at March 31, 2023, December 31, 2022, and March 31, 2022, respectively.

The movement in software costs follow:

	31-Mar-23 Unaudited	31-Dec-21 Audited	31-Mar-22 Unaudited
Cost			
At January 1	P6,475,216	P 6,362,100	P6,362,101
Additions	355,000	113,116	-
Reclassification	-	-	-
At March 31 and December 31	P6,830,216	P 6,475,216	P6,362,101
Accumulated amortization			
At January 1	6,093,706	P 5,951,260	P5,951,260
Amortization for the year	44,228	142,445	32,989
Reclassification	-	-	-
Accumulated Amortization	P6,137,934	P 6,093,706	P5,984,249
Carrying amount at March 31 and Dec.31	P692,282	P 381,510	P377,852

Note 5 - Property and equipment, net

The movements in the account for the years ended December 31 are summarized below:

	March 31, 2023 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P19,869,472	P10,861,636	P10,408,455	P41,139,563
Additions	60,062	75,000	-	135,062
Retirement	-	-	-542,322	-542,322
At March 31	P19,929,534	P10,936,636	P9,866,133	P40,732,303
Accumulated Depreciation				
At January 1	P18,801,529	P8,370,692	P7,690,850	P34,863,071
Depreciation	168,440	170,490	-232,640	106,290
Retirement	-	-	-	-
At March 31	P18,969,969	P8,541,182	P7,458,210	P34,969,361
Carrying amount	P959,565	P2,395,454	P2,407,923	P5,762,942

	December 31, 2022 (Audited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P19,185,516	P10,861,636	P10,408,455	P40,455,607
Additions	683,957	-	-	683,956
At December 31	P19,869,473	P10,861,636	P10,408,455	P41,139,563
Accumulated Depreciation				
At January 1	P17,925,575	P7,693,733	P6,238,136	P31,857,444
Depreciation	875,954	676,959	1,452,714	3,005,627
At December 31	P18,801,529	P8,370,692	P7,690,850	P34,863,071
Carrying amount	P1,067,944	P2,490,944	P2,717,605	P6,276,493

	March 31, 2022 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P19,185,516	P 10,861,636	P 10,408,455	P 40,455,608
Additions	28,683	-	-	28,683
Retirement	-	-	-	-
At March 31	P19,214,199	P10,861,636	P10,408,455	P 40,484,291
Accumulated Depreciation				
At January 1	P17,925,576	P7,693,732	P6,238,137	P31,857,445
Depreciation	235,110	169,240	500,138	904,488
Retirement	-	-	-	-
At March 31	P18,160,686	P 7,862,972	P 6,738,275	P 32,761,933
Carrying amount	P 1,053,513	P 2,998,664	P 3,670,180	P 7,722,358

As at March 31, 2023, December 31, 2022, and March 31, 2022, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱25.68 million, ₱25.68 million, and ₱23.33 million, respectively.

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

Management believes that there are no indicators that the Company's property and equipment is impaired as at March 31, 2023, December 31, 2022, and March 31, 2022.

Note 6 - Investment properties, net

The movements in the account for the years ended December 31 are summarized below:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Beginning of the year	₱90,801,000	₱63,128,241	₱67,327,006
Additions	-	3,070,225	1,140,000
Disposals	-	-	-
Fair value adjustment	-	24,602,534	-
	₱90,801,000	₱90,801,000	₱68,467,006

Investment properties consist of land and building amounting to ₱73,858,715 and ₱16,942,285, respectively.

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. The fair value of the investment properties was determined by management and independent and professionally qualified appraiser on various dates in December 2022 and January 2023.

The fair value of the Company's investment properties was determined using the Market Approach, which is a comparative approach to value that considers sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. In general, a property being valued (a subject property) is compared with sales of similar properties that have been transacted in the market.

Direct operating expenses with regard to investment properties pertain to local property taxes amounted to ₱76,043, ₱76,043 and ₱73,134 as at March 31, 2023, December 31, 2022 and March 31, 2022 respectively.

Note 7 - Segment information

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

Rx Cashline Group

The Rx Cashline Group grants loans tailored to medical professionals. Business loans
This group grants loans to finance business owners who wishes to expand its business or for the purpose of starting capital.

MFC Factors Group

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

Motor Vehicles Financing Group

The MC Financing Group grants loans to motorcycle buyers.

Other segments

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

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

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

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

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

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

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

	March 31, 2022 (Unaudited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	P 183,494,950	P587,757,548	P 568,625,273	P69,980,197	P 1,409,857,968
Results of operation					
Revenue					
Interest income	5,715,225	14,728,479	18,696,376	1,834,508	40,974,588
Other income	553,449	1,772,766	1,715,061	211,071	4,252,347
Total	P6,268,674	P16,501,245	P20,411,437	P2,045,579	P45,226,935
Expenses					
Interest expense	1,020,971	2,631,103	3,339,931	327,718	7,319,723
Provision for losses	207,549	534,867	678,962	66,622	1,488,000
Operating expenses	4,142,612	10,675,761	13,551,844	1,329,721	29,699,938
Total	P5,371,132	P13,841,731	P17,570,737	P1,724,061	P38,507,661
Net operating income (loss)	897,542	2,659,514	2,840,700	321,518	6,719,274
Less: Income tax expense (benefit)	199,833	601,605	629,856	72,499	1,503,793
Net Income (loss)	P697,709	P2,057,909	P2,210,844	P249,019	P5,215,481
Statement of Financial Position					
Total Assets	P 121,652,064	P 522,981,453	P 532,862,350	P 40,732,794	P 1,218,228,661
Total Liabilities	P 78,040,068	P 298,174,418	P 268,335,266	P 25,972,492	P 670,522,244
Other segment information					
Capital expenditures	P18,129	P46,719	P59,306	P5,819	P129,973
Depreciation and amortization	P 152,682	P 393,471	P 499,474	P 49,009	P 1,094,636

Note 8 - Accrued expenses

This account consists of:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Accrued rent	2,639,637	4,894,595	P4,439,219
Accrued insurance payable	4,058,252	3,981,994	2,278,381
Accrued taxes	2,829,195	3,454,505	2,728,244
Accrued commissions and outside services	1,425,840	1,776,647	2,027,893
Accrued interest	4,530,397	1,283,054	1,187,388
Accrued administrative expenses	3,503,942	1,255,443	2,902,122
Accrued management and professional fees	1,505,534	737,677	1,645,437
Advances from customers	—	—	941,848
Accrued utilities	284,077	—	208,353
Accrued travel and transportation	179,840	—	132,427
Others	3,551,174	3,203,683	1,582,239
	P24,507,888	P20,587,598	P20,073,551

Others mainly include accrual on utilities and travel and transportation.

Note 9 - Notes payable

The account as at March 31, 2023, December 31, 2022 and March 31, 2022 consists of:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Related parties	241,700,000	P257,408,526	P343,584,538
Banks	128,641,270	175,517,005	180,613,321
Individuals/corporate	98,711,975	28,623,199	27,750,000
	P469,053,245	P461,548,730	P551,947,859

Interest rates on notes payable range from 5.50% to 8.75% per annum in March 31, 2023 and December 31, 2022.

Interest expenses on these notes payable amounted to P7.67 million, P31.47 million, and P7.32 million as at March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

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

Notes payable to banks have a maturity of up to three (3) years. As at March 31, 2023 and December 31, 2022, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivables (with 50% to 85% loanable value) on per availment basis.

The following assets were used to secure the notes payable to banks availed by the Company (Note 3):

	31-Mar-23 Unaudited		Dec-22 Audited		31-Mar-22 Unaudited	
	Carrying amount	Secured notes	Carrying amount	Secured notes	Carrying amount	Secured notes
Motorcycle financing receivables	186,226,054	128,641,270	227,613,885	175,517,005	234,222,887	180,613,321

Note 10 - Equity

On July 28 2022, the BOD and stockholders approved the declaration of 0.54% stock dividends in the amount of P1.46 million to stockholders of record as at August 26, 2022 with distribution date not later than September 21, 2022. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P1.46 million.

On July 29, 2021, the BOD and stockholders approved the declaration of 0.61% stock dividends in the amount of P1.62 million to stockholders of record as at August 26, 2021 with distribution date not later than September 21, 2021. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P1.62 million.

On July 29, 2020, the BOD and stockholders approved the declaration of 1.24% stock dividends in the amount of P3.26 million to stockholders of records as of August 27, 2020 with distribution date not later than September 22, 2020. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P3.26 million

The Company has 269,283,709 common shares issued and outstanding which are owned by 111 shareholders as of March 31, 2023.

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

	31 March 2023 Unaudited		31 December 2022 Audited		31 March 22 Unaudited	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000 shares; P1 par value						
At January 1	269,283,709	269,283,709	267,828,098	267,828,098	267,828,098	267,828,098
Stock dividends	-	-	1,455,611	1,455,611	-	-
At March 31 and December 31	269,283,709	P269,283,709	269,283,709	P269,283,709	267,828,098	P267,828,098

Earnings per share

Earnings per share is calculated by dividing the net income by the weighted average number of outstanding common shares.

The information used in the computation of basic and diluted earnings per share for the years ended December 31 follow:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Net income for the year	₱2,543,176	₱17,853,098	₱9,704,406
Weighted average number of outstanding common shares	269,283,709	268,555,904	266,610,060
Basic and diluted earnings per share	0.01	0.07	0.04

Note 11 - Service charges

The account for the years ended December 31 consists of the following:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Processing fees	1,894,009	4,011,154	759,231
Late payment charges	227,347	661,681	147,361
Others	1,480	8,557	2,758
	₱2,122,836	₱4,681,392	₱ 909,350

Processing fees refer to charges that are deducted from the loan proceeds before they are disbursed to the borrower. This fee covers the cost of processing the loan application, including evaluating the borrower's creditworthiness, verifying their employment and income, and other administrative expenses.

Late payment charges, on the other hand, are fees that are assessed when a borrower fails to make a loan payment on time. These charges are designed to encourage timely payments and compensate the Company for the costs associated with processing and collecting late payments.

Note 12 - Miscellaneous

Miscellaneous income consists of the following items:

	31-Mar-23 Unaudited	31-Dec-21 Audited	31-Mar-22 Unaudited
Penalties	1,750,722	6,053,470	2,320,203
Fair value adjustment	-	24,602,534	-
Others	814,060	4,104,434	1,325,348
	₱2,564,782	₱34,760,438	₱3,645,550

Others mainly consist of gain on sale of motorcycle units.

Miscellaneous income consists of the following items:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Communication	523,096	2,894,069	843,026
Stationeries and supplies	678,085	2,256,939	624,595
Others	1,622,371	5,256,830	160,249
	₱ 2,823,552	₱ 10,407,838	₱ 1,627,867

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

Note 13 - Income Taxes

Current tax regulations provide that the regular corporate income tax rate applicable to the Company is 25%. The regulations also provide for minimum corporate income tax (MCIT) of 1% on modified gross income and allow net operating loss carry-over (NOLCO). The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of incurrence. Specifically, for taxable years 2021 and 2020, NOLCO can be carried forward for five years.

The components of the Company's income tax expense as at March 31, 2023, December 31, 2022 and March 31, 2022 are as follows:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Current	792,879	₱3,005,907	₱ 862,299
Deferred	54,250	2,546,996	641,494
	₱847,129	₱5,552,903	₱1,503,793

A reconciliation between the income tax expense at the statutory tax rate and income tax expense at effective tax rate follows:

	31-Mar-2023 (Unaudited)	31-Dec-2022 (Audited)	31-Mar-2022 (Unaudited)
Income before tax	₱3,390,305	₱23,406,001	₱6,719,274
Income tax benefit at statutory income tax rate (25%)	847,576	5,851,500	1,679,819
Adjustments for:			
Interest income subjected to final tax	-447	-7,821	-1,027
Impact of PFRS 16	-	-290,776	-
Effect of CREATE law	-	-	-174,999
Effective income tax expense	₱847,129	₱5,552,903	₱1,503,793

The components of deferred tax assets- net follows:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Deferred tax assets on:			
Allowance of repossessed assets write-down	P 35,069,198	P 35,069,198	P 10,356,908
Allowance for credit losses	10,396,944	10,451,194	31,713,436
Accrued expenses	1,685,388	1,685,388	1,685,388
Retirement expense	2,400,587	2,400,587	1,605,504
Impairment loss on investment properties	228,988	228,988	228,987
Past service costs	40,294	40,294	40,294
Others	1,216,006	1,216,006	1,216,006
	P 51,037,405	P 51,091,655	P 46,846,523
Deferred tax liabilities			
Remeasurement gain on defined benefit obligation	3,137,635	3,137,635	1,733,997
FV increase in investment property	7,423,346	7,423,346	1,272,713
	10,560,981	10,560,981	3,006,710
	P		
	40,476,424.00	P40,530,674	P43,839,813

In addition, the current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses, allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of an entity engaged in the sale of services. EAR expenses amounted to P0.37 million and P0.26 million 2022 and 2021, respectively.

Below are the movements in income tax payable:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Balance, January 1	1,529,041	2,380,651	P2,380,651
Provision for income tax - current	792,879	3,005,907	896,491
Income tax paid during the year	-	(3,857,517)	-
Effect of CREATE law	-	-	-
Balance, December 31	P2,321,920	P1,529,041	P3,277,142

Movements in net deferred income tax (DIT) assets are summarized as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning of the year	40,530,674	44,481,308
Amounts charged to profit or loss	(54,250)	(2,546,996)
Amounts charged to other comprehensive income	-	(1,403,638)
End of the year	P40,476,424	P40,530,674

Note 14 - Retirement benefits

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

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

Net benefit cost is included in the Company's profit or loss under 'Salaries and employee benefits'

Details of the retirement benefit obligation recognized in the statement of financial position as at December 31 are as follows:

	2022	2021
Present value of benefit obligation	12,587,051	15,085,059
Fair value of plan assets	(7,108,324)	(7,172,117)
Retirement benefit obligation	₱5,478,727	₱7,912,942

Details of the retirement benefit expense recognized in profit or loss for the years ended December 31 are as follows:

	2022	2021
Current service cost	2,778,358	3,189,191
Net interest cost	401,977	338,795
	₱3,180,335	₱3,527,986

The movements in the present value of retirement benefit obligation are as follows:

	2022	2021
At beginning of year	15,085,059	15,768,727
Current service cost	2,778,358	3,189,191
Interest cost	766,321	622,865
Remeasurements		
Gain from changes in financial assumptions	(5,264,281)	(3,253,172)
Gain from experience adjustments	(778,406)	(1,237,083)
Gain from changes in demographic assumptions	-	(5,469)
At end of year	₱12,587,051	₱15,085,059

The movements in the fair value of plan assets are as follows:

	2022	2021
At beginning of year	7,172,116	7,191,657
Interest income	364,344	284,070
Benefits paid	(428,137)	(303,611)
At end of year	₱7,108,324	₱7,172,116

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

	2022	2021
Cash and cash equivalents	3,793,982	3,358,918
Financial assets at fair value through profit or loss -fixed income	3,313,473	3,793,308
Accrued other receivables	869	19,891
	₱7,108,324	₱7,172,117

The principal assumptions used in determining the retirement benefit obligation as at December 31 are as follows:

	2022	2021
Discount rate	7.36%	5.08%
Future salary increases	5%	5%
Average remaining working life (in years)	24.7	25.6

Discount rate sensitivity

The following illustrates the sensitivity to a reasonably possible change in each key assumption, with all other variable held constant, of the Company's retirement benefit obligation. The sensitivity analysis is prepared assuming the fair value of asset does not vary during the period and the methods and assumptions are the same in prior years. A 100 bps increase, or decrease is used when reporting this risk internally to key management personnel and represents management's assessment of the reasonably possible change in discount rate and salary increase. The impact on the Company's retirement benefit obligation follows:

	Impact on retirement benefit obligation		
	Change in basis points	Increase in assumption	Decrease in assumption
December 31, 2022			
Discount rate	100 basis points	(1,662,537)	2,016,802
Salary growth rate	100 basis points	2,045,350	(1,711,189)
December 31, 2021			
Discount rate	100 basis points	(2,290,874)	2,836,751
Salary growth rate	100 basis points	2,809,381	(2,312,239)

There are no expected contributions to the plan for the year ending December 31, 2023.

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

Note 15 - Related party transaction

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

Category/Transaction	Ref	2022			2021			2020		
		Amount of Transaction	Outstanding Balance		Amount of Transaction	Outstanding Balance		Amount of Transaction	Outstanding Balance	
			Due from related parties	Due to related parties		Due from related parties	Due to related parties		Due from related parties	Due to related parties
<i>Parent Company</i>										
Miscellaneous receivables	A	-	80,514	-	-	80,514	-	-	80,514	-
Notes payable	B	-	-	191,100,000	-	-	267,600,000	-	-	338,600,000
Availments		16,000,000	-	-	-	-	-	24,500,000	-	-
Settlements		92,500,000	-	-	-	-	-	70,900,000	-	-
Interest expense		13,725,831	-	83,855	16,145,583	-	822,018	20,189,293	-	2,598,976
<i>Entities under common control</i>										
<i>Motor Ace Philippines, Inc.</i>										
Loans Receivable	A	-	2,952,145	-	-	-	-	-	-	-
Availments		4,595,808	-	-	-	-	-	-	-	-
Settlements		1,288,776	-	-	-	-	-	-	-	-
Miscellaneous receivables	A	-	342,254	-	-	307,804	-	-	240,184	-
Availments		77,350	-	-	189,543	-	-	174,490	-	-
Settlements		42,900	-	-	121,922	-	-	88,200	-	-
<i>Forward</i>										

Category/Transaction	Ref	2022			2021			2020		
		<u>Outstanding Balances</u>			<u>Outstanding Balances</u>			<u>Outstanding Balances</u>		
		Amount of Transaction	Due from related parties	Due to related parties	Amount of Transaction	Due from related parties	Due to related parties	Amount of Transaction parties	Due from related parties	Due to related
Accounts payable	D	-	-	14,456,450	-	-	13,849,458	-	-	15,194,978
Availments		71,576,002	-	-	73,871,039	-	-	54,444,011	-	-
Settlements		70,969,009	-	-	75,216,559	-	-	51,426,833	-	-
<i>MAPI Lending Investors, Inc.</i>										
Miscellaneous receivables	A	-	2,229,436	-	1,877,428	-	-	-	2,725,083	-
Availments		1,157,245	-	-	745,819	-	-	343,204	-	-
Settlements		16,492,411	-	-	1,593,475	-	-	554,450	-	-
Accounts payable	D	-	-	78,640	-	-	75,372	-	-	75,372
Availments		3,268	-	-	29,722	-	-	23,191	-	-
Settlements		-	-	-	29,722	-	-	-	-	-
Short term placements	C	-	-	-	15,687,174	-	-	-	25,711,228	-
Availments		611,209	-	-	1,576,792	-	-	2,294,972	-	-
Settlements		16,298,384	-	-	11,600,846	-	-	154,129	-	-
Interest income		1,216,597	-	-	-	-	-	-	-	-
<i>HMW Lending Investors, Inc.</i>										
Loans Receivable	A	-	5,840,453	-	-	-	-	-	-	-
Availments		-	-	-	-	-	-	-	-	-
Settlements		2,725,970	-	-	-	-	-	-	-	-
<i>Honda Motor World, Inc.</i>										
Loans Receivable	A	-	1,269,809	-	-	-	-	-	-	-
Availments		-	-	-	-	-	-	-	-	-
Settlements		739,583	-	-	-	-	-	-	-	-
Miscellaneous receivables	A	-	170,673	-	132,598	-	-	-	106,017	-
Availments		64,325	-	-	109,036	-	-	125,228	-	-
Settlements		26,250	-	-	82,455	-	-	63,753	-	-
Accounts payable	D	-	-	2,923,459	-	-	1,864,681	-	-	1,839,777
Availments		26,019,931	-	-	23,949,667	-	-	16,571,009	-	-
Settlements		24,961,153	-	-	23,924,764	-	-	16,958,716	-	-
<i>Pikeville Bancshares</i>										
Professional fees		1,193,920	-	275,520	1,193,920	-	-	1,193,920	-	156,128
<i>MERG Realty Development Corp.</i>										
Miscellaneous receivables	A	-	18,057	-	18,057	-	-	-	18,057	-
Availments		-	-	-	-	-	-	-	-	-
Settlements		-	-	-	-	-	-	-	-	-

Forward

Category/Transaction	Ref	2022			2021			2020		
		Amount of Transaction	Outstanding Balance		Amount of Transaction	Outstanding Balance		Amount of Transaction	Outstanding Balance	
			Due from related parties	Due to related parties		Due from related parties	Due to related parties		Due from related parties	Due to related parties
Notes payable	B	-	-	32,819,218	-	-	31,334,008	-	-	29,916,009
Availments		1,485,210	-	-	1,417,998	-	-	1,357,368	-	-
Settlements		-	-	-	-	-	-	-	-	-
Interest expense		1,747,306	-	-	1,668,233	-	-	1,596,904	-	-
<i>Directors and other stockholders</i>										
Notes payable	B	-	-	14,985,086	-	-	-	-	-	34,919,791
Availments		4,565,890	-	-	4,687,646	-	-	13,417,368	-	-
Settlements		11,873,090	-	-	132,000	-	-	8,166,310	-	-
Interest expense		919,964	-	-	1,099,070	-	-	1,880,705	-	8,403
Professional and other management fees		-	-	2,466,407	-	-	-	3,333,611	-	-
TOTAL			12 903 341	259 188 635		388 318	338 258 880	28 881 083		423 309 434

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

- A. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 3).
- B. As at December 31, 2022 and 2021, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P 257.41 million and P342.50 million. Interest expense from these borrowings amounted to P31.47 million and P34.12 million in 2022 and 2021, respectively (Note 9).
- C. The Company had short-term placements amounting to P15.69 million in 2021 at 8.5% interest rate with maturities ranging from 30 to 120 days. Short-term placements as at December 31, 2021 fully matured in 2022. (see Note 2).
- D. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

Note 16 - Leases

The Company as Lessee

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

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

Total rent expense for short term leases included under 'Occupancy cost' account in the statement of total comprehensive income incurred in 2022 and 2021 amounts to P8.62 million and P11 million, respectively.

Security deposits arising from these lease agreements amount to P4.73 million and P3.37 million as at December 31, 2022 and 2021, respectively (Note 4).

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Less than one year	7,395,583	7,395,583
Between one and five years	17,345,473	17,345,473
	₱24,741,056	₱24,741,056

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
As at January 1	36,256,416	36,256,416
Additions	1,933,757	1,933,757
Lease modification	(9,188,908)	(9,188,908)
Interest expense	1,249,467	1,249,467
Payments	(8,737,993)	(8,737,993)
As at December 31	₱21,512,739	₱21,512,739

Right-of-use assets

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at January 1	32,311,216	32,311,216
Additions	1,933,756	1,933,756
Lease modification	(9,102,520)	(9,102,520)
Depreciation of right-of-use assets	(6,411,808)	(6,411,808)
Balance at December 31	₱18,730,644	₱18,730,644

Note 17 - Critical accounting estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's evaluation of relevant facts, historical experience and other factors, including expectations of future events, that are believed to be reasonable as at reporting date. The resulting accounting estimates and judgments will, by definition, seldom equal the related actual results.

The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting estimates

Allowance for ECL of loans and other receivables (Note 3)

The Company applies the requirements of PFRS 9 approach in determining the recoverable amount of its loans and other receivables based on the ECL of the Company's portfolio. An evaluation of receivables designed to identify potential charges to the provision is performed on a continuous basis throughout the year. The carrying value of loans and other receivables at the end of each reporting period and the amount and timing of recorded provision could differ based on actual experience and changes in assumptions made.

The carrying balance of loans and other receivables amounts to P835,152,228, P815,300,638 and P853,179,141, net of allowance for ECL of P143,393,988, P140,510,988 and P131,141,920 as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

Estimated useful life of property and equipment (Note 5)

The useful life of each of the Company's property and equipment is estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

The Company considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimated useful life of property and equipment.

The carrying value of the Company's property and equipment, net amounts to P5,762,942, P6,276,492 and P7,722,357 as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

Valuation of investment properties held at fair value (Note 6)

The Company makes estimates in respect of the fair value of investment properties. The fair values of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing as at reporting date, using generally accepted market practices. The assumptions underlying the estimated fair values are those relating to discount rates that reflect current market conditions and current or recent property investment prices. The investment property valuations have been prepared based on the information that is available.

Fair value of investment properties as at March 31, 2023 December 31, 2022 and March 31, 2022 amounted to P90,801,000, P90,801,000 and P64,111,081, respectively.

Estimation of retirement benefit obligation (Note 14)

The determination of retirement benefit obligation is dependent on the selection of certain assumptions used by the Company in calculating such amounts. Those assumptions include the determination of discount rate and future salary increases, among others. Due to the long-term nature of the retirement plan, such judgments are subject to significant uncertainty. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are appropriate for the term of the liability of the plan.

While the Company believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and the related obligation. The possible effects of sensitivities surrounding the actuarial assumptions of the Company at the reporting date are disclosed in Note 14.

Determining the incremental borrowing rates (Note 16)

The Company's incremental borrowing rates applied to its lease liabilities arising from the lease contracts entered in 2022 was 6.86%. The rate was determined in reference to the prevailing bank lending rates that are reflective of the Company's own credit risk taking into consideration the nature of the leased asset and other terms and conditions of the lease contracts.

Critical accounting judgments

Impairment of property and equipment (Note 5)

The Company assesses impairment of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of property and equipment and the amount and timing of recorded provision for any period.

As at March 31, 2023, December 31, 2022 and March 31, 2022, management believes that there are no indications of impairment or changes in circumstances indicating that the carrying value of the Company's property and equipment may not be recoverable.

Impairment of investment properties (Note 6)

The Company assesses whether there are any indicators of impairment on its investment properties at the end of each reporting period. Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable.

As at March 31, 2023, December 31, 2022 and March 31, 2022, the Company did not recognize any additional impairment loss on its investment properties in the absence of any indicators of impairment.

Recoverability of DIT assets (Note 13)

The Company reviews its DIT assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the DIT asset to be utilized. Significant management judgment is required to determine the amount of DIT assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Company will utilize all or part of its DIT assets. Any DIT asset will be re-measured if it might result to derecognition in cases where the expected tax law to be enacted will impose a possible risk on its realization.

Based on management's assessment, the amount of DIT assets recognized as at March 31, 2023, December 31, 2022 and March 31, 2022 is fully recoverable and realizable.

Determining the lease term (Note 16)

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease.

Note 18 - Financial risk and capital management

The Company's activities expose it to a variety of financial risks: liquidity risk, market risk and credit risk. Risk management is carried out through policies approved by the Company's management to minimize potential adverse effects of these risks on the Company's financial performance.

18.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company acknowledges that in order to be able to meet liabilities promptly and without losses, it is essential to effectively manage liquidity risk. In general, liquidity management is a matter of balancing cash flows within forward rolling time bands, so that under normal conditions, the Company is comfortably placed to meet all its payment obligations as they fall due.

The amounts disclosed in the table below are the expected undiscounted cash flows of financial instruments, including future interest as applicable, which the Company uses to manage the inherent liquidity risk as at March 31, 2023 and December 31, 2022.

	March 31, 2023		
	Unaudited		
	Up to one year	Over one year	Total
Financial assets			
Cash and cash equivalents	27,561,856	-	27,561,856
Loans and other receivables	481,609,891	353,542,337	835,152,228
Security deposits	4,733,792	-	4,733,792
Financial assets at FVOCI	80,000	-	80,000
Total financial assets	₱513,985,539	₱353,542,337	₱867,527,876
Financial liabilities			
Notes payable	420,161,578	48,891,667	469,053,245
Accounts payable	36,243,644	-	36,243,644
Accrued expenses*	24,507,888	-	24,507,888
Lease liabilities	6,493,544	15,019,195	21,512,739
Total financial liabilities	₱487,406,654	₱63,910,862	₱551,317,516
Total maturity gap	₱26,578,885	₱289,631,475	₱316,210,360

*Excluding government payables

	December 31, 2022 (Audited)		
	Up to one year	Over one year	Total
Financial assets			
Cash and cash equivalents	34,051,506	-	34,051,506
Loans and other receivables	476,372,353	338,928,285	815,300,638
Security deposits	4,733,792	-	4,733,792
Financial assets at FVOCI	80,000	-	80,000
Total financial assets	₱515,237,651	₱338,928,285	₱854,165,936
Financial liabilities			
Notes payable	419,496,400	42,052,330	461,548,730
Accounts payable	40,392,497	-	40,392,497
Accrued expenses*	17,133,091	-	17,133,091
Lease liabilities	6,493,544	15,019,195	21,512,739
Total financial liabilities	₱483,515,532	₱57,071,525	₱540,587,057
Total maturity gap	₱31,722,119	₱281,856,760	₱313,578,879

*Excluding government payables

The Company expects to generate sufficient cash flows from its operating activities. In addition, the Parent Company is determined to provide financial support and other assistance to the Company to continue its business operations and meet its financial obligations at least for the next twelve (12) months, if the need arises.

18.2 Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (foreign exchange risk) and market interest rates (fair value, cash flow interest rate risks and price risk).

Foreign exchange risk

The Company is not exposed to foreign exchange risk as it has no financial assets and liabilities denominated in a currency that is not the Company's functional currency.

Interest rate risk

Interest rate risk is the possibility that changes in interest rates will affect future cash flows or the fairvalues of financial instruments.

The Company's exposure to interest rate risk pertains to its notes payable which are repriced periodically, based on the prevailing market interest rates (Note 10). The Company follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

Price risk

The Company is not exposed to price risk as it does not have equity instruments and securities that are subject to price fluctuations.

18.3 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Significant changes in the economy, or financial condition of its counterparty, could result in losses that are different from those provided for at the reporting date. 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.

The maximum exposure to credit risk relates to the following financial assets as at December 31:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash and cash equivalents	26,906,507	33,400,635
Loans and other receivables (gross of allowance for ECL)	978,546,217	955,811,626
Security deposits	4,733,792	4,733,792
	₱1,010,186,516	₱993,946,053

Cash and cash equivalents exclude cash on hand. To reduce the Company's credit risk, the Company only maintains cash in domestic universal banks with strong financial standing.

Credit applications go through a process of screening using the Company's credit standards to minimize risk. For certain loans receivables, the Company enters into collateral arrangements with counterparties to limit the duration of exposures. The Company's motorcycle financing business has the motorcycle itself as collateral in case the borrower defaults on its loan. Other receivables from customers are secured by real estate and other chattel properties.

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example of this is the medical professional market where most doctors are able to pay because of their higher disposable income.

Security deposits are made in connection with the lease arrangements (Note 16) with certain lessors

18.4 Fair value determination

The table below summarizes the carrying amount and fair value of financial assets and liabilities at December 31:

	March 31, 2023		December 31, 2022	
	(Unaudited)		(Audited)	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial assets				
Cash and cash equivalents	27,561,856	27,561,856	34,051,506	34,051,506
Loans and other receivables, net	835,152,228	835,152,228	815,300,638	815,300,638
Security deposits	4,733,792	4,733,792	4,733,792	4,733,792
Financial assets at FVOCI	80,000	80,000	80,000	80,000
	₱867,527,876	₱867,527,876	₱854,165,936	₱854,165,936
Financial liabilities				
Notes payable	469,053,245	469,053,245	461,548,730	461,548,730
Accounts payable	36,243,644	36,243,644	40,392,498	40,392,498
Accrued expenses	24,506,799	24,506,799	20,587,596	20,587,596
Lease liabilities	21,512,739	21,512,739	21,512,739	21,512,739
	₱551,316,427	₱551,316,427	₱544,041,563	₱544,041,563

The Company uses Market approach in determining the fair values of its investment properties which uses observable inputs such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets. Appropriate adjustments are made to the valuations taking into consideration the specific circumstances of the properties. The fair values of the Company's investment properties as disclosed in Note 6 fall under Level 3 of the fair value hierarchy. The fair value is sensitive to the unobservable input of discount rate. Significant increase (decrease) in discount rate would result in a significantly lower (higher) fair value measurement.

The Company's financial assets at FVOCI are classified under Level 2 of the fair value hierarchy as at March 31, 2023 and December 31, 2022.

18.5 Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit liability. No changes were made in the objectives, policies or procedures in 2022.

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

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

For the years ended December 31, 2022 and 2021, the Company is compliant with the minimum capital requirements.

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

Note 19 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

19.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee and International Financial Reporting Interpretations Committee which have been approved by the Financial and Sustainability Reporting Standards Council (formerly known as the Financial Reporting Standards Council) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention.

The preparation of these financial statements in conformity with PFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving estimates and judgments are disclosed in Note 17.

These financial statements are presented in Philippine Peso, which is the Company's functional currency. The Company has no transactions denominated in foreign currency as at and for the years ended December 31, 2022 and 2021.

19.2 Changes in accounting policies and disclosures

(a) Amendments to existing standards adopted by the Company

The Company has adopted the following amendments to existing standards effective January 1, 2022:

- Amendment to PAS 16, 'Property, Plant and Equipment'

The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling the items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- Amendment to PAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'

The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to PFRSs 2018-2020.

The following improvements were finalized in May 2020:

- i. PFRS 9, 'Financial Instruments', clarifies which fees should be included in the 10% test for derecognition of financial liabilities
- ii. PFRS 16, 'Leases', includes amendment to remove the illustration of payments from the lessor relating to leasehold improvements to remove any confusion about the treatment of lease incentives.

(b) Amendments to existing standards not yet adopted by the Company

The following amendments to existing standards are not mandatory for the December 31, 2022 reporting period and have not been early adopted by the Company.

- Amendments to PAS 1, 'Presentation of Financial Statements'

The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendment to PAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'

The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 1 and PFRS Practice Statement 2, 'Disclosure of Accounting Policies'

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is a 'material accounting policy information' and explain how to identify when accounting policy information is material. It further clarifies that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendments to PAS 12, 'Income Taxes'

The amendments require entities to recognize DIT on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional DIT assets and liabilities. The amendment should be applied to transactions that occur on or

after the beginning of the earliest comparative period presented. In addition, entities should recognize DIT assets (to the extent that it is probable that they can be utilized) and DIT liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the Company.

There are no other new standards, amendments to existing standard or interpretations effective subsequent to December 31, 2022 that are relevant or expected to have a material impact on the Company's financial statements

19.3 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. The Company classifies all other assets and liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

19.4 Cash and cash equivalents

Cash in bank include non-interest bearing deposit which is subject to insignificant risk of changes in value.

19.5 Other assets

Other assets mainly consist of repossessed assets and prepaid expenses.

Repossessed assets are stated at cost less impairment in value. Repossessed assets are recognized initially at fair value. In determining the recoverability of the repossessed assets, management considers whether those assets are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale. Repossessed assets are derecognized upon sale and any resulting gain or loss is reflected in profit or loss.

Prepaid expenses are recognized in the event that payment has been made prior to the service being rendered to the Company and measured at nominal amounts. These are derecognized through amortization over a certain period of time.

Other assets are included in current assets, except when the related benefits are expected to be received longer than twelve (12) months after the reporting period, which are then classified as non-current assets.

19.6 Property and equipment, net

Property and equipment are recognized at cost upon initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the items. Following the initial recognition, all items of property and equipment are recorded at cost less accumulated depreciation and amortization and any provision for impairment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation on property and equipment is computed using the straight-line method to allocate its costs less their residual values over an estimated useful life of three years.

The expected useful lives of property and equipment are as follows:

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

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and the related accumulated depreciation and amortization and any impairment loss are removed in the statement of financial position. Any gains or losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

19.7 Investment properties

Investment properties primarily consist of foreclosed real estate properties. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including any borrowing costs, as applicable

Investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by management and independent valuation experts based on the "market approach". Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. In determining the carrying amount of investment property under the fair value model, the Company does not double-count assets or liabilities that are recognized as separate assets or liabilities.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15, 'Revenue from Contracts with Customers'.

Transfers are made to (or from) investment property only when there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party of ending of construction or development.

19.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial instrument in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

19.8.1 Financial assets

(a) Classification of financial assets

The Company classifies its financial assets in the following measurement categories: at fair value through profit or loss (FVTPL), at fair value through other comprehensive income and at amortized cost. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

The Company's financial assets as at December 31, 2022 and 2021 include those that are measured at amortized cost.

Financial assets at amortized cost

These are the Company's assets that are held for collection of contractual cash flows, which represent solely payments of principal and interest, and are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/losses. Impairment losses are presented as a separate line item in the statement of total comprehensive income.

Financial assets are included in current assets, except for maturities greater than 12 months after the reporting date which are presented as non-current assets. Financial assets measured at amortized cost comprise cash in bank, loans and other receivables, and security deposits.

(b) Initial recognition and subsequent measurement

Regular-way purchases and sales of financial assets are recognized on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets not carried at FVTPL are initially recognized at fair value plus transaction costs.

Financial assets are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment, if any.

(c) Impairment of financial assets carried at amortized cost

The Company assesses the ECL associated with its loans and other receivables measured and classified at amortized cost at each reporting date. The measurement of ECL reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events and current conditions. The Company has identified no macroeconomic variable that can be considered to materially affect the historical loss rates given the nature of its loan portfolio.

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

Definition of default and determination of significant increase in credit risk

The Company defines loans and receivables as in default when the borrower delays on its contractual payments beyond the grace period allowed. The Company compares the probability of default occurring over its expected life as at the reporting date with the probability of default occurring over its expected life on the date of initial recognition to determine if there is a significant increase in credit risk. Since comparison is made between information at reporting date against initial recognition, the deterioration in credit risk may be triggered by qualitative factors such as confirmation of the existence of the borrower, or adverse trends or developments in the market that may affect the borrower or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics affecting the loan portfolio that may lead to significant losses or may result in the collection of the outstanding loan amount to be highly improbable.

Staging assessment

For non-credit impaired financial assets:

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

For credit-impaired financial assets:

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

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

Measuring ECL

The ECL is measured on either a 12-month or a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be

credit-impaired. ECL is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

- The PD represents the likelihood that the borrower will default (as per “Definition of default” above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD).
- LGD represents the Company’s expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, if relevant. These assumptions vary on each loan product.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how collateral values change, are monitored and reviewed regularly.

There have been no significant changes in estimation techniques or significant assumptions made in 2022 and 2021.

(d) Impairment of financial assets carried at amortized cost

Financial assets are derecognized when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

AGING OF RECEIVABLES

AS MARCH 31, 2023

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
A. Trade Receivables							
Loans Receivable (Principal Value)*	695,220,972	69,054,372	6,359,597	4,981,880	24,595,661	166,343,288	966,555,769
SUB-TOTAL	695,220,972	69,054,372	6,359,597	4,981,880	24,595,661	166,343,288	966,555,769
Less: Allowance for Doubtful Accounts**						143,393,989	143,393,989
Net Trade Receivables	695,220,972	69,054,372	6,359,597	4,981,880	24,595,661	22,949,299	823,161,780
*Principal Value=Gross PN less Unearned Interest and Clients' Equity							
**Allowance for doubtful accounts is for principal only.							
B. Non-Trade Receivables							
Due from Subsidiaries/Affiliates							
Loans Receivable (Principal Value)*	11,990,448	-	-	-	-	-	11,990,448
SUB-TOTAL	11,990,448	-	-	-	-	-	11,990,448
Less: Allowance for Doubtful Accounts		-	-	-	-	-	
Net Non-Trade Receivables	11,990,448	-	-	-	-	-	11,990,448
NET RECEIVABLES	707,211,419	69,054,372	6,359,597	4,981,880	24,595,661	22,949,299	835,152,228

19.8.2 Financial liabilities

The Company's financial liabilities are limited to those classified at amortized cost. There are no financial liabilities at FVTPL (including financial liabilities held for trading and those that are designated at fair value).

The Company's financial liabilities at amortized cost comprise of accounts payable, notes payable, accrued expenses (except for accrued taxes) and lease liabilities.

Financial liabilities at amortized cost are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities that are not carried at FVTPL are initially measured at fair value less transaction costs and subsequently measured at amortized cost using the effective interest rate method. They are included in current liabilities, except for maturities greater than twelve (12) months after the reporting date, which are classified as non-current liabilities.

Financial liabilities are derecognized when the obligation is settled, discharged, cancelled or has expired.

19.9 Notes payable

Notes payable are recognized initially at transactions price (i.e. the present value of cash payable to the creditors, including transaction costs). Notes payable are subsequently measured at amortized cost using the effective interest rate method.

19.10 Accounts payable and accrued expenses

Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

19.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or counterparty.

As at December 31, 2022 and 2021, there are no financial assets and liabilities that have been offset.

19.12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfil an obligation

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency,

and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price within the bid-ask spread that is most representative of fair value is used. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Non-financial assets

The fair value of a non-financial asset is measured based on its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

19.13 Impairment of non-financial assets

The Company assesses at each end of the reporting period whether there is an indication that its non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The estimated recoverable amount of an asset is the greater of the asset's fair value less costs to sell and value-in-use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In 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. In determining the fair value less cost to sell, recent market transactions are taken into account. If no such transaction can be identified, an appropriate valuation model is used. Non-financial assets that are impaired are reviewed for possible reversal of impairment at each reporting date.

19.14 Capital stock; Additional paid-in capital

Capital stock represents the par value of shares that have been issued. Capital stock is recognized as issued when the stock is fully paid and is measured at par value. Additional paid-in capital represents the amount in excess of par value.

19.15 Retained earnings

Retained earnings represent the cumulative results of operations, any prior period adjustments or effect of changes in accounting policies and other capital adjustments, net of any dividend declaration.

19.16 Dividend distribution

The Company pays cash dividend as its cash position permits and retains that portion of earnings needed for future development projects and other business requirements. Stock dividends may also be declared as decided upon by the BOD.

Cash dividend distribution to the shareholders is recognized as a liability in the period in which the dividends are approved by the BOD.

19.17 Earnings per share (EPS)

Basic EPS is calculated by dividing net income for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is computed in the same manner as basic EPS; however, the net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

19.18 Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Interest income is recognized in profit or loss for all interest-bearing financial instrument using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

For credit-impaired financial assets, the effective interest rate is applied to the gross carrying amount less the allowance for expected credit loss.

Gain or loss on sale of repossessed assets

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

Other income

Other income is recognized when earned at a point in time, when the related services have been rendered and the right to receive payment is established.

19.19 Cost and expense recognition

Expenses are decreases in economic benefits during the reporting period in the form of outflows or incurrences of liabilities that result in decreases in equity, other than those relating to

distributions to equity participants. Expenses are generally recognized when these are incurred, while interest expense is accrued in the appropriate reporting period.

Operating expenses consist of costs associated with the execution of day-to-day operations of the Company. These are generally recognized when the expense arises.

19.20 Employee benefits and retirement benefit obligation

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and recognized as expense as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement benefit obligation (asset)

Pension benefits are provided to employees through a defined benefit plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. Plan assets comprise assets held by the retirement benefit plan which will be used to pay or fund employee benefits.

The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the defined benefit plan. The amount of defined benefit asset recognized in the books is reduced by the amount of asset ceiling.

Remeasurement gains or losses are charged or credited to equity in the period in which they arise. Past service costs are recognized immediately in profit or loss.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. There are no termination benefits paid by the Company as at December 31, 2022 and 2021.

Benefits falling due more than twelve (12) months after the reporting period are discounted to present value.

19.21 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

i. Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the implicit borrowing rate in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company, where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

iii. Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

iv. Short-term leases

Payments associated with short-term leases are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

19.22 Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts 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 have been enacted or substantively enacted at the reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

DIT

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

DIT liabilities are recognized for all taxable temporary differences, except where the DIT liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

DIT assets are recognized for all deductible temporary differences, carry-forward benefits of unused tax credits from excess MCIT over regular CIT and unused NOLCO, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carry-forward benefits of unused tax credits and unused tax losses can be utilized except:

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

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

DIT assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

19.23 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

19.24 Contingencies

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

19.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who allocates resources to and assesses the performance of the operating segments of the Company. The Group has determined its President as its chief operating decision maker.

The Company's business is recognized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets.

19.26 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprise, or between, and/or among the reporting enterprises and their key management personnel, directors, or their shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

19.27 Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. This did not impact the reported total assets, liabilities, equity and net income in the prior period.

19.28 Events after the end of reporting period

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

Note 20 - Supplementary information required by the Bureau of Internal Revenue (BIR)

The following supplementary information is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements.

20.1 Revenue Regulations (RR) No. 15-2010

(a) The Company registered as a percentage taxpayer.

The Company's other taxes and licenses as of March 31, 2023 and December 31, 2022 include the following:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Gross receipts tax (GRT)	429,195	8,395,474
Documentary stamp taxes (DST)	2,158,950	1,271,521
License and permit fees	376,482	1,764,632
	P2,964,627	P11,431,627

The above are lodged under "Taxes and Licenses" account in the Company's statement of total comprehensive income. As at March 31, 2023, accrued GRT and DST amounted to P2,158,948 and P327,375, respectively. On the other hand, as at December 31, 2022, accrued GRT and DST amounted to P2,461,902 and P61,625, respectively.

(b) Withholding taxes

Withholding taxes incurred and accrued as of March 31, 2023 and ended December 31, 2022 are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Creditable withholding taxes	-	11,847
Expanded withholding taxes	761,621	5,207,037
	P761,621	P5,218,884

(c) Tax examinations/Tax cases

There are no tax cases nor litigation and/or prosecution in courts or bodies outside the BIR during the year ended December 31, 2022.

20.2 RR No. 34-2020

On December 18, 2020, BIR issued RR NO. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR provides the list of taxpayers that are required to file and submit the Related Party Transaction Form, together with the Annual Income Tax Return.

The Company is not covered by the requirements and procedures for related party transactions provided under this RR as it does not meet any criteria of taxpayers prescribed in Section 2 of the RR.

REPUBLIC OF THE PHILIPPINES)
San Juan City, M.M.) S.S.

CERTIFICATION


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

1. I am the duly elected and incumbent Corporate Secretary of Makati Finance Corporation.
2. I hereby certify that, to the best of my knowledge, none of the 2023 nominees for the Board of Directors of Makati Finance Corporation named below currently works with the Philippine government, or any of its departments, agencies, branches or other offices:

MAX O. BORROMELO
MAXCY FRANCISCO JOSE R. BORROMELO
JOEL S. FERRER
ERIC B. BENITEZ
JOSE DANIEL R. BORROMELO
IRINEO A. CASES, JR.
ALAN MICHAEL R. CRUZ
VINCENT EE
ASTERIO L. FAVIS JR.
ROBERT CHARLES M. LEHMANN
CRISTINO L. PANLILIO


3. This certification is being issued as part of the disclosure requirements of the Securities and Exchange Commission.


DANILO ENRIQUE O. CO
Affiant

SUBSCRIBED AND SWORN to before me this 13 JUN 2023 at **San Juan City, M.M.** affiant personally appeared before me and exhibited his Competent Evidence of Identity consisting of Passport No.  issued at DFA Manila valid until 29 June 2031.

Doc No. 198 ;
Page No. 41 ;
Book No. II ;
Series of 2023.

MFC-CERT GOV 2023 [nina]


REINERR JOHN A. NUESTRO
Notary Public - San Juan City, Pasig City, and
Municipality of Pateros
Appointment No. 15 (14 Feb. 2022 to 31 Dec. 2023)
Roll of Attorneys No. 71401
PTR No. 1673695; 6-Jan.- 2023; San Juan City
IBP Member No. 272111; 5-Jan.-2023; Quezon City
MCLE Compliance No. VII-0015574; valid until 14 April 2025
TIN 428-456-670
Unit 1105 Atlanta Centre, 31 Annapolis St.
Greenhills, San Juan City, Metro Manila

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MR. ALAN MICHAEL R. CRUZ**, Filipino, of legal age and a resident of address at No. 410 Madrigal Avenue, Ayala Alabang, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Makati Finance Corporation ("MFIN")** and have been its independent director since July 27, 2017.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
MERG REALTY AND DEV CORP.	Consultant	March 2021 to present
NORTHPINE LAND INC.	President and General Mgr.	June 2011 – Dec.2016
SAN MIGUEL PROPERTIES, INC.	Real Estate Development Mgr.	March 2007 – June 2011
UNITED COCONUT PLANTERS BANK (UCPB)	VP and Division Head, Corporate Service Division	2004 – 2007
UNITED COCONUT PLANTERS BANK (UCPB)	VP and OIC, Asset Management Division	2000 – 2003
BELLE CORPORATION	Asst. VP--Construction Division	1995 – 2000
KREUZ MANAGEMENT	Assistant Vice President	1988 – 1994
A.R. CRUZ & PARTNERS	Managing Director	1989 – 1995
WEISBERG, CASTRO & ASSOCIATES, NEW YORK, USA	Project Architect	1988 – 1989
BRENNAN BEER GORMAN ARCHITECTS, NEW YORK,USA	Designer	1986 – 1988

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Makati Finance Corporation**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director/officer/substantial shareholder of **Makati Finance Corporation** and its subsidiaries and affiliates other than the relationship provided under Rule 33.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **Makati Finance Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 9th day of June 2023 at Makati City, Philippines.

[Redacted Signature]

ALAN MICHAEL R. CRUZ

Affiant
at **MAKATI CITY** affiant

SUBSCRIBED AND SWORN to before me this 09 JUN 2023 day of _____ personally appeared before me and exhibited his Tax Identification Number [Redacted]

Doc No. 513
Page No. 104
Book No. 271
Series of 2023

ATTY. RENEATA M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 0143-2023; Makati City
IBP Lifetime No. 013596; 02-27-2013; I.C.
Roll No. 37226
MCLE Compliance No. VII-0024195; 11-15-2022
Ground Floor, Makati Terrace Condominium
2220 Ayala Ave., Makati, Philippines

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

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **MR. ASTERIO L. FAVIS, JR.**, Filipino, of legal age and a resident of address at No. 33 Yunchengco Drive, Pacific Malayan Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Makati Finance Corporation** ("MFIN").
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Favis Devt. and Management Corp	Treasurer / Director	1983 to present
Aspirations International, Inc.	Treasurer / Director	1995 to present
Philippine Business Bank	Independent Director	2021 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Makati Finance Corporation**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director/officer/substantial shareholder of **Makati Finance Corporation** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **Makati Finance Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 9th day of June 2023 at Makati City, Philippines.



ASTERIO L. FAVIS, JR.
Affiant

09 JUN 2023

MAKATI CITY

SUBSCRIBED AND SWORN to before me this ___ day of _____ at _____ affiant personally appeared before me and exhibited his Tax Identification Number _____

Doc No. 715
Page No. 104
Book No. XXI
Series of 2023

CITY. RENE MA. M. VILLA
Notary Public of Makati City
Appointment No. M-111

Unit December 31, 2024
PTR No. MKT 9865544: 01-03-2023; Makati City
IBP Lifetime No. 013595; 02-27-2013; I.C.
Roll No. 37226
MCLE Compliance No. VII-0024195; 11-15-2022
Ground Floor, Makati Terraces Condominium
3650 Davita St., Brgy. Tejeros, Makati City 1204

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **MR. IRINEO A. CASES, JR.**, Filipino, of legal age and a resident of address at No. 17 Paseo Quirico, Maria Luisa Park, Banilad, Cebu City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Makati Finance Corporation** ("MFIN").
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Cebcon Construcion Services	Business Manager	2022 - Present
Metrocredit Corp.	Managing Director	2016 - Present
Metrografix	President	2006 - Present
Consolacion Unicredit Corp.	President	2000 - Present
MT Link Asia	Director	2005-2011

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Makati Finance Corporation**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director/officer/substantial shareholder of **Makati Finance Corporation** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **Makati Finance Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 9th day of June 2023 at Makati City, Philippines.

[Redacted Signature]

IRINEO A. CASES, JR.
Affiant

09 JUN 2023

SUBSCRIBED AND SWORN to before me this ___ day of ___ at MAKATI CITY affiant personally appeared before me and exhibited his Tax Identification Number [Redacted]

Doc No. 514
Page No. 102
Book No. XXII
Series of 2023

MAKATI CITY
MA. M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 9865844: 01-03-2023; Makati City
I&P License No. 013595: 12-27-2013; I.C.
Roll No. 37226
MCLE Compliance No. VII-0024195: 11-18-2022
Ground Floor, Makati Terraces Condominium
3650 David St., Bldg. Tejeros, Makati City 1204



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

The management of **Makati Finance Corporation (the "Company")** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

MARCOS E. LAROSA
Chief Finance Officer

MAXCY FRANCISCO JOSE R. BORROMEIO
President

RENE B. BENITEZ
Chairman of the Board

Signed this 14th day of April 2023



Independent Auditor's Report

To the Board of Directors and Shareholders of
Makati Finance Corporation
3rd Floor Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Makati Finance Corporation (the "Company") as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The financial statements of the Company comprise:

- the statement of financial position as at December 31, 2022;
- the statement of total comprehensive income for the year ended December 31, 2022;
- the statement of changes in equity for the year ended December 31, 2022;
- the statement of cash flows for the year ended December 31, 2022; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics.

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph



Independent Auditor's Report
To the Board of Directors and Shareholders of
Makati Finance Corporation
Page 2

Other Matter

The financial statements of the Company as at December 31, 2021 and for the years ended December 31, 2021 and 2020 have been audited by another auditor, who expressed an unmodified opinion on those statements on April 8, 2022.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key Audit Matters

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
Makati Finance Corporation
Page 3

The key audit matter identified in our audit pertains to the impairment losses on loans and other receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p data-bbox="244 728 794 790">Impairment losses on loans and other receivables</p> <p data-bbox="244 822 815 1137">We focused on this account because of the significant judgments and estimation that management makes in ascertaining the provision for credit losses. As at December 31, 2022, the total allowance for impairment on loans and other receivables amounted to P140.51 million while the provision for credit losses recognized in profit or loss for the year then ended amounted to P18.84 million.</p> <p data-bbox="244 1169 775 1200">Refer to Note 3 in the financial statements.</p>	<p data-bbox="868 822 1485 884">Our work over the impairment losses of loans and other receivables included:</p> <ul data-bbox="868 891 1485 1368" style="list-style-type: none"><li data-bbox="868 891 1485 1043">• assessment of the methodology applied by the Company in the development of its expected credit loss (ECL) model vis-à-vis the requirements of PFRS 9, <i>Financial Instruments</i>;<li data-bbox="868 1050 1485 1202">• testing of data inputs and key assumptions in the ECL model such as the classification of credit exposures, age of the receivables, collection experience and existence of collateral, among others; and<li data-bbox="868 1209 1485 1368">• recalculation of the ECL allowance using the model adopted by the Company, including consideration of relevant forward looking information applicable to the Company's receivable portfolio.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A are expected to be made available to us after the date of this auditor's report.

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

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
Makati Finance Corporation
Page 4

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
Makati Finance Corporation
Page 5

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

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

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

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
Makati Finance Corporation
Page 6

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

Report on the Bureau of Internal Revenue (BIR) Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BIR Revenue Regulations Nos. 15-2010 and 34-2020 in Note 20 to the financial statements is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of management of the Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Ruth F. Blasco.

Isla Lipana & Co.



Ruth F. Blasco
Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 9, 2023, Makati City

SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024 financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements

TIN 235-725-236

BIR A.N. 08-000745-133-2020, issued on June 5, 2020; effective until June 4, 2023

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 14, 2023



Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Makati Finance Corporation
3rd Floor Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City

We have audited the financial statements of Makati Finance Corporation (the “Company”) as at and for the year ended December 31, 2022, on which we have rendered the attached report dated April 14, 2023. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration and the Map of the Group of Companies within which Makati Finance Corporation belongs as at December 31, 2022, as additional components required by Part I, Section 5 of the Revised SRC Rule 68, and Schedules A, B, C, D, E, F and G, as required by Part II of the Revised SRC Rule 68, is presented for the purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised SRC Rule 68.

Isla Lipana & Co.



Ruth F. Blasco

Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 9, 2023, Makati City

SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024 financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements

TIN 235-725-236

BIR A.N. 08-000745-133-2020, issued on June 5, 2020; effective until June 4, 2023

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 14, 2023

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph



Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Makati Finance Corporation
3rd Floor Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City

We have audited in accordance with Philippine Standards on Auditing the financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 2022, and have issued our report thereon dated April 14, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the year ended December 31, 2022 and no material exceptions were noted.

Isla Lipana & Co.

Ruth F. Blasco

Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 9, 2023, Makati City

SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024 financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements

TIN 235-725-236

BIR A.N. 08-000745-133-2020, issued on June 5, 2020; effective until June 4, 2023

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 14, 2023

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph

Makati Finance Corporation

Statement of Financial Position
December 31, 2022
(With comparative figures as at December 31, 2021)
(All amounts in Philippine Peso)

	Notes	2022	2021
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	34,051,506	73,115,778
Loans and other receivables, net	3	476,372,353	573,816,404
Other assets, net	4	108,457,610	118,870,441
Total current assets		618,881,469	765,802,623
Non-current assets			
Loans and other receivables, net	3	338,928,285	297,979,914
Property and equipment, net	5	6,276,492	8,598,163
Investment properties	6	90,801,000	63,128,241
Right-of use asset, net	16	18,730,644	32,311,216
Deferred tax assets, net	13	40,530,674	44,481,308
Total non-current assets		495,267,095	446,498,842
Total assets		1,114,148,564	1,212,301,465
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Notes payable	9	419,496,400	522,654,225
Accounts payable		40,392,497	35,722,757
Accrued expenses	8	20,587,598	22,831,211
Lease liabilities	16	6,493,544	6,611,667
Income tax payable	13	1,529,041	2,380,651
Total current liabilities		488,499,080	590,200,511
Non-current liabilities			
Notes payable	9	42,052,330	42,052,331
Lease liabilities	16	15,019,195	29,644,749
Retirement benefit obligation, net	14	5,478,727	7,912,942
Total non-current liabilities		62,550,252	79,610,022
Total liabilities		551,049,332	669,810,533
Equity			
Capital stock	10	269,283,709	267,828,098
Additional paid-in capital		5,803,922	5,803,922
Retained earnings		277,759,900	262,818,124
Remeasurement gain on retirement benefit obligation	16	10,251,701	6,040,788
Total equity		563,099,232	542,490,932
Total liabilities and equity		1,114,148,564	1,212,301,465

(The notes on pages 1 to 37 are an integral part of these financial statements.)

Makati Finance Corporation

Statement of Total Comprehensive Income
For the year ended December 31, 2022
(With comparative figures for the years ended December 31, 2021 and 2020)
(All amounts in Philippine Peso)

	Notes	2022	2021	2020
Interest income	2,3	158,979,539	174,717,502	164,100,975
Interest expense	9	(33,125,884)	(35,883,274)	(42,568,272)
		125,853,655	138,834,228	121,532,703
Other income				
Service charges	11	4,681,392	6,102,222	4,580,050
Miscellaneous	12	34,760,438	21,838,560	15,625,577
Total other income		39,441,830	27,940,782	20,205,627
Total operating income		165,295,485	166,775,010	141,738,330
Operating expenses				
Salaries and employee benefits		60,608,488	59,458,056	54,318,528
Provision for credit losses	3	18,840,356	16,318,563	14,649,739
Taxes and licenses		13,696,781	14,667,754	14,703,685
Occupancy costs		12,310,518	13,515,015	2,169,628
Depreciation and amortization	5	9,473,494	12,023,567	18,502,108
Travel and transportation		7,664,302	5,374,796	3,256,469
Management and professional fees		7,037,544	6,321,676	7,533,057
Commission		1,097,649	931,758	1,925,474
Provision for (reversal of) impairment loss of repossessed assets		377,146	927,711	(3,492,533)
Entertainment, amusement and recreation		375,368	260,209	302,238
Miscellaneous	12	10,407,838	11,979,309	10,298,341
Total operating expenses		141,889,484	141,778,414	124,166,734
Income before tax		23,406,001	24,996,596	17,571,596
Income tax expense	13	5,552,903	15,292,190	6,744,293
Net income		17,853,098	9,704,406	10,827,303
Other comprehensive income		4,210,913	3,144,085	(1,195,765)
Total comprehensive income for the year		22,064,011	12,848,491	9,631,538
Basic and diluted earnings per share	10	0.07	0.04	0.04

(The notes on pages 1 to 37 are an integral part of these financial statements.)

Makati Finance Corporation

Statement of Changes in Equity For the year ended December 31, 2022 (With comparative figures for the year ended December 31, 2021) (All amounts in Philippine Peso)

	Capital stock (Note 10)	Additional paid-in capital	Retained earnings	Remeasurement gain (loss) on retirement benefit obligation	Total equity
Balances at January 1, 2020	262,948,243	5,803,922	252,046,301	4,092,468	524,890,934
Transactions with owners					
Stock dividends	3,255,804	-	(3,255,804)	-	-
Cash dividends	-	-	(3,255,891)	-	(3,255,891)
Total transactions with owners	3,255,804	-	(6,511,695)	-	(3,255,891)
Comprehensive income					
Net income for the year	-	-	10,827,303	-	10,827,303
Other comprehensive loss	-	-	-	(1,195,765)	(1,195,765)
Total comprehensive income (loss)	-	-	10,827,303	(1,195,765)	9,631,538
Balances at January 1, 2021	226,204,047	5,803,922	256,361,909	2,896,703	531,266,581
Transactions with owners					
Stock dividends	1,624,051	-	(1,624,051)	-	-
Cash dividends	-	-	(1,624,140)	-	(1,624,140)
Total transactions with owners	1,624,051	-	(3,248,191)	-	(1,624,140)
Comprehensive income					
Net income for the year	-	-	9,704,406	-	9,704,406
Other comprehensive income	-	-	-	3,144,085	3,144,085
Total comprehensive income	-	-	9,704,406	3,144,085	12,848,491
Balances at December 31, 2021	267,828,098	5,803,922	262,818,124	6,040,788	542,490,932
Transactions with owners					
Stock dividends	1,455,611	-	(1,455,611)	-	-
Cash dividends	-	-	(1,455,711)	-	(1,455,711)
Total transactions with owners	1,455,611	-	(2,911,322)	-	(1,455,711)
Comprehensive income					
Net income for the year	-	-	17,853,098	-	17,853,098
Other comprehensive income	-	-	-	4,210,913	4,210,913
Total comprehensive income	-	-	17,853,098	4,210,913	22,064,011
Balances at December 31, 2022	269,283,709	5,803,922	277,759,900	10,251,701	563,099,232

(The notes on pages 1 to 37 are an integral part of these financial statements.)

Makati Finance Corporation

Statement of Cash Flows
For the year ended December 31, 2022
(With comparative figures for the year ended December 31, 2021 and 2020)
(All amounts in Philippine Peso)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		23,406,001	24,996,596	17,571,596
Adjustments for:				
Provision for credit losses on loans and other receivables	3	18,840,356	16,318,563	14,649,739
Depreciation and amortization	5,16	9,417,435	12,023,566	18,502,108
Fair value change in investment properties	6	(24,602,534)	(4,430,491)	-
Retirement benefits expense	14	3,180,335	3,527,986	2,894,024
Interest expense from lease liabilities	16	1,249,467	1,766,789	2,025,648
Provision for (reversal of) impairment loss of repossessed assets	4	377,146	927,711	(3,492,533)
Gain from sale of repossessed assets	4	(463,451)	(2,377,048)	(3,296,379)
Loss on sale of investment property		-	272,612	-
Provision for impairment loss of investment properties		-	-	915,951
Operating income before working capital changes		31,404,755	53,026,284	49,770,154
Decrease (increase) in:				
Loans and other receivables		37,655,324	110,970,271	11,216,730
Other assets		(67,361,622)	(99,412,877)	(50,249,505)
Increase (decrease) in:				
Accounts payable		4,669,740	16,510,663	(11,964,493)
Accrued expenses		(2,243,613)	(18,396,287)	9,829,968
Net cash flows provided by operating activities		4,124,584	62,698,054	8,602,854
Income taxes paid	13	(3,857,517)	(1,980,754)	(1,906,171)
Proceeds from sale of repossessed assets		77,887,488	77,353,188	48,830,590
Net cash from operating activities		78,154,555	138,070,488	55,527,273
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	5	(683,956)	(5,925,121)	(899,846)
Additions to software		(113,116)	(335,631)	(17,465)
Additions to investment properties	6	(3,070,225)	(2,230,309)	-
Net cash used in investing activities		(3,867,297)	(8,491,061)	(917,311)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of notes payable		219,516,745	144,434,268	206,074,736
Settlement of notes payable		(322,674,571)	(266,120,713)	(228,990,783)
Payment of lease liabilities	16	(8,737,993)	(7,941,968)	(16,375,478)
Cash dividends paid		(1,455,711)	(1,624,140)	(3,255,804)
Net cash from financing activities		(113,351,530)	(131,252,553)	(42,547,329)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS				
		(39,064,272)	(1,673,126)	12,062,633
Cash and cash equivalents				
January 1		73,115,778	74,788,904	62,726,271
December 31		34,051,506	73,115,778	74,788,904

(The notes on pages 1 to 37 are an integral part of these financial statements.)

Makati Finance Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2022

(With comparative figures and notes as at December 31, 2021 and for the years ended December 31, 2021 and 2020)

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

Makati Finance Corporation (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 17, 1966. The Company is a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market.

The Company is considered a public company under Rule 3.1 of Implementing Rules and Regulations of the Securities Regulation Code (SRC), which, among others, defines a public company as any corporation with a class of equity securities listed on an exchange, or with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities.

On March 11, 2022, the Board of Directors (BOD) and shareholders approved the offer of up to 19,560,000 shares from the Company’s unissued common shares through initial common public offering (IPO). The application for the IPO of the Company was approved by the SEC and the Philippine Stock Exchange (PSE) on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of P1.38 per share.

As at December 31, 2022, the Company’s closing price at the PSE amounts to P2.35 per share (2021 - P2.50 per share).

Amalgamated Investment Bancorporation (AIB) (the “Parent Company”) owns 42.89% of the Company as at December 31, 2022 and 2021.

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

The Company has 156 employees as at December 31, 2022 (2021 - 184).

Approval of the financial statements

These financial statements have been approved and authorized for issuance by the Company’s BOD on April 14, 2023.

Note 2 - Cash and cash equivalents

This account consists of:

	2022	2021
Cash on hand	650,871	811,958
Cash in banks	33,400,635	56,616,646
Cash equivalents	-	15,687,174
	34,051,506	73,115,778

Cash in banks earn interest at the prevailing bank deposit rates which range from 0.05% to 0.15% (2021 - 0.05% to 0.13%). In 2022, interest income on cash in banks amount to P31,283 (2021 - P50,003; 2020 - P52,686).

Cash equivalents include short-term placements with MAPI Lending investors, Inc. and HMW Lending Investors, Inc. at 10.5% and 8.5% interest rates, respectively, and with maturities ranging from 30 to 120 days. Cash equivalents as at December 31, 2021 fully matured in 2022.

Note 3 - Loans and other receivables, net

The account as at December 31 consist of:

	2022	2021
Consumer Services	1,031,311,381	1,081,544,549
Other receivables	266,927,819	319,050,230
	13,085,453	12,092,865
	1,311,324,653	1,412,687,644
Unearned interest discount	(355,513,027)	(411,237,406)
Allowance for expected credit loss (ECL)	(140,510,988)	(129,653,920)
	815,300,638	871,796,318

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

	2022	2021
Motorcycle financing	436,806,686	455,131,617
Business loans	525,983,849	500,614,501
Rx cash line	179,098,116	184,527,827
Car loans	73,851,287	110,717,136
Receivables purchased	3,057,353	63,452,340
Corporate salary loans	5,467,779	7,693,502
	1,224,265,070	1,322,136,923
Personal loans	31,624,014	28,650,462
Pension loans	14,884,222	14,349,231
Leisure bike loans	14,588,482	13,778,336
Accrued interest receivable	5,918,804	11,248,012
Housing loans	6,958,608	10,431,815
Due from affiliates	554,143	101,007
Sales contract receivable	-	168,200
Miscellaneous receivables	12,531,310	11,823,658
	1,311,324,653	1,412,687,644

Miscellaneous receivables pertain to receivables from employees and other related and non-related parties.

Interest rates on loans and other receivables for the year ended December 31, 2022 range from 1.2% to 3.0% (2021 and 2020 - 1.2% to 2.6%) add-on rate per month plus gross receipts tax. For the year ended December 31, 2022, interest income earned on loans receivables amounts to P158.95 million (2021 - P174.67 million; 2020 - P164.04 million).

Certain motorcycle financing receivables amounting to P175.52 million (2021 - P275.66 million) were used as collateral on notes payable to banks (see Note 9).

The following table shows the breakdown of loans (gross of allowance for ECL) as to collateral as at December 31:

	2022	%	2021	%
Secured loans				
Chattel mortgage	383,569,862	40.13%	434,680,837	43.41%
Real estate mortgage	177,231,108	18.54%	176,122,611	17.59%
Other collaterals	31,272,185	3.27%	91,755,707	9.16%
Total secured	592,073,155	61.94%	702,559,155	70.16%
Unsecured	363,738,471	38.06%	298,891,083	29.84%
	955,811,626	100.00%	1,001,450,238	100.00%

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

Movements in allowance for ECL follow:

	December 31, 2022			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	109,621,244	15,566,961	4,465,715	129,653,920
Provision during the year	14,530,224	4,310,132	-	18,840,356
Write-off during the year	(7,983,288)	-	-	(7,983,288)
At December 31	116,168,180	19,877,093	4,465,715	140,510,988

	December 31, 2021			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	120,817,037	13,040,129	4,465,715	138,322,881
Provision during the year	13,791,731	2,526,832	-	16,318,563
Write-off during the year	(24,987,524)	-	-	(24,987,524)
At December 31	109,621,244	15,566,961	4,465,715	129,653,920

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

Note 4 - Other assets, net

This account consists of:

	2022	2021
Repossessed assets, net	99,692,514	109,462,837
Prepaid expenses	3,569,794	5,543,471
Security deposits	4,733,792	3,373,292
Software costs	381,510	410,841
Financial asset at fair value through other comprehensive income (FVOCI)	80,000	80,000
	108,457,610	118,870,441

Repossessed assets pertain to motorcycle units that were repossessed from the Company's motorcycle financing business.

The movement in repossessed assets follow:

	2022	2021
Cost		
At January 1	150,809,469	126,539,947
Additions	68,111,860	99,326,662
Disposals	(77,424,037)	(74,976,140)
At December 31	141,497,292	150,890,469
Allowance for impairment losses		
At January 1	41,427,632	40,499,921
Allowance for impairment during the year	377,146	927,711
At December 31	41,804,778	41,427,632
Carrying amount	99,692,514	109,462,837

Included in the statement of total comprehensive income are the gain from sale of repossessed assets amounting to P463,451 in 2022 (2021 - P2.38 million). Proceeds from sale amounted to P77.89 million in 2022 (2021 - P77.35 million).

The movement in software costs follow:

	2022	2021
Cost		
At January	6,362,100	6,031,682
Additions	113,116	335,631
Reclassification	-	(5,212)
At December 31	6,475,216	6,362,101
Accumulated amortization		
At January 1	5,951,260	5,517,670
Amortization for the year	142,445	438,802
Reclassification	-	(5,212)
Accumulated amortization	6,093,706	5,951,260
Carrying amount	381,510	410,841

Note 5 - Property and equipment, net

The movements in the account for the years ended December 31 are summarized below:

	2022			
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	19,185,516	10,861,636	10,408,455	40,455,607
Additions	683,957	-	-	683,956
At December 31	19,869,473	10,861,636	10,408,455	41,139,563
Accumulated depreciation				
At January 1	17,925,575	7,693,733	6,238,136	31,857,444
Depreciation	875,954	676,959	1,452,714	3,005,627
At December 31	18,801,529	8,370,692	7,690,850	34,863,071
Carrying amount	1,067,944	2,490,944	2,717,605	6,276,493

	2021			
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	18,300,572	7,476,839	10,003,075	35,780,486
Additions	884,944	3,384,797	1,655,380	5,925,121
Retirement	-	-	(1,250,000)	(1,250,000)
At December 31	19,185,516	10,861,636	10,408,455	40,455,607
Accumulated depreciation				
At January 1	16,622,596	6,871,744	5,295,928	28,790,268
Depreciation	1,302,979	821,989	1,942,208	4,067,176
Retirement	-	-	(1,000,000)	(1,000,000)
At December 31	17,925,575	7,693,733	6,238,136	31,857,444
Carrying amount	1,259,941	3,167,903	4,170,319	8,598,163

As at December 31, 2022, the Company has fully depreciated property and equipment that are still in use with original cost amounting to P25.68 million (2021 - P23.33 million).

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

Management believes that there are no indicators that the Company's property and equipment is impaired as at December 31, 2022 and 2021.

Note 6 - Investment properties, net

The movements in the account for the years ended December 31 are summarized below:

	2022	2021
Beginning of the year	63,128,241	61,240,053
Additions	3,070,225	2,230,309
Disposals	-	(4,772,612)
Fair value adjustment	24,602,534	4,430,491
	90,801,000	63,128,241

Investment properties consist of land and building amounting to P73,858,715 and P16,942,285, respectively (2021 - P46,012,956 and P17,115,285, respectively).

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. The fair value of the investment properties was determined by management and independent and professionally qualified appraiser on various dates in December 2022 and January 2023.

The fair value of the Company's investment properties was determined using the Market Approach, which is a comparative approach to value that considers sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. In general, a property being valued (a subject property) is compared with sales of similar properties that have been transacted in the market.

Direct operating expenses with regard to investment properties pertain to local property taxes amounting to P76,043 in 2022 (2021 - P76,043).

Note 7 - Segment information

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

Rx Cashline Group

The Rx Cashline Group grants loans tailored to medical professionals.

Business loans

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

MFC Factors Group

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

Motor Vehicles Financing Group

The MC Financing Group grants loans to motorcycle buyers.

Other segments

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

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

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

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

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

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

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

Financial information about operating segments follows:

	2022				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables	179,098,116	529,041,202	531,165,259	72,020,076	1,311,324,653
Results of operation					
Revenue					
Interest income	22,946,252	57,393,493	65,433,531	13,206,263	158,979,539
Other income	2,269,873	28,025,287	5,587,068	3,559,602	39,441,830
Total	25,216,125	85,418,780	71,020,599	16,765,865	198,421,369
Expenses					
Interest expense	4,524,267	13,364,316	13,417,973	1,819,328	33,125,884
Provision for losses	3,667,710	9,576,412	1,663,782	4,309,598	19,217,502
Operating expenses	10,650,563	38,673,084	66,792,325	6,556,010	122,671,982
	18,842,540	61,613,812	81,874,080	12,684,936	175,015,368
Net operating income (loss)	6,373,585	23,804,968	(10,853,481)	4,080,929	23,406,001
Income tax expense (benefit)	1,773,788	6,503,111	(4,397,730)	1,673,733	5,552,902
Net Income (loss)	4,559,797	17,301,857	(6,455,751)	2,407,196	17,853,099
Statement of Financial Position					
Total Assets	103,295,406	510,795,835	459,248,231	40,809,092	1,114,148,564
Total Liabilities	62,264,341	253,960,063	212,168,236	22,656,692	551,049,332
Other segment information					
Capital expenditures	578,303	1,446,460	1,649,089	332,830	4,006,682
Depreciation and amortization	1,392,032	3,481,771	3,969,519	801,158	9,644,480
	2021				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables	185,423,999	589,836,996	589,220,105	74,010,892	1,438,491,992
Results of operation					
Revenue					
Interest income	21,997,658	67,892,983	77,056,532	7,770,329	174,717,502
Other income	3,218,580	9,933,740	13,651,501	1,136,913	27,940,734
	25,216,238	77,826,723	90,708,033	8,907,242	202,658,236
Expenses					
Interest expense	4,517,853	13,943,781	15,825,779	1,595,861	35,883,274
Provision for losses	2,171,377	6,701,681	7,606,210	767,006	17,246,274
Operating expenses	11,365,248	35,933,418	69,374,072	5,482,354	122,155,092
	18,054,478	56,578,880	92,806,061	7,845,221	175,284,640
Net operating income (loss)	7,161,760	21,247,843	(2,098,028)	1,062,021	27,373,596
Income tax expense (benefit)	2,928,996	8,825,971	2,869,541	667,682	15,292,190
Net Income (loss)	4,232,764	12,421,872	(4,967,569)	394,339	12,081,406
Statement of Financial Position					
Total Assets	117,365,439	509,938,385	542,360,807	42,636,834	1,212,301,465
Total Liabilities	76,719,670	291,696,693	275,183,329	26,210,841	669,810,533
Other segment information					
Capital expenditures	1,069,060	3,299,518	3,744,855	377,628	8,491,061
Depreciation and amortization	1,513,817	4,672,204	5,302,814	534,732	12,023,567

	2020				Total
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	
Loans and other receivables	194,734,024	536,362,629	717,900,425	78,657,862	1,527,654,940
Results of operation					
Revenue					
Interest income	25,450,977	55,374,079	75,523,487	7,752,432	164,100,975
Other income	3,237,867	7,380,129	6,984,492	2,603,139	20,205,627
Total	28,688,844	62,754,208	82,507,979	10,355,571	184,306,602
Expenses					
Interest expense	6,697,000	14,570,765	19,872,746	1,427,761	42,568,272
Provision for losses	333,209	5,785,490	3,664,118	1,374,389	11,157,206
Operating expenses	11,586,741	25,352,543	70,504,270	5,565,974	113,009,528
Total	18,616,950	45,708,798	94,041,134	8,368,124	166,735,006
Net operating income (loss)	10,071,894	17,045,410	(11,533,155)	1,987,447	17,571,596
Income tax expense (benefit)	2,899,905	6,367,074	(3,018,367)	495,681	6,744,293
Net Income (loss)	7,171,989	10,678,336	(8,514,788)	1,491,766	10,827,303
Statement of Financial Position					
Total Assets	124,110,873	525,908,978	613,206,623	51,111,064	1,314,337,538
Total Liabilities	84,234,226	318,044,514	346,550,577	34,241,640	783,070,957
Other segment information					
Capital expenditures	114,705	315,938	422,870	46,333	899,846
Depreciation and amortization	1,990,160	7,514,280	8,187,778	809,890	18,502,108

Note 8 - Accrued expenses

This account consists of:

	2022	2021
Accrued rent	4,894,595	3,387,008
Accrued insurance payable	3,981,994	3,775,424
Accrued taxes	3,454,505	4,032,302
Accrued commissions and outside services	1,776,647	2,473,627
Accrued interest	1,283,054	1,498,494
Accrued administrative expenses	1,255,443	1,077,699
Accrued management and professional fees	737,677	883,514
Advances from customers	-	854,354
Others	3,203,683	4,848,789
	20,587,598	22,831,211

Others mainly include accrual on utilities and travel and transportation.

Note 9 - Notes payable

The account as at December 31 consists of:

	2022	2021
Notes payable to:		
Related parties	257,408,526	342,504,386
Banks	175,517,005	201,618,486
Individuals/corporate	28,623,199	20,583,684
	461,548,730	564,706,556

Interest rates on notes payable range from 5.50% to 8.75% in 2022 (2021 - 5% to 6%). Interest expenses on these notes payable amount to P31.47 million in 2022 (2021 - P34.12 million; 2020 - P40.54 million).

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

Notes payable to banks have a maturity of up to three (3) years. As at December 31, 2022 and 2021, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivables (with 50% to 85% loanable value) on per availment basis.

The following assets were used to secure the notes payable to banks availed by the Company (Note 3):

	2022		2021	
	Carrying amount	Secured notes	Carrying amount	Secured notes
Motorcycle financing receivables	227,613,885	175,517,005	P353,705,896	P275,657,204

Note 10 - Equity

On July 28 2022, the BOD and stockholders approved the declaration of 0.54% stock dividends in the amount of P1.46 million to stockholders of record as at August 26, 2022 with distribution date not later than September 21, 2022. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P1.46 million.

On July 29, 2021, the BOD and stockholders approved the declaration of 0.61% stock dividends in the amount of P1.62 million to stockholders of record as at August 26, 2021 with distribution date not later than September 21, 2021. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P1.62 million.

On July 29, 2020, the BOD and stockholders approved the declaration of 1.24% stock dividends in the amount of P3.26 million to stockholders of records as of August 27, 2020 with distribution date not later than September 22, 2020. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P3.26 million

As at December 31, 2022, the Company has 269,283,709 common shares issued and outstanding which are owned by 111 shareholders.

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

	2022		2021		2020	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
<i>Authorized - 300,000,000 shares; P1 par value</i>						
At January 1	267,828,098	267,828,098	266,204,047	266,204,047	262,948,243	262,948,243
Stock dividends	1,455,611	1,455,611	1,624,051	1,624,051	3,255,804	3,255,804
At December 31	269,283,709	269,283,709	267,828,098	267,828,098	266,204,047	266,204,047

Earnings per share

Earnings per share is calculated by dividing the net income by the weighted average number of outstanding common shares.

The information used in the computation of basic and diluted earnings per share for the years ended December 31 follow:

	2022	2021	2020
Net income for the year	17,853,098	9,704,406	10,827,303
Weighted average number of outstanding common shares	268,555,904	266,610,060	263,762,194
Basic and diluted earnings per share	0.07	0.04	0.04

Note 11 - Service charges

The account for the years ended December 31 consists of the following:

	2022	2021	2020
Processing fees	4,011,154	3,494,270	3,970,744
Late payment charges	661,681	2,592,064	607,312
Others	8,557	15,888	1,994
	4,681,392	6,102,222	4,580,050

Processing fees refer to charges that are deducted from the loan proceeds before they are disbursed to the borrower. This fee covers the cost of processing the loan application, including evaluating the borrower's creditworthiness, verifying their employment and income, and other administrative expenses.

Late payment charges, on the other hand, are fees that are assessed when a borrower fails to make a loan payment on time. These charges are designed to encourage timely payments and compensate the Company for the costs associated with processing and collecting late payments.

Note 12 - Miscellaneous

Miscellaneous income for the years ended December 31 consists of the following items:

	2022	2021	2020
Penalties	6,053,470	7,776,978	7,047,586
Fair value adjustment	24,602,534	4,430,491	-
Others	4,104,434	9,631,091	8,577,991
	34,760,438	21,838,560	15,625,577

Others mainly consist of gain on sale of motorcycle units.

Miscellaneous expenses for the years ended December 31 consist of the following items:

	2022	2021	2020
Communication	2,894,069	2,931,713	2,327,281
Stationaries and supplies	2,256,939	2,918,595	1,511,318
Others	5,256,830	6,129,001	6,459,742
	10,407,838	11,979,309	10,298,341

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

Note 13 - Income taxes

Current tax regulations provide that the regular corporate income tax rate applicable to the Company is 25%. The regulations also provide for minimum corporate income tax (MCIT) of 1% on modified gross income and allow net operating loss carry-over (NOLCO). The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of incurrence. Specifically, for taxable years 2021 and 2020, NOLCO can be carried forward for five years.

The following are the components of income tax expense for the years ended December 31:

	2022	2021	2020
Current	3,005,907	3,599,704	1,941,341
Deferred	2,546,996	11,692,486	4,802,952
	5,552,903	15,292,190	6,744,293

A reconciliation between the income tax expense at the statutory tax rate and income tax expense at effective tax rate follows:

	2022	2021	2020
Income before tax	23,406,001	24,996,641	17,571,596
Income tax benefit at statutory income tax rate (25%)	5,851,500	6,249,160	5,271,479
Adjustments for:			
Interest income subjected to final tax	(7,821)	(12,501)	(18,760)
Impact of PFRS 16	(290,776)	-	-
Effect of CREATE law	-	9,051,635	-
Non-deductible interest expense	-	3,896	7,738
Change in unrecognized DTA	-	-	1,483,836
Effective income tax expense	5,552,903	15,292,190	6,744,293

The components of the Company's deferred tax assets and liabilities as at December 31 are as follows:

	2022	2021
Deferred tax assets		
Allowance of repossessed assets write-down	35,069,198	10,356,908
Allowance for credit losses	10,451,194	32,354,931
Accrued expenses	1,685,388	1,685,388
Retirement expense	2,400,587	1,605,504
Impairment loss on investment properties	228,988	228,987
Past service costs	40,294	40,294
Others	1,216,006	1,216,006
	51,091,655	47,488,018
Deferred tax liabilities		
Remeasurement gain on defined benefit obligation	3,137,635	1,733,997
Fair value increase in investment properties	7,423,346	1,272,713
	10,560,981	3,006,710
	40,530,674	44,481,308

In addition, the current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses, allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of an entity engaged in the sale of services. EAR expenses amounted to P0.37 million and P0.26 million 2022 and 2021, respectively.

Below are the movements in income tax payable:

	2022	2021
Balance, January 1	2,380,651	761,701
Provision for income tax - current	3,005,907	4,085,039
Income tax paid during the year	(3,857,517)	(1,980,754)
Effect of CREATE law	-	(485,335)
Balance, December 31	1,529,041	2,380,651

Movements in net deferred income tax (DIT) assets are summarized as follows:

	2022	2021
Beginning of the year	44,481,308	57,221,822
Amounts charged to profit or loss	(2,546,996)	(11,692,486)
Amounts charged to other comprehensive income	(1,403,638)	(1,048,028)
End of the year	40,530,674	44,481,308

Note 14 - Retirement benefits

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

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

Net benefit cost is included in the Company's profit or loss under 'Salaries and employee benefits'

Details of the retirement benefit obligation recognized in the statement of financial position as at December 31 are as follows:

	2022	2021
Present value of benefit obligation	12,587,051	15,085,059
Fair value of plan assets	(7,108,324)	(7,172,117)
Retirement benefit obligation	5,478,727	7,912,942

Details of the retirement benefit expense recognized in profit or loss for the years ended December 31 are as follows:

	2022	2021
Current service cost	2,778,358	3,189,191
Net interest cost	401,977	338,795
	3,180,335	3,527,986

The movements in the present value of retirement benefit obligation are as follows:

	2022	2021
At beginning of year	15,085,059	15,768,727
Current service cost	2,778,358	3,189,191
Interest cost	766,321	622,865
Remeasurements		
Gain from changes in financial assumptions	(5,264,281)	(3,253,172)
Gain from experience adjustments	(778,406)	(1,237,083)
Gain from changes in demographic assumptions	-	(5,469)
At end of year	12,587,051	15,085,059

The movements in the fair value of plan assets are as follows:

	2022	2021
At beginning of year	7,172,116	7,191,657
Interest income	364,344	284,070
Benefits paid	(428,137)	(303,611)
At end of year	7,108,324	7,172,116

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

	2022	2021
Cash and cash equivalents	3,793,982	3,358,918
Financial assets at fair value through profit or loss - fixed income	3,313,473	3,793,308
Accrued other receivables	869	19,891
	7,108,324	7,172,117

The principal assumptions used in determining the retirement benefit obligation as at December 31 are as follows:

	2022	2021
Discount rate	7.36%	5.08%
Future salary increases	5%	5%
Average remaining working life (in years)	24.7	25.6

Discount rate sensitivity

The following illustrates the sensitivity to a reasonably possible change in each key assumption, with all other variable held constant, of the Company's retirement benefit obligation. The sensitivity analysis is prepared assuming the fair value of asset does not vary during the period and the methods and assumptions are the same in prior years. A 100 bps increase, or decrease is used when reporting this risk internally to key management personnel and represents management's assessment of the reasonably possible change in discount rate and salary increase. The impact on the Company's retirement benefit obligation follows:

	Change in basis points	Impact on retirement benefit obligation	
		Increase in assumption	Decrease in assumption
December 31, 2022			
Discount rate	100 basis points	(1,662,537)	2,016,802
Salary growth rate	100 basis points	2,045,350	(1,711,189)
December 31, 2021			
Discount rate	100 basis points	(2,290,874)	2,836,751
Salary growth rate	100 basis points	2,809,381	(2,312,239)

There are no expected contributions to the plan for the year ending December 31, 2023.

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

Note 15 - Related party transaction

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

Category/Transaction	Ref	2022			2021			2020		
		Amount of Transaction	Outstanding Balances		Amount of Transaction	Outstanding Balances		Amount of Transactions	Outstanding Balances	
			Due from related parties	Due to related parties		Due from related parties	Due to related parties		Due from related parties	Due to related parties
<i>Parent Company</i>										
Miscellaneous receivables	A	-	80,514	-	-	80,514	-	-	80,514	-
Notes payable	B	-	-	191,100,000	-	-	267,600,000	-	-	338,600,000
Availments		16,000,000	-	-	-	-	-	24,500,000	-	-
Settlements		92,500,000	-	-	-	-	-	70,900,000	-	-
Interest expense		13,725,831	-	83,855	16,145,583	-	822,018	20,189,293	-	2,598,976
<i>Entities under common control</i>										
<i>Motor Ace Philippines, Inc.</i>										
Loans Receivable	A	-	2,952,145	-	-	-	-	-	-	-
Availments		4,595,808	-	-	-	-	-	-	-	-
Settlements		1,288,776	-	-	-	-	-	-	-	-
Miscellaneous receivables	A	-	342,254	-	-	307,804	-	-	240,184	-
Availments		77,350	-	-	189,543	-	-	174,490	-	-
Settlements		42,900	-	-	121,922	-	-	88,200	-	-
<i>Forward</i>										

Category/Transaction	Ref	2022			2021			2020		
		Amount of Transaction	Outstanding Balances		Amount of Transaction	Outstanding Balances		Amount of Transaction	Outstanding Balances	
			Due from related parties	Due to related parties		Due from related parties	Due to related parties			
Accounts payable	D	-	-	14,456,450	-	-	13,849,458	-	-	15,194,978
Availments		71,576,002	-	-	73,871,039	-	-	54,444,011	-	-
Settlements		70,969,009	-	-	75,216,559	-	-	51,426,833	-	-
<i>MAPI Lending Investors, Inc.</i>										
Miscellaneous receivables	A	-	2,229,436	-	1,877,428	-	-	-	2,725,083	-
Availments		1,157,245	-	-	745,819	-	-	343,204	-	-
Settlements		16,492,411	-	-	1,593,475	-	-	554,450	-	-
Accounts payable	D	-	-	78,640	-	-	75,372	-	-	75,372
Availments		3,268	-	-	29,722	-	-	23,191	-	-
Settlements		-	-	-	29,722	-	-	-	-	-
Short term placements	C	-	-	-	15,687,174	-	-	-	25,711,228	-
Availments		611,209	-	-	1,576,792	-	-	2,294,972	-	-
Settlements		16,298,384	-	-	11,600,846	-	-	154,129	-	-
Interest income		1,216,597	-	-	-	-	-	-	-	-
<i>HMW Lending Investors, Inc.</i>										
Loans Receivable	A	-	5,840,453	-	-	-	-	-	-	-
Availments		-	-	-	-	-	-	-	-	-
Settlements		2,725,970	-	-	-	-	-	-	-	-
<i>Honda Motor World, Inc.</i>										
Loans Receivable	A	-	1,269,809	-	-	-	-	-	-	-
Availments		-	-	-	-	-	-	-	-	-
Settlements		739,583	-	-	-	-	-	-	-	-
Miscellaneous receivables	A	-	170,673	-	132,598	-	-	-	106,017	-
Availments		64,325	-	-	109,036	-	-	125,228	-	-
Settlements		26,250	-	-	82,455	-	-	63,753	-	-
Accounts payable	D	-	-	2,923,459	-	-	1,864,681	-	-	1,839,777
Availments		26,019,931	-	-	23,949,667	-	-	16,571,009	-	-
Settlements		24,961,153	-	-	23,924,764	-	-	16,958,716	-	-
<i>Pikeville Bancshares</i>										
Professional fees		1,193,920	-	275,520	1,193,920	-	-	1,193,920	-	156,128
<i>MERG Realty Development Corp.</i>										
Miscellaneous receivables	A	-	18,057	-	18,057	-	-	-	18,057	-
Availments		-	-	-	-	-	-	-	-	-
Settlements		-	-	-	-	-	-	-	-	-

Forward

Category/Transaction	Ref	2022			2021			2020		
		Amount of Transaction	Outstanding Balances		Amount of Transaction	Outstanding Balances		Amount of Transaction	Outstanding Balances	
			Due from related parties	Due to related parties		Due from related parties	Due to related parties		Due from related parties	Due to related parties
Notes payable	B	-	-	32,819,218	-	-	31,334,008	-	-	29,916,009
Availments		1,485,210	-	-	1,417,998	-	-	1,357,368	-	-
Settlements		-	-	-	-	-	-	-	-	-
Interest expense		1,747,306	-	-	1,668,233	-	-	1,596,904	-	-
<i>Directors and other stockholders</i>										
Notes payable	B	-	-	14,985,086	-	-	-	-	-	34,919,791
Availments		4,565,890	-	-	4,687,646	-	-	13,417,368	-	-
Settlements		11,873,090	-	-	132,000	-	-	8,166,310	-	-
Interest expense		919,964	-	-	1,099,070	-	-	1,880,705	-	8,403
Professional and other management fees		-	-	2,466,407	-	-	-	3,333,611	-	-
TOTAL			12,903,341	259,188,635		388,318	338,258,880		28,881,083	423,309,434

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

- A. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 3).
- B. As at December 31, 2022 and 2021, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P257.41 million and P342.50 million. Interest expense from these borrowings amounted to P31.47 million and P34.12 million in 2022 and 2021, respectively (Note 9).
- C. The Company had short-term placements amounting to P15.69 million in 2021 at 8.5% interest rate with maturities ranging from 30 to 120 days. Short-term placements as at December 31, 2021 fully matured in 2022. (see Note 2).
- D. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

Note 16 - Leases

The Company as Lessee

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

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

Total rent expense for short term leases included under 'Occupancy cost' account in the statement of total comprehensive income incurred in 2022 and 2021 amounts to P8.62 million and P11 million, respectively.

Security deposits arising from these lease agreements amount to P4.73 million and P3.37 million as at December 31, 2022 and 2021, respectively (Note 4).

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

	2022	2021
Less than one year	7,395,583	10,290,321
Between one and five years	17,345,473	32,791,150
	24,741,056	43,081,471

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

	2022	2021
As at January 1	36,256,416	26,899,594
Additions	1,933,757	15,532,001
Lease modification	(9,188,908)	-
Interest expense	1,249,467	1,766,789
Payments	(8,737,993)	(7,941,968)
As at December 31	21,512,739	36,256,416

Right-of-use assets

	2022	2021
Balance at January 1	32,311,216	23,636,443
Additions	1,933,756	15,532,001
Lease modification	(9,102,520)	-
Depreciation of right-of-use assets	(6,411,808)	(6,857,228)
Balance at December 31	18,730,644	32,311,216

Note 17 - Critical accounting estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's evaluation of relevant facts, historical experience and other factors, including expectations of future events, that are believed to be reasonable as at reporting date. The resulting accounting estimates and judgments will, by definition, seldom equal the related actual results.

The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting estimates

Allowance for ECL of loans and other receivables (Note 3)

The Company applies the requirements of PFRS 9 approach in determining the recoverable amount of its loans and other receivables based on the ECL of the Company's portfolio. An evaluation of receivables designed to identify potential charges to the provision is performed on a continuous basis throughout the year. The carrying value of loans and other receivables at the end of each reporting period and the amount and timing of recorded provision could differ based on actual experience and changes in assumptions made.

The carrying balance of loans and other receivables as at December 31, 2022 amounts to P815,300,638 (2021 - P871,796,318), net of allowance for ECL of P140,510,988 (2021 - P129,653,920).

Estimated useful life of property and equipment (Note 5)

The useful life of each of the Company's property and equipment is estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

The Company considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimated useful life of property and equipment.

The carrying value of the Company's property and equipment, net as at December 31, 2022 amounts to P6,276,492 (2021 - P8,598,163).

Valuation of investment properties held at fair value (Note 6)

The Company makes estimates in respect of the fair value of investment properties. The fair values of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing as at reporting date, using generally accepted market practices. The assumptions underlying the estimated fair values are those relating to discount rates that reflect current market conditions and current or recent property investment prices. The investment property valuations have been prepared based on the information that is available.

Fair value of investment properties as at December 31, 2022 amount to P90,801,000 (2021 - P63,128,241).

Estimation of retirement benefit obligation (Note 14)

The determination of retirement benefit obligation is dependent on the selection of certain assumptions used by the Company in calculating such amounts. Those assumptions include the determination of discount rate and future salary increases, among others. Due to the long-term nature of the retirement plan, such judgments are subject to significant uncertainty. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are appropriate for the term of the liability of the plan.

While the Company believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and the related obligation. The possible effects of sensitivities surrounding the actuarial assumptions of the Company at the reporting date are disclosed in Note 14.

Determining the incremental borrowing rates (Note 16)

The Company's incremental borrowing rates applied to its lease liabilities arising from the lease contracts entered in 2022 was 6.86%. The rate was determined in reference to the prevailing bank lending rates that are reflective of the Company's own credit risk taking into consideration the nature of the leased asset and other terms and conditions of the lease contracts.

Critical accounting judgments

Impairment of property and equipment (Note 5)

The Company assesses impairment of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of property and equipment and the amount and timing of recorded provision for any period.

As at December 31, 2022 and 2021, management believes that there are no indications of impairment or changes in circumstances indicating that the carrying value of the Company's property and equipment may not be recoverable.

Impairment of investment properties (Note 6)

The Company assesses whether there are any indicators of impairment on its investment properties at the end of each reporting period. Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable.

As at December 31, 2022, the Company did not recognize any additional impairment loss on its investment properties in the absence of any indicators of impairment.

Recoverability of DIT assets (Note 13)

The Company reviews its DIT assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the DIT asset to be utilized. Significant management judgment is required to determine the amount of DIT assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Company will utilize all or part of its DIT assets. Any DIT asset will be re-measured if it might result to derecognition in cases where the expected tax law to be enacted will impose a possible risk on its realization.

Based on management's assessment, the amount of DIT assets recognized as at December 31, 2022 and 2021 is fully recoverable and realizable.

Determining the lease term (Note 16)

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease.

Note 18 - Financial risk and capital management

The Company's activities expose it to a variety of financial risks: liquidity risk, market risk and credit risk. Risk management is carried out through policies approved by the Company's management to minimize potential adverse effects of these risks on the Company's financial performance.

18.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company acknowledges that in order to be able to meet liabilities promptly and without losses, it is essential to effectively manage liquidity risk. In general, liquidity management is a matter of balancing cash flows within forward rolling time bands, so that under normal conditions, the Company is comfortably placed to meet all its payment obligations as they fall due.

The amounts disclosed in the table below are the expected undiscounted cash flows of financial instruments, including future interest as applicable, which the Company uses to manage the inherent liquidity risk as at December 31, 2022 and 2021.

	2022		
	Up to one year	Over one year	Total
Financial assets			
Cash and cash equivalents	34,051,506	-	34,051,506
Loans and other receivables	476,372,353	338,928,285	815,300,638
Security deposits	4,733,792	-	4,733,792
Financial assets at FVOCI	80,000	-	80,000
Total financial assets	515,237,651	338,928,285	854,165,936
Financial liabilities			
Notes payable	419,496,400	42,052,330	461,548,730
Accounts payable	40,392,497	-	40,392,497
Accrued expenses*	17,133,091	-	17,133,091
Lease liabilities	6,493,544	15,019,195	21,512,739
Total financial liabilities	483,515,532	57,071,525	540,587,057
Total maturity gap	31,722,119	281,856,760	313,578,879

*Excluding government payables

	2021		
	Up to one year	Over one year	Total
Financial assets			
Cash and cash equivalents	73,115,778	-	73,115,778
Loans and other receivables, net	862,444,313	576,056,679	1,438,500,992
Security deposits	3,731,292	-	3,731,292
Financial assets at FVOCI	80,000	-	80,000
Total financial assets	939,371,383	576,056,679	1,515,428,062
Financial liabilities			
Notes payable	522,654,225	42,052,331	564,706,556
Accounts payable	35,722,757	-	35,722,757
Accrued expenses*	18,798,909	-	18,798,909
Lease liabilities	6,611,667	29,644,749	36,256,416
Total financial liabilities	583,787,558	71,697,080	655,484,638
Total maturity gap	355,583,825	504,359,599	859,943,424

*Excluding government payables

The Company expects to generate sufficient cash flows from its operating activities. In addition, the Parent Company is determined to provide financial support and other assistance to the Company to continue its business operations and meet its financial obligations at least for the next twelve (12) months, if the need arises.

18.2 Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (foreign exchange risk) and market interest rates (fair value, cash flow interest rate risks and price risk).

Foreign exchange risk

The Company is not exposed to foreign exchange risk as it has no financial assets and liabilities denominated in a currency that is not the Company's functional currency.

Interest rate risk

Interest rate risk is the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Company's exposure to interest rate risk pertains to its notes payable which are repriced periodically, based on the prevailing market interest rates (Note 10). The Company follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

Price risk

The Company is not exposed to price risk as it does not have equity instruments and securities that are subject to price fluctuations.

18.3 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Significant changes in the economy, or financial condition of its counterparty, could result in losses that are different from those provided for at the reporting date. 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.

The maximum exposure to credit risk relates to the following financial assets as at December 31:

	2022	2021
Cash and cash equivalents	33,400,635	72,303,820
Loans and other receivables (gross of allowance for ECL)	955,811,626	1,001,450,238
Security deposits	4,733,792	3,373,492
	993,946,053	1,077,127,550

Cash and cash equivalents exclude cash on hand. To reduce the Company's credit risk, the Company only maintains cash in domestic universal banks with strong financial standing.

Credit applications go through a process of screening using the Company's credit standards to minimize risk. For certain loans receivables, the Company enters into collateral arrangements with counterparties to limit the duration of exposures. The Company's motorcycle financing business has the motorcycle itself as collateral in case the borrower defaults on its loan. Other receivables from customers are secured by real estate and other chattel properties.

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example of this is the medical professional market where most doctors are able to pay because of their higher disposable income.

Security deposits are made in connection with the lease arrangements (Note 16) with certain lessors.

18.4 Fair value determination

The table below summarizes the carrying amount and fair value of financial assets and liabilities at December 31:

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	34,051,506	34,051,506	73,115,778	73,115,778
Loans and other receivables, net	815,300,638	815,300,638	871,796,318	871,796,318
Security deposits	4,733,792	4,733,792	3,731,292	3,731,292
Financial assets at FVOCI	80,000	80,000	80,000	80,000
	854,165,936	854,165,936	948,723,388	948,723,388
Financial liabilities				
Notes payable	461,548,730	461,548,730	564,706,556	564,706,556
Accounts payable	40,392,498	40,392,498	35,722,757	35,722,757
Accrued expenses	20,587,596	20,587,596	22,831,211	22,831,211
Lease liabilities	21,512,739	21,512,739	36,256,416	36,256,416
	544,041,563	544,041,563	659,516,940	659,516,940

The Company uses Market approach in determining the fair values of its investment properties which uses observable inputs such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets. Appropriate adjustments are made to the valuations taking into consideration the specific circumstances of the properties. The fair values of the Company's investment properties as disclosed in Note 6 fall under Level 3 of the fair value hierarchy. The fair value is sensitive to the unobservable input of discount rate. Significant increase (decrease) in discount rate would result in a significantly lower (higher) fair value measurement.

The Company's financial assets at FVOCI are classified under Level 2 of the fair value hierarchy as at December 31, 2022 and 2021.

18.5 Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit liability. No changes were made in the objectives, policies or procedures in 2022.

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

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

For the years ended December 31, 2022 and 2021, the Company is compliant with the minimum capital requirements.

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

Note 19 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

19.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee and International Financial Reporting Interpretations Committee which have been approved by the Financial and Sustainability Reporting Standards Council (formerly known as the Financial Reporting Standards Council) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention.

The preparation of these financial statements in conformity with PFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving estimates and judgments are disclosed in Note 17.

These financial statements are presented in Philippine Peso, which is the Company's functional currency. The Company has no transactions denominated in foreign currency as at and for the years ended December 31, 2022 and 2021.

19.2 Changes in accounting policies and disclosures

(a) Amendments to existing standards adopted by the Company

The Company has adopted the following amendments to existing standards effective January 1, 2022:

- Amendment to PAS 16, *'Property, Plant and Equipment'*

The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling the items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- Amendment to PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'*

The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to PFRSs 2018-2020.

The following improvements were finalized in May 2020:

- i. PFRS 9, *'Financial Instruments'*, clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- ii. PFRS 16, *Leases*, includes amendment to remove the illustration of payments from the lessor relating to leasehold improvements to remove any confusion about the treatment of lease incentives.

(b) *Amendments to existing standards not yet adopted by the Company*

The following amendments to existing standards are not mandatory for the December 31, 2022 reporting period and have not been early adopted by the Company.

- Amendments to PAS 1, *Presentation of Financial Statements*

The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendment to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is a 'material accounting policy information' and explain how to identify when accounting policy information is material. It further clarifies that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendments to PAS 12, *Income Taxes*

The amendments require entities to recognize DIT on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional DIT assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize DIT assets (to the extent that it is probable that they can be utilized) and DIT liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the Company.

There are no other new standards, amendments to existing standard or interpretations effective subsequent to December 31, 2022 that are relevant or expected to have a material impact on the Company's financial statements.

19.3 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. The Company classifies all other assets and liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

19.4 Cash and cash equivalents

Cash in bank include non-interest bearing deposit which is subject to insignificant risk of changes in value.

19.5 Other assets

Other assets mainly consist of repossessed assets and prepaid expenses.

Repossessed assets are stated at cost less impairment in value. Repossessed assets are recognized initially at fair value. In determining the recoverability of the repossessed assets, management considers whether those assets are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale. Repossessed assets are derecognized upon sale and any resulting gain or loss is reflected in profit or loss.

Prepaid expenses are recognized in the event that payment has been made prior to the service being rendered to the Company and measured at nominal amounts. These are derecognized through amortization over a certain period of time.

Other assets are included in current assets, except when the related benefits are expected to be received longer than twelve (12) months after the reporting period, which are then classified as non-current assets.

19.6 Property and equipment, net

Property and equipment are recognized at cost upon initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the items. Following the initial recognition, all items of property and equipment are recorded at cost less accumulated depreciation and amortization and any provision for impairment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation on property and equipment is computed using the straight-line method to allocate its costs less their residual values over an estimated useful life of three years.

The expected useful lives of property and equipment are as follows:

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

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and the related accumulated depreciation and amortization and any impairment loss are removed in the statement of financial position. Any gains or losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

19.7 Investment properties

Investment properties primarily consist of foreclosed real estate properties. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including any borrowing costs, as applicable

Investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by management and independent valuation experts based on the "market approach". Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. In determining the carrying amount of investment property under the fair value model, the Company does not double-count assets or liabilities that are recognized as separate assets or liabilities.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15, '*Revenue from Contracts with Customers*'.

Transfers are made to (or from) investment property 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.

19.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial instrument in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

19.8.1 Financial assets

(a) Classification of financial assets

The Company classifies its financial assets in the following measurement categories: at fair value through profit or loss (FVTPL), at fair value through other comprehensive income and at amortized cost. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

The Company's financial assets as at December 31, 2022 and 2021 include those that are measured at amortized cost.

Financial assets at amortized cost

These are the Company's assets that are held for collection of contractual cash flows, which represent solely payments of principal and interest, and are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/losses. Impairment losses are presented as a separate line item in the statement of total comprehensive income.

Financial assets are included in current assets, except for maturities greater than 12 months after the reporting date which are presented as non-current assets. Financial assets measured at amortized cost comprise cash in bank, loans and other receivables, and security deposits.

(b) Initial recognition and subsequent measurement

Regular-way purchases and sales of financial assets are recognized on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets not carried at FVTPL are initially recognized at fair value plus transaction costs.

Financial assets are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment, if any.

(c) Impairment of financial assets carried at amortized cost

The Company assesses the ECL associated with its loans and other receivables measured and classified at amortized cost at each reporting date. The measurement of ECL reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events and current conditions. The Company has identified no macroeconomic variable that can be considered to materially affect the historical loss rates given the nature of its loan portfolio.

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

Definition of default and determination of significant increase in credit risk

The Company defines loans and receivables as in default when the borrower delays on its contractual payments beyond the grace period allowed. The Company compares the probability of default occurring over its expected life as at the reporting date with the probability of default occurring over its expected life on the date of initial recognition to determine if there is a significant increase in credit risk. Since comparison is made between information at reporting date against initial recognition, the deterioration in credit risk may be triggered by qualitative factors such as confirmation of the existence of the borrower, or adverse trends or developments in the market that may affect the borrower or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics affecting the loan portfolio that may lead to significant losses or may result in the collection of the outstanding loan amount to be highly improbable.

Staging assessment

For non-credit impaired financial assets:

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

For credit-impaired financial assets:

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

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

Measuring ECL

The ECL is measured on either a 12-month or a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

- The PD represents the likelihood that the borrower will default (as per “Definition of default” above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD).
- LGD represents the Company’s expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, if relevant. These assumptions vary on each loan product.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how collateral values change, are monitored and reviewed regularly.

There have been no significant changes in estimation techniques or significant assumptions made in 2022 and 2021.

(d) Impairment of financial assets carried at amortized cost

Financial assets are derecognized when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

19.8.2 Financial liabilities

The Company's financial liabilities are limited to those classified at amortized cost. There are no financial liabilities at FVTPL (including financial liabilities held for trading and those that are designated at fair value).

The Company's financial liabilities at amortized cost comprise of accounts payable, notes payable, accrued expenses (except for accrued taxes) and lease liabilities.

Financial liabilities at amortized cost are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities that are not carried at FVTPL are initially measured at fair value less transaction costs and subsequently measured at amortized cost using the effective interest rate method. They are included in current liabilities, except for maturities greater than twelve (12) months after the reporting date, which are classified as non-current liabilities.

Financial liabilities are derecognized when the obligation is settled, discharged, cancelled or has expired.

19.9 Notes payable

Notes payable are recognized initially at transactions price (i.e. the present value of cash payable to the creditors, including transaction costs). Notes payable are subsequently measured at amortized cost using the effective interest rate method.

19.10 Accounts payable and accrued expenses

Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

19.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or counterparty.

As at December 31, 2022 and 2021, there are no financial assets and liabilities that have been offset.

19.12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfil an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price within the bid-ask spread that is most representative of fair value is used. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Non-financial assets

The fair value of a non-financial asset is measured based on its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

19.13 Impairment of non-financial assets

The Company assesses at each end of the reporting period whether there is an indication that its non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The estimated recoverable amount of an asset is the greater of the asset's fair value less costs to sell and value-in-use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In 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. In determining the fair value less cost to sell, recent market transactions are taken into account. If no such transaction can be identified, an appropriate valuation model is used. Non-financial assets that are impaired are reviewed for possible reversal of impairment at each reporting date.

19.14 Capital stock; Additional paid-in capital

Capital stock represents the par value of shares that have been issued. Capital stock is recognized as issued when the stock is fully paid and is measured at par value. Additional paid-in capital represents the amount in excess of par value.

19.15 Retained earnings

Retained earnings represent the cumulative results of operations, any prior period adjustments or effect of changes in accounting policies and other capital adjustments, net of any dividend declaration.

19.16 Dividend distribution

The Company pays cash dividend as its cash position permits and retains that portion of earnings needed for future development projects and other business requirements. Stock dividends may also be declared as decided upon by the BOD.

Cash dividend distribution to the shareholders is recognized as a liability in the period in which the dividends are approved by the BOD.

19.17 Earnings per share (EPS)

Basic EPS is calculated by dividing net income for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is computed in the same manner as basic EPS; however, the net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

19.18 Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Interest income is recognized in profit or loss for all interest-bearing financial instrument using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

For credit-impaired financial assets, the effective interest rate is applied to the gross carrying amount less the allowance for expected credit loss.

Gain or loss on sale of repossessed assets

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

Other income

Other income is recognized when earned at a point in time, when the related services have been rendered and the right to receive payment is established.

19.19 Cost and expense recognition

Expenses are decreases in economic benefits during the reporting period in the form of outflows or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when these are incurred, while interest expense is accrued in the appropriate reporting period.

Operating expenses consist of costs associated with the execution of day-to-day operations of the Company. These are generally recognized when the expense arises.

19.20 Employee benefits and retirement benefit obligation

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and recognized as expense as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement benefit obligation (asset)

Pension benefits are provided to employees through a defined benefit plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. Plan assets comprise assets held by the retirement benefit plan which will be used to pay or fund employee benefits.

The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the defined benefit plan. The amount of defined benefit asset recognized in the books is reduced by the amount of asset ceiling.

Remeasurement gains or losses are charged or credited to equity in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. There are no termination benefits paid by the Company as at December 31, 2022 and 2021.

Benefits falling due more than twelve (12) months after the reporting period are discounted to present value.

19.21 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

i. Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the implicit borrowing rate in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company, where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

iii. Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

iv. Short-term leases

Payments associated with short-term leases are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

19.22 Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts 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 have been enacted or substantively enacted at the reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

DIT

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

DIT liabilities are recognized for all taxable temporary differences, except where the DIT liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

DIT assets are recognized for all deductible temporary differences, carry-forward benefits of unused tax credits from excess MCIT over regular CIT and unused NOLCO, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carry-forward benefits of unused tax credits and unused tax losses can be utilized except:

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

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

DIT assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

19.23 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

19.24 Contingencies

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

19.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who allocates resources to and assesses the performance of the operating segments of the Company. The Group has determined its President as its chief operating decision maker.

The Company's business is recognized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets.

19.26 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprise, or between, and/or among the reporting enterprises and their key management personnel, directors, or their shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

19.27 Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. This did not impact the reported total assets, liabilities, equity and net income in the prior period.

19.28 Events after the end of reporting period

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

Note 20 - Supplementary information required by the Bureau of Internal Revenue (BIR)

The following supplementary information is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements.

20.1 Revenue Regulations (RR) No. 15-2010

(a) The Company registered as a percentage taxpayer.

The Company's other taxes and licenses for the year ended December 31, 2022 include the following:

	Amount
Gross receipts tax (GRT)	8,395,474
Documentary stamp taxes (DST)	1,271,521
License and permit fees	1,764,632
	<u>11,431,627</u>

The above are lodged under "Taxes and Licenses" account in the Company's statement of total comprehensive income. As at December 31, 2022, accrued GRT and DST amounted to P2,461,902 and P61,625, respectively.

(b) Withholding taxes

Withholding taxes incurred and accrued for the year ended December 31, 2022 are as follows:

	Amount
Creditable withholding taxes	11,847
Expanded withholding taxes	5,207,037
	<u>5,218,884</u>

No withholding taxes were paid to the BIR for the year ended December 31, 2022.

(c) Tax examinations/Tax cases

There are no tax cases nor litigation and/or prosecution in courts or bodies outside the BIR during the year ended December 31, 2022.

20.2 RR No. 34-2020

On December 18, 2020, BIR issued RR No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR provides the list of taxpayers that are required to file and submit the Related Party Transaction Form, together with the Annual Income Tax Return.

The Company is not covered by the requirements and procedures for related party transactions provided under this RR as it does not meet any criteria of taxpayers prescribed in Section 2 of the RR.

EXHIBIT I

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2022**

Unappropriated Retained Earnings, available for dividends distribution - beginning as previously presented	P106,544,555
Add: Net income actually earned/realized during the year	
Net income during the period	17,853,098
Less: Dividends declared during the year	(2,911,322)
Fair value change in investment properties, net of tax	(18,451,901)
<hr/>	
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION	P 103,034,430

EXHIBIT II

SCHEDULE SHOWING FINANCIAL SOUNDNESS PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2022

	2022	2021
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	126.69%	129.75%
Debt to equity ratio	97.86%	55.25%
Quick ratio	104.49%	109.61%
Acid Test Ratio	104.49%	
PROFITABILITY RATIOS		
Return on assets	1.60%	0.80%
Return on equity	3.17%	1.79%
Net profit margin	10.80%	5.82%
ASSET TO EQUITY RATIO	197.86%	223.47%
INTEREST RATE COVERAGE RATIO	1.71	1.70

Computation for the Ratios:

- Current ratio = Current Assets/Current Liabilities
- Debt to Equity Ratio = Total Liabilities/Total Equity
- Quick Ratio = Quick Assets/Current Liabilities
- Return on Assets = Net Income After Tax/Total Assets
- Return on Equity = Net Income After Tax/Total Equity
- Net Profit Margin = Net Income After Tax/Total Income
- Asset to Equity Ratio = Total Assets/Total Equity
- Interest Rate Coverage Ratio = Earnings Before Interest and Taxes / Total Interest Expense

EXHIBIT III

**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-F
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2022**

	2022	2021
Ratio or percentage of total real estate investments to total assets	8.15%	5.21%
Total receivables to total assets	73.18%	71.19%
Total DOSRI receivables to net worth	2.31%	2.67%
Amount of receivables from a single corporation to total receivables:		
Amalgamated Investment Bancorporation	0.01%	0.01%
Motor Ace Philippines, Inc. (MAPI)	0.40%	0.47%
Honda Motor World, Inc. (HMWI)	0.18%	0.04%
HMW Lending Investors, Inc.	0.72%	0.91%
MAPI Lending Investors, Inc.	0.27%	0.22%

Schedule D. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in statement of financial position
Landbank / PN	₱126,618,883	₱84,566,553	₱42,052,330
SECURITY BANK/PN	54,999,603	54,999,603	—
BPI/PN	20,000,000	20,000,000	—

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

Name of related party	Balance at beginning of period	Balance at end of period
AIB	₱267,600,000	₱191,100,000
Directors and other stockholders	69,299,961	14,985,086

Schedule F. Guarantees of Securities of Other Issuers

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

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	76,529,806	76,529,806	—	76,529,806	—	—
COMMON	68,120,624	68,120,624	—	68,120,624	—	—
COMMON	59,705,368	59,705,368	—	40,752,554	—	18,952,814
COMMON	10,016,387	10,016,387	—	—	—	10,016,387
COMMON	9,522,387	9,522,387	—	9,522,387	—	—
COMMON	8,910,117	8,910,117	—	—	8,910,117	—
COMMON	7,509,958	7,509,958	—	—	7,509,958	—
COMMON	6,740,206	6,740,206	—	—	—	6,740,206
COMMON	6,417,388	6,417,388	—	—	—	6,417,388
COMMON	6,160,981	6,160,981	—	—	6,160,981	—
COMMON	2,712,670	2,712,670	—	—	2,712,670	—
COMMON	1,025,376	1,025,376	—	—	—	1,025,376
COMMON	799,595	799,595	—	—	—	799,595
COMMON	544,422	544,422	—	—	—	544,422
COMMON	523,736	523,736	—	—	—	523,736
COMMON	465,300	465,300	—	465,300	—	—
COMMON	320,832	320,832	—	—	—	320,832
COMMON	320,832	320,832	—	—	—	320,832
COMMON	320,832	320,832	—	—	—	320,832
COMMON	320,832	320,832	—	—	—	320,832
COMMON	320,832	320,832	—	—	320,832	—
COMMON	320,832	320,832	—	—	320,832	—
COMMON	320,832	320,832	—	—	—	320,832
COMMON	308,017	308,017	—	—	308,017	—
COMMON	193,723	193,723	—	—	—	193,723
COMMON	112,577	112,577	—	—	37,525	75,052
COMMON	89,559	89,559	—	—	—	89,559
COMMON	36,399	36,399	—	—	—	36,399
COMMON	26,727	26,727	—	—	—	26,727

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	26,727	26,727	—	—	—	26,727
COMMON	26,727	26,727	—	—	—	26,727
COMMON	26,727	26,727	—	—	—	26,727
COMMON	26,727	26,727	—	—	—	26,727
COMMON	26,727	26,727	—	—	—	26,727
COMMON	26,727	26,727	—	—	—	26,727
COMMON	26,727	26,727	—	—	—	26,727
COMMON	26,727	26,727	—	—	—	26,727
COMMON	26,727	26,727	—	—	—	26,727
COMMON	26,726	26,726	—	—	—	26,726
COMMON	25,310	25,310	—	—	8,437	16,873
COMMON	24,888	24,888	—	—	—	24,888
COMMON	21,644	21,644	—	—	—	21,644
COMMON	21,169	21,169	—	—	—	21,169
COMMON	20,453	20,453	—	—	—	20,453
COMMON	19,107	19,107	—	—	—	19,107
COMMON	18,547	18,547	—	—	—	18,547
COMMON	17,384	17,384	—	—	17,384	—
COMMON	10,618	10,618	—	—	—	10,618
COMMON	9,076	9,076	—	—	—	9,076
COMMON	7,740	7,740	—	—	—	7,740
COMMON	7,728	7,728	—	—	—	7,728
COMMON	7,702	7,702	—	—	—	7,702
COMMON	7,617	7,617	—	—	—	7,617
COMMON	5,943	5,943	—	—	—	5,943
COMMON	2,940	2,940	—	—	—	2,940
COMMON	2,525	2,525	—	—	—	2,525
COMMON	2,525	2,525	—	—	2,525	—
COMMON	2,525	2,525	—	—	—	2,525

Schedule G. Capital Stock

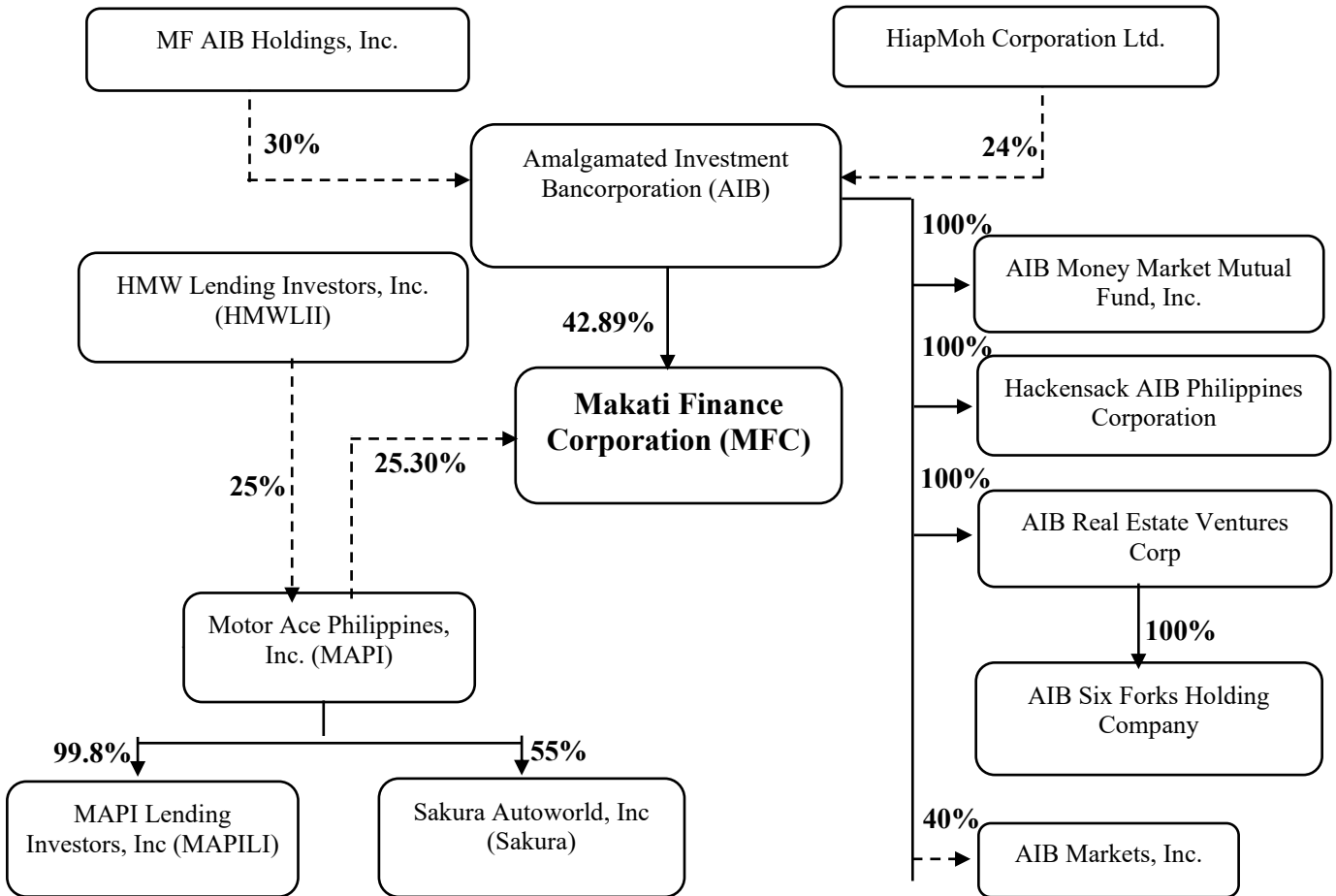
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	2,525	2,525	—	—	—	2,525
COMMON	2,525	2,525	—	—	—	2,525
COMMON	2,525	2,525	—	—	—	2,525
COMMON	2,525	2,525	—	—	—	2,525
COMMON	2,525	2,525	—	—	2,525	—
COMMON	2,525	2,525	—	—	—	2,525
COMMON	2,525	2,525	—	—	—	2,525
COMMON	2,525	2,525	—	—	—	2,525
COMMON	2,525	2,525	—	—	—	2,525
COMMON	2,524	2,524	—	—	2,524	—
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	2,524	—
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	2,524	2,524	—	—	—	2,524
COMMON	1,613	1,613	—	—	—	1,613
COMMON	1,400	1,400	—	—	—	1,400
COMMON	1,203	1,203	—	—	—	1,203
COMMON	1047	1047	—	—	—	1047
COMMON	798	798	—	—	—	798
COMMON	542	542	—	—	—	542
COMMON	416	416	—	—	—	416

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	286	286	—	—	—	286
COMMON	222	222	—	—	—	222
COMMON	114	114	—	—	—	114
COMMON	114	114	—	—	—	114
COMMON	114	114	—	—	—	114
COMMON	114	114	—	—	—	114
COMMON	73	73	—	—	—	73
COMMON	34	34	—	—	—	34
COMMON	34	34	—	—	—	34
COMMON	34	34	—	—	—	34
COMMON	34	34	—	—	—	34
COMMON	34	34	—	—	—	34
COMMON	17	17	—	—	—	17
COMMON	17	17	—	—	—	17
COMMON	17	17	—	—	—	17
COMMON	17	17	—	—	—	17
COMMON	14	14	—	—	—	14
COMMON	1	1	—	—	—	1
COMMON	1	1	—	—	1	—
COMMON	1	1	—	—	1	—
COMMON	1	1	—	—	1	—
COMMON	1	1	—	—	—	1
COMMON	1	1	—	—	—	1
COMMON	1	1	—	—	1	—
TOTAL	269,283,709	269,283,709	—	195,390,671	26,316,855	47,576,183

**EXHIBIT V
MAKATI FINANCE CORPORATION**

MAP OF THE GROUP OF COMPANIES WITHIN WHICH MAKATI FINANCE CORPORATION BELONGS AS AT DECEMBER 31, 2022



Legend:

- - - Associate
- Subsidiary