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S.E.C. Registration Number

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(Company's Full Name)

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

MARCOS E. LAROSA

Contact Person

(02) 7751-8132

Company Telephone Number

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Month Day

Fiscal Year

2024

DEFINITIVE INFORMATION STATEMENT

SEC Form 20 - IS

FORM TYPE

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Month Day

Annual Meeting

Every last Thursday of July

Financing

Secondary License Type, If Applicable

M	S	R	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

113

Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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Cashier

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MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

June 25, 2024

SECURITIES AND EXCHANGE COMMISSION

907 Makati Avenue, Salcedo Village, Bel-Air, Makati City, 1209

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

THE PHILIPPINES STOCK EXCHANGE, INC.

6TH Floor, PSE Tower, 28TH Street cor 5th Avenue
Bonifacio Global City, Taguig City

Attention: **MS. ALEXANDRA D. TOM WONG**
OIC – Disclosure Department

Gentlemen:

We are sending herewith a copy of Makati Finance Corporation SEC FORM 20-IS Definitive Information Statement in relation to Annual Stockholder's Meeting to be held on July 25, 2024 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 2024 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 25 July 2024, 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 27 July 2023
4. Presentation and Approval of the 2023 Annual Report and 2023 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 1 July 2024. Stockholders may attend through remote communication by registering at <https://sh.makatifinance.ph> between 3 July 2024 to 19 July 2024. Any instrument authorizing a proxy to act as such shall be uploaded and submitted as part of the registration process. In addition, Corporate Shareholders are required to upload and submit the corresponding duly notarized Board Resolution designating their proxy. The guidelines for attendance and participation through remote communication shall be made available to registered qualified stockholders.

Validation of proxies shall be on 22 July 2024, Monday, at 10:30 a.m. **WE ARE NOT SOLICITING PROXIES.** Electronic copies of the Information Statement, SEC Form 17-A, 2023 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.

25 June 2024.


ATTY. D. ENRIQUE O. CO
Corporate Secretary

PROXY

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 **25 July 2024, 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 CORPORATE SIGNATORY

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 25, 2024**
Time : **11:00 a.m.**
Place : **via remote communication**

Link of Annual Stockholders' Meeting:

<https://encr.pw/edgepseph-NoticeofASM2024>

9. Approximate date on which the Information Statement is first to be sent or given to security holders **July 01, 2024.**

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>271,961,630</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 ("ASM") of MAKATI FINANCE CORPORATION, (the "Company", the "Corporation", or "MFIN") will be held on **July 25, 2024, 11:00 a.m. via remote communication (Zoom)**. The complete mailing address of MFIN is: **3/F Mazda Makati Bldg, 2301 Chino Roces Ave. Brgy. Magallanes, Makati City, Philippines**. The approximate date on which the Information Statement is first to be sent or given shall be made available to the stockholders and/or security holders not later than **01 July 2024**.

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, 2024** is **271,961,630** 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 **July 01, 2024** ("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, 2024)

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	* 118,046,431	43.41%
Common	Motor Ace Philippines, Inc. MC Briones St. Hi-way Magukay, Mandaue City	Record and beneficial owner	Filipino	* 68,756,067	25.28%
	TOTAL			186,802,498	68.69%

* Note: Including shares lodged to PCD Nominee

**SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS WITH DIRECT OWNERSHIP
As of May 31, 2024**

Common	Robert Charles M. Lehmann 11F Multinational Bancorporation Bldg., 6805 Ayala Avenue, Makati City	Beneficial owner	Filipino	1	0.00%
Common	Max O. Borromeo Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	46,422	0.02%
Common	Joel S. Ferrer 2137 Lourdes St. San Miguel Village, Makati City	Beneficial owner	Filipino	2,739,646	1.01%
Common	Maxcy Francisco Jose R. Borromeo 66 Gorordo Avenue, Cebu City	Beneficial owner	Filipino	2,548	0.00%
Common	Jose Daniel R. Borromeo Mandaue, Cebu City	Beneficial owner	Filipino	2,550	0.00%
Common	Alan Michael R. Cruz 410 madrigal Avenue, Ayala Alabang, Muntinlupa	Beneficial owner	Filipino	1	0.00%
Common	Cristino L. Panlilio No. 140 Swallow Drive, Greenmeadows, Quezon City	Beneficial owner	Filipino	1	0.00%
Common	Vincent Ee No. 13 Yanwood Avenue, Singapore	Beneficial owner	Singaporean	1	0.00%
Common	Irineo A. Cases, Jr. 17 Paseo Quirico, Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	1	0.00%
Common	Asterio L. Favis, Jr. No 33 Yuchengco Drive Pacific Malayan Village, Muntinlupa City	Beneficial owner	Filipino	1	0.00%
Common	Carmen Therese L. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	1	0.00%
All directors & officers as a group				2,791,173	1.03%

The representative of Amalgamated Investment Bancorporation entitled to vote is Mr. Robert Charles Lehmann. 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. Robert Charles M. Lehmann 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 2024 to 2025, are as follows:

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

Mr. Alan Michael R. Cruz, Mr. Asterio L. Favis, Jr. and Mr. Irineo A. Cases, Jr. have been nominated by Mr. Robert Charles M. Lehmann as independent directors. There are no relations between Mr. Lehmann, 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. Robert Charles "Bob" M. Lehmann, 68, Filipino, is the Company's *Chairman*. 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 Trustee 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 4 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. Max Francisco Jose O. Borrromeo, 75, Filipino, is the Company's *Vice Chairman*. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borrromeo 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 Borrromeo 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, 70, 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. Maxcy Francisco Jose R. Borromeo, 50, 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, 52, 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, 61, 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. Asterio L. Favis, Jr., 71, Filipino, was elected as Independent Director of Makati Finance Corporation on July 25, 2019. He is currently working as a consultant for the Ateneo- BAP Institute of Banking and is an Independent Director of Philippine Business Bank. Mr. Favis had been in the banking industry for about 30 years, holding various senior positions. His last position was as Executive Vice President (EVP) of Sterling Bank of Asia from April 2007 to December 2013, where he served as Head, Treasury Group for two years, OIC of the Consumer Lending Group for one year, and EVP/Office of the President for three years. He was EVP/Head, Treasury Division of Philippine National Bank from November 2002 to March 2007. He also served SVP/Head of the Financial Markets Division at AB Capital & Investment Corporation from 1999 to 2002, and SVP/Head of the Treasury Division at Asianbank Corporation from 1990 to 1999. Prior to that, he was with PCI Bank from 1983 to 1990 as AVP/Head of Foreign Exchange for three years, VP/Head, Domestic Money Market for three years, and VP/Office of the President for one year. Mr Favis had also served as President of both the Money Market Association of the Philippines and the Foreign Exchange Association of the Philippines while in the industry. He graduated in 1976 from Ateneo de Manila University with a degree in B.S. Management Engineering (Cum Laude).

Mr. Cristino L. Panlilio, 72, 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, 51, 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 Schroders Wealth Management, Singapore. He is also a member of Investment Committee of Community Foundation of Singapore since 2014 and in Raffles Institution since 2018 as part of his Pro Bono activities. Mr. Ee was also the Chief Investment Officer and Portfolio Manager of Foord Asset Management, Singapore in 2012 to 2014. He was also the Fund Manager, Asia Ex-Japan Equities of Morgan Stanley Investment Management, Singapore in 2009 to 2012. He also served as Managing Director, Co-Founder and CEO of Libra Capital Management from 2007 to 2009. He also worked in Goldman Sachs Asset Management, Singapore as Fund Manager, Asia ex-Japan Equities from 2000 to 2007. He earned his Bachelor of Science (Econs) Accounting and Finance Degree in 1996, Second Class (Upper) Honours from London School of Economics and Political Science in London and is CFA Charterholder.

Mr. Irineo A. Cases, Jr., 48, 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.

Ms. Carmen Therese L. Benitez, a 24-year-old Filipino, was elected as the Director of Makati Finance Corporation on January 23, 2024. She currently works as a Backend Software Engineer at Stripe, Inc. in New York City, USA. Prior to joining Stripe, she served as a Technical Lead and Forward Deployed Software Engineer at Palantir Technologies, focusing on their work with various Life Sciences Companies. During her college years, Ms. Benitez excelled as a Software Engineering Intern at Bloomberg LP, contributing to the accessibility of the Bloomberg terminal. She also participated in the Student Training in Engineering Program (STEP) Internship at Google. Ms. Benitez holds a B.S. in Computer Science/Math, with a Concentration in Economics and High Distinction, from Harvey Mudd College. She possesses strong programming skills in Java, Python, C++, JavaScript, TypeScript, NodeJS, ReactJS, and Spark.

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*, 45, 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*, 55, 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., HealthBlocks Inc., Joy~Nostalg Foundation Inc., Kalayaan College Inc., Maroon Studios Inc., Sakura Autoworld Inc., Santos Knight Frank Inc., Sleep Well Land Development Corporation, TalentScout Inc., The Studio of Secret 6 Inc., and Western Roadhouse Foods Inc. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

Mr. Roberto C. Benares, *Board Adviser*, a 71-year-old Filipino, was elected as a member of the Board of Directors of Makati Finance Corporation on 25 October, 2022. He is currently an Independent Director of COL Financial Group, Inc. since 2021 and has been serving as the President and CEO of Bank of Commerce (Philippines) since August 1, 2013. Additionally, he also serves as a Director and chairs the Information Technology Steering Committee (ITSC) and is a member of the Board Risk Oversight Committee (BROC). During his tenure as President and CEO, he played a crucial role in strengthening the Bank by establishing its superior service culture, which led to the accomplishment of its recent milestones. Prior to this, Mr. Benares served as the Managing Director of Maybank ATR Kim Eng Capital Partners, Inc. He began his banking career as an Assistant Treasurer at Bancom Development Corp. and later held the position of Vice President of Account Management at United Coconut Planters Bank. He has also worked as a Managing Director at Asian Alliance, Executive Vice President at Insular Investment & Trust Corporation, and Vice President at Philamlife. Mr. Benares holds a Bachelor of Science degree in Mechanical Engineering from De La Salle University and a Master's Degree in Business Management from the Asian Institute of Management.

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	2023			2022			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	-	181,521	-	-	80,514	-	No impairment
Notes payable	B	-	-	303,600,000	-	-	191,100,000	
Availments		158,600,000	-	-	16,000,000	-	-	
Settlements		46,100,000	-	-	92,500,000	-	-	
Interest expense		18,506,868	-	-	13,725,831	-	83,855	
<i>Entities under common control</i>								
<i>Motor Ace Philippines, Inc.</i>								
Loans Receivable	A	-	-	-	-	2,952,145	-	Non-interest bearing, unsecured;
Availments		-	-	-	4,595,808	-	-	No impairment
Settlements		-	-	-	1,288,776	-	-	
Miscellaneous receivables	A	-	320,703	-	-	342,254	-	Non-interest bearing, unsecured;
Availments		22,599	-	-	77,350	-	-	No impairment
Settlements		44,150	-	-	42,900	-	-	

Forward

Category/Transaction	Ref	2023			2022			Nature, Terms and Condition
		Amount of transaction	Due from related parties	Due to related parties	Amount of transaction	Due from related parties	Due to related parties	
Accounts payable	D	-	-	15,131,269	-	-	14,456,450	30 day unsecured, non-interest bearing
Availments		130,991,997	-	-	71,576,002	-	-	
Settlements		130,596,637	-	-	70,969,009	-	-	
<i>MAPI Lending Investors, Inc.</i>								
Miscellaneous receivables	A	-	1,477,772	-	-	2,229,436	-	30 day unsecured, non-interest bearing
Availments		-	-	-	1,157,245	-	-	
Settlements		751,664	-	-	16,492,411	-	-	
Accounts payable	D	-	-	78,479	-	-	78,640	Non-interest bearing, unsecured
Availments		3,268	-	-	3,268	-	-	
Settlements		-	-	-	-	-	-	
Short term placements	C	-	-	-	-	-	-	
Availments		-	-	-	611,209	-	-	
Settlements		-	-	-	16,298,384	-	-	
Interest income		-	-	-	1,216,597	-	-	
<i>HMW Lending Investors, Inc.</i>								
Loans Receivable	A	-	-	-	-	5,840,453	-	Non-interest bearing, unsecured; No Impairment
Availments		-	-	-	-	-	-	
Settlements		-	-	-	2,725,970	-	-	
<i>Honda Motor World, Inc.</i>								
Loans Receivable	A	-	-	-	-	1,269,809	-	
Availments		-	-	-	-	-	-	
Settlements		-	-	-	739,583	-	-	
Miscellaneous receivables	A	-	180,714	-	-	170,673	-	Non-interest bearing, unsecured; No Impairment
Availments		63,059	-	-	64,325	-	-	
Settlements		53,018	-	-	26,250	-	-	
Accounts payable	D	-	-	7,586,792	-	-	2,923,459	Unsecured, interest bearing placement at 10.0% annual interest rate
Availments		47,559,533	-	-	26,019,931	-	-	
Settlements		52,222,866	-	-	24,961,153	-	-	
<i>Pikeville Bancshares</i>								
Professional fees		390,320	-	-	1,193,920	-	275,520	Payment of consultancy fees
<i>MERG Realty Development Corp.</i>								
Miscellaneous receivables	A	-	18,057	-	-	18,057	-	Non-interest bearing; No impairment
Availments		-	-	-	-	-	-	
Settlements		-	-	-	-	-	-	

forward

	Ref	2023			2022			Nature, Terms and Condition
		Outstanding Balances			Outstanding Balances			
		Amount of transaction	Due from related parties	Due to related parties	Amount of transaction	Due from related parties	Due to related parties	
		32,819,218	-	-	34,374,826	-	-	
Settlements		-	1,555,608	-	-	1,485,210	-	-
Interest expense			1,830,127	-	-	1,747,306	-	-
<i>Felibon Realty, Inc.</i>								
Miscellaneous receivables	A	-	-	18,275	-	-	-	-
Availments		-	-	-	-	-	-	-
Settlements		-	-	-	-	-	-	-
<i>Directors and other stockholders</i>								
Notes payable	B	-	-	-	33,316,111	-	14,985,086	Unsecured interest bearing
Availments		-	-	-	-	4,565,890	-	placements at 5.5%
Settlements		-	-	-	-	11,873,090	-	annual interest rate;
Interest expense		1,930,553	-	-	-	919,964	-	no impairment
Professional and other management fees		-	-	-	-	-	2,466,407	Payment of professional fees
TOTAL			2,197,042	394,087,477		12,903,341	259,188,635	

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, 2023 and 2022, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱382.58 million and ₱257.41 million. Interest expense from these borrowings amounted to ₱33.48 million and ₱31.47 million in 2023 and 2022, 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.
- 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
2024 (Estimate)	Top 4 Executive Officers: Robert Charles M. Lehman – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer	₱ 8,847,049	₱ 799,687	₱ 275,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	₱ 10,449,129	₱ 799,687	₱ 3,140,000
2023 (Actual)	Top 4 Executive Officers: Robert Charles M. Lehman – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer	₱ 8,847,049	₱ 799,687	₱ 275,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	₱ 10,449,129	₱ 799,687	₱ 3,140,000
2022 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – 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 Borromeo – Vice Chairman Maxcy R. Borromeo – 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

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 for the year 2023 *	Total Compensation Received as a Director for the year 2022 *
Robert Charles M. Lehmann <i>Chairman – Board of Directors</i>	₱ 275,000	₱ 244,111
Max O. Borrromeo <i>Vice Chairman – Board of Directors</i>	₱ 285,000	₱ 263,520
Maxcy Francisco Jose R. Borrromeo <i>President – Board of Directors</i>	₱ 275,000	₱ 244,111
Joel S. Ferrer <i>Treasurer – Board of Directors</i>	₱ 275,000	₱ 254,111
Eric B. Benitez <i>Director</i>	₱ 200,000	₱ 244,111
Jose Daniel R. Borrromeo <i>Director</i>	₱ 275,000	₱ 254,111
Alan Michael R. Cruz <i>Independent Director</i>	₱ 305,000	₱ 294,111
Irineo A. Cases, Jr. <i>Independent Director</i>	₱ 60,000	₱ -
Asterio L. Favis, Jr. <i>Independent Director</i>	₱ 305,000	₱ 284,111
Cristino L. Panlilio <i>Director</i>	₱ 150,000	₱ 228,380
Vincent Khoon Ann Ee <i>Director</i>	₱ 125,000	₱ 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. 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 five 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 2023. The Company has complied with SRC Rule 68 (3)(b)(iv), regarding the rotation of external auditors or engagement partners every five years. Zaldy D. Aguirre is the partner in charge as the signing partner of the Company. The Audit, Related Party Transactions, and Board Risk Oversight Committee will recommend the re-appointment of Isla Lipana & Co. as the Company's external auditor for the year 2024 in the upcoming Stockholders' Meeting scheduled for July 25, 2024. This recommendation will be presented to the Board of Directors and Stockholders for approval and ratification at the scheduled Annual Stockholders' Meeting.

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

The 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, MFIN has engaged Isla Lipana & Co. for professional services rendered as the independent auditor of MFIN, including the audit of MFIN's Annual Financial Statements and such services normally provided by an external auditor in connection with statutory and regulatory filings or engagements for those fiscal years.

Isla Lipana & Co. billed MFIN for audit fees totaling ₱ 394,240 and ₱ 354,233 for the years 2023 and 2022, respectively.

The Company has not engaged Isla Lipana & Co. for any tax-related service or any other professional services. The audit committee of MFIN 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. Zaldy D. Aguirre, the engagement partner, the signing partner, are the appointed auditors of the Company for the Calendar Year ending December 31, 2023, 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.

For the year 2020, the Board of Directors approved the following: 30% of FY 2019 audited net income after tax of ₱21,705,649 649 is ₱6,511,694 of which is 50% was declared as stock dividend amounting to ₱3,255,847 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 ₱10,827,303 is ₱3,248,191 of which is 50% was declared as stock dividend amounting to ₱1,624,095 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 ₱ 9,704,406 is ₱ 2,911,322 of which is 50% was declared as stock dividend amounting to ₱ 1,455,661 in favor of the stockholders as of record date 25 August 2022 with distribution date not later than 21 September 2022.

For the year 2023, the Board of Directors approved the following: 30% of FY 2022 audited net income after tax of ₱ 17,853,098 is ₱ 5,355,929 of which is 50% was declared as stock dividend amounting to ₱ 2,677,921 in favor of the stockholders as of record date 24 August 2023 with distribution date not later than 20 September 2023.

In 2024, it is expected that the Board shall propose dividend declaration of 30% of FY 2023 Net Income after tax in the next BOD Meeting in July 25, 2024.

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 2023 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 2023 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 2023 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 Isla Lipana & 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 2023 Annual Stockholders' Meeting remotely and by proxy were recorded and certified by the Corporate Secretary, as follows:

Total Number of Shares Outstanding	269,283,709
Total No. of Shares of Stockholders Participating Remotely	10,225,157
<i>Percentage</i>	4%
Total No. of Shares of Stockholder Represented by Proxy	174,109,043
<i>Percentage</i>	65%
Total Shares held by Stockholders Participating Remotely and by Proxy	184,334,200
<i>Percentage</i>	68%
Total Shares Not Represented	84,949,509
<i>Percentage</i>	32%

The Directors and Corporate Officers who attended the 2023 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
ROBERTO C. BENARES	Director

Officers Present:

DANILO ENRIQUE O. CO	Corporate Secretary and Legal Counsel
MARCOS E. LAROSA	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. 9 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

- (i) Brief description of the general nature and scope of the business
- (ii) Market information, Dividends, and Top 20 Stockholders
- (iii) Management Discussion and Analysis or Plan of Operation
- (iv) Statement of Management Responsibility for Financial Statements
- (v) Audited Financial Statements for the period ended December 31, 2023 – Annex "C"
- (vi) Interim Unaudited Financial Statements for the period ended March 31, 2024, - Annex "D";
- (vii) Management's Discussion and Analysis of Financial Condition and Results of Operations
- (viii) Notice of the 2024 MFIN Annual Meeting of the Stockholders in two (2) newspapers of general circulation shall be published on June 25 and 26, 2024. Affidavits of Publication shall be issued thereafter.

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 2024 ASM:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on July 27, 2023.
2. Presentation and Approval of the 2023 Annual Report and the 2023 Audited Financial Statements
A copy of the 2023 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2023 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 2023 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 25, 2024.

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 2024

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 **July 01, 2024**. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before **July 22, 2024** 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 2024 to 19 July 2024.

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 stylized with loops and a long horizontal stroke extending to the right.

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

Date: June 25, 2024

FINANCIAL AND OTHER INFORMATION

(i). Brief description of the general nature and scope of the 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 on an upswing during the 1990s. Consequently, the Company focused on expanding its operations and lending activities. Under the new management, the Company prioritized the growth of its loan portfolio to capitalize on the improving Philippine economy. It was during this time that MFC introduced new products and services, as well as established additional credit lines with major commercial banks.

In 2005, MFC ventured into motorcycle financing. Recognizing it as a growth area and a profitable market niche, MFC has since dedicated considerable effort to developing its MC Financing business line. As part of its strategy to expand this product, the Company has partnered with two motorcycle trading companies for its Luzon operations. MFC secured a contract granting it the rights of first refusal over the financing of motorcycle sales at these locations which remains in effect up to the present.

In the past years, MFC continued to foster a good business relationship with its motorcycle dealer partners, recognizing Motorcycle Financing as a cornerstone product line. Concurrently, the company has pursued efforts to diversify its product offerings by expanding collateral-based Business loans, Rx Cashline (Doctors loans), and introducing new product lines aimed at enhancing its loan portfolio balance and overall operations. Among the new products introduced were Personal Loans in 2016, Car Loans, and Corporate Salary Loans in 2017. Additionally, in 2018, MFC successfully launched Micro Business Loans, Pension Loans, and Leisure Bikes Financing as planned.

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 ₱732 million, 23% lower or about ₱224 million versus ₱956 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 ₱981 million, a decrease of 11% or about ₱118 million versus ₱1.1 billion in 2020. The net income of the Company amounted to ₱9.7 million, or about 8% lower versus ₱10.8 million in 2020, mainly due to the impact of CREATE law, correcting prior years deferred tax assets in the amount of ₱9.54 million. Without the income tax correction, the Company's Net income in 2021 should have been ₱19.24 million, 78% higher versus 2020.

Makati Finance Corporation (MFC) has achieved notable 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 ₱ 871m in 2021 to ₱ 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 sound financial results are a testament to its commitment to responsible lending and prudent management of its assets.

In 2023, Makati Finance Corporation (MFC) demonstrated steady growth in key financial metrics compared to the previous year. The Company's topline, Interest Income, increased by 10% from ₱159 million in 2022 to ₱175 million in 2023. Similarly, Net Interest Income rose by 12% from ₱126 million in 2022 to ₱141 million in 2023, and Total Operating Income saw a 9% increase from ₱165 million in 2022 to ₱180 million in 2023. This growth was primarily attributed to improved collections in 2023, reflecting the Company's effective revenue generation strategies.

However, despite the positive performance mentioned above, there was a notable drop of 27.6% in Net Income, decreasing from ₱18 million in 2022 to ₱13 million in 2023. This decline was primarily driven by increased provisions for credit losses and provisions for impairment loss of repossessed assets in 2023. These measures were implemented as part of MFC's commitment to diligent financial stewardship and a proactive approach to managing credit risk.

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, 2023, the Company accounted for a total of 156 employees, distributed as follows:

<u>Rank</u>	<u>2023 No. of Employees</u>	<u>Projected 2024 No. of Employees</u>
Officers	3	3
Managerial/Supervisory	24	27
Rank and File	120	138
Total	146	168
<u>Employment Status</u>	<u>No. of Employees</u>	
Regular	131	
Probationary	15	
Total	146	

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

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, 2023		
Location	Size(s.qm)	Description
(Farm Land) Santan St., Cityland Cityview II Farm Lot Subdivision, Barangay De Ocampo, Trece Martires City, Cavite (ROPA 1)	1,410	Transferred
(House and Lot) Blk 23, Lot 1, Montevista Hts., Subd.,Brgy. Dolores, Taytay, Rizal (ROPA 3)	181	Transferred
(House and Lot) Blk 23, Lot 2, Montevista Hts., Subd.,Brgy. Dolores, Taytay, Rizal (ROPA 4)	198	Transferred
(House and Lot-2storey)Lot 1-B, Blk 17, No. 26 Sardinia St., San Francisco Village, Barangay Muzon, Taytay, Rizal (ROPA 5)	157	Transferred
(Lot) Lot 15-F, Iruhin Central R1, Tagaytay City (ROPA 7)	2,231	Transferred
(Lot) Bo. of Labit West, Urdaneta, Pangasinan (ROPA 8)	6,374	Transferred
Residential Condo Unit, Unit 32D 32F, North Tower, Pacific, Plaza Towers Condominium, BGC, Taguig City (ROPA 10)	303	Transferred
TOTAL	11,064	

Legal Proceedings

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

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 2023.

OPERATIONAL AND FINANCIAL INFORMATION

(ii) Market for Issuer's Common Equity and Related Stockholder Matter

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 **₱ 1.40** per share as of **June 25, 2024**.

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

Quarter Ending	Market Prices	
	High	Low
June 2024	1.40	1.40
March 2024	1.72	1.60
December 2023	1.90	1.90
September 2023	2.00	2.00
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

Holders

HOLDERS OF COMMON STOCK as of May 31, 2024 TOP 20 Stockholders

There are a total of 113 stockholders as of May 31, 2024

Name	Nat	Class	No. of Shares	Percentage
*AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	77,290,877	28.42%
PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	71,903,255	26.44%
*MOTOR ACE PHILIPPINES, INC.	FIL	A	57,193,939	21.03%
BORROMEO BROS. ESTATE INC.	FIL	A	10,115,997	3.72%
MF PIKEVILLE HOLDINGS, INC.	FIL	A	9,617,083	3.54%
GRACEFIELD CAPITAL HOLDINGS INC.	FIL	A	8,998,726	3.31%
ERIC B. BENITEZ	FIL	A	7,584,642	2.79%
MELLISSA B. LIMCAOCO	FIL	A	6,807,235	2.50%
GLENN B. BENITEZ	FIL	A	6,481,207	2.38%
RENE B. BENITEZ	FIL	A	6,222,250	2.29%
JOEL FERRER	FIL	A	2,739,646	1.01%
MICHAEL WEE	FOR	A	1,035,573	0.38%
MARY GRACE V. REYES	FIL	A	807,546	0.30%
SALUD BORROMEO FOUNDATION	FIL	A	549,836	0.20%
TERESITA B. BENITEZ	FIL	A	528,944	0.19%
MERG REALTY DEVELOPMENT	FIL	A	469,927	0.17%
LIMCAOCO, MELLISSA B., ITF MICHAELA LIMCAOCO	FIL	A	324,022	0.12%
BENITEZ, GLENN, ITF ANDREA C. BENITEZ	FIL	A	324,022	0.12%
BENITEZ, GLENN, ITF ALFONSO C. BENITEZ	FIL	A	324,022	0.12%
BENITEZ, GLENN, ITF ALESSANDRA C. BENITEZ	FIL	A	324,022	0.12%
SUB-TOTAL			269,642,771	99.15%
OTHER STOCKHOLDERS (93)			2,318,859	0.85%
GRAND TOTAL (113 stockholders)			271,961,630	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 20% minimum public float. MFC has 28.37% public float.

Dividends

As approved by the BOD and upon concurrence by the stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2021, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱1,624,140. Fractional shares were paid in cash. For the year 2022, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱ 1,455,711. Fractional shares were paid in cash. For the year 2023, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱ 2,678,008. Fractional shares were paid in cash.

(iii) MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plans and Prospects for 2024

As Makati Finance Corporation (MFC) reflects on its achievements in 2023, characterized by notable growth in Interest Income, Net Interest Income, and Total Operating Income, the company sets its sights on 2024 with a renewed focus and determination.

In the coming year, MFC will maintain its commitment to responsible lending, reinforcing stricter credit criteria for new loan applicants while nurturing relationships with existing clients to uphold the quality of its loan portfolio and mitigate default risks.

Additionally, MFC is poised to expand its presence in the SME market by leveraging social media platforms, participating in exhibitions, and bolstering its agent network. To retain its sales agents, the company will continue offering enticing reward systems, alongside competitive commission programs, aiming to broaden its footprint in this vital segment of the Philippine economy.

Furthermore, MFC will intensify efforts to enhance operational efficiency through investments in new technologies and process improvements, aiming to elevate the customer experience and streamline the loan application process.

With a clear strategy in place to sustain robust financial performance and expand its market reach in the SME sector, MFC's outlook for 2024 is optimistic. The company's prudent management practices and dedication to responsible lending serve as pillars of its business model, positioning MFC to deliver continued value to its stakeholders and customers in the years ahead.

Funds Generation

We currently have a ₱350 million facility with Amalgamated Investment Bancorporation (AIB) and ₱350 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2024.

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, 2023

Results of Operation

As of December 31, 2023, Makati Finance Corporation (MFC) has achieved 10% increase in its topline as the Interest Income grew by ₱16 million from ₱159 million in 2022 to ₱175 million in 2023. The growth in topline resulted in increase in Net Interest Income to ₱141 million, reflecting a 12% increase from the previous year's ₱126 million.

On the other hand, the Company's Total Operating Income experienced a growth of 9%, from ₱165 million in 2022 to ₱180 million in 2023. Despite these positive results, the Net Income declined by 27.6%, settling at ₱13 million compared to ₱18 million in 2022, primarily due to higher provisions for credit losses and impairment loss on repossessed assets, which consequently resulted to increase in Total Operating Expenses by 14.8% or ₱21 million, from ₱142 million in 2022 to ₱163 million in 2023.

Financial Condition and Capital Resources

The Company's total assets as of December 31, 2023, were ₱1,155 million, and total liabilities increased by 6% or ₱34 million, from ₱551 million in 2022 to ₱585 million in 2023. This increase was mainly due to an increase in new loans released this year.

Income Before Income Tax

As of December 31, 2023, the company's Income before tax amounted to ₱17 million, lower versus ₱23 million in 2022.

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 ₱22.06 million, a 33% increase compared to ₱12.85 million in 2021.

Total Operating Expenses remained almost the same at ₱141.9 million in 2022, versus ₱141.3 million in 2021.

MFC's Interest Income in 2022 amounted to ₱158.98 million, with breakdowns of ₱22.9 million from Rx Cashline, ₱57.4 million from MFC Factors and Business Loans, and ₱65.4 million from Motor Vehicle (MC/Car/Leisure Bikes) Financing.

Earnings per Share increased to ₱0.07 from ₱0.04 in 2021.

Financial Condition and Capital Resources

The Company's total assets as of December 31, 2022, were ₱1,114.14 million, and total liabilities declined by 18% or ₱118.76 million, from ₱669.81 million in 2021 to ₱551.05 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 ₱732 million in 2021, 23% lower or about ₱224 million versus ₱956 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 ₱981 million, a decrease of 11% or about ₱118 million versus ₱1.1 billion in 2020. The Company's income before tax amounted to ₱25 million, or about 42% higher versus ₱17.5 million in 2020, driven by increase in miscellaneous income. However, the net income of the Company amounted to ₱9.7 million only, or about 8% lower versus ₱10.8 million in 2020, mainly due to the impact of CREATE law, correcting prior years deferred tax assets in the amount of ₱9.54 million. Without the income tax correction, the Company's Net income for FY2021 should have been ₱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 ₱385 million facility with Amalgamated Investment Bancorporation (AIB) and ₱324 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2020.

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

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, 2023**

	2023	2022
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	105.75%	126.69%
Debt to equity ratio	102.40%	49.46%
Quick ratio	86.27%	104.49%
PROFITABILITY RATIOS		
Return on assets	1.12%	1.60%
Return on equity	2.26%	3.17%
Net profit margin	7.17%	10.80%
ASSET TO EQUITY RATIO	202.40%	197.86%
INTEREST RATE COVERAGE RATIO	1.50	1.71
OTHER RELEVANT RATIOS		
Ratio or percentage of total real estate investments to total assets	13.26%	8.15%
Total receivables to total assets	70.15%	73.18%
Total DOSRI receivables to net worth	1.10%	2.31%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	0.04%	0.40%
Honda Motor World, Inc.	0.02%	0.18%
Amalgamated Investment Bancorporation	0.02%	0.01%
HMW Lending Investors, Inc.	0.40%	0.72%
MAPI Lending Investors, Inc.	0.28%	0.27%

Computation for the Ratios:

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

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.

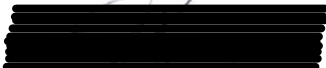
Document	Submitted to	Date of Submission
2020 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	June 15, 2021
	The Philippine Stock Exchange, Inc. (PSE)	
2021 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	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)	
2023 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC)	May 29, 2024
	The Philippine Stock Exchange, Inc. (PSE)	

SIGNATURES

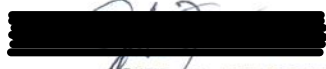
Pursuant to the requirement of the Securities Regulation Code, this Definitive Information Statement (SEC 20-IS) is to be signed on its behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on _____, 2024.

By:


ROBERT CHARLES M. LEHMANN
Chairman of the Board


MAXCY FRANCISCO JOSE R. BORROME0
President

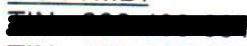


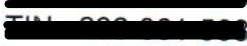
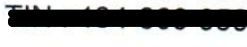


MAX O. BORROME0
Vice Chairman


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 25 JUN 2024 day of 2024, affiant(s) exhibiting to me their _____, as follows:

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

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Page No. 17
Book No. LXXXI
Series of 2024

NOTARY PUBLIC


ATTY. RENZ MA, M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 10073001-01-01 2024; Makati City
IBP Lifetime No. 013595; 12-27-2013; LC
Roll No. 37226
MC LE Compliance No. VII-0024195; 02-15-2022
Ground Floor, Makati Terraces Condominium
2650 Davao St., Brgy. Tejeros, Makati City 1201

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 City, 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 2024 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:

CARMEN THERESE L. BENITEZ
 MAX O. BORROMELO
 MAXCY FRANCISCO JOSE R. BORROMELO
 JOEL S. FERRER
 JOSE DANIEL R. BORROMELO
 IRENEO ALANO CASES JR.
 ALAN MICHAEL R. CRUZ
 VINCENT EE
 ROBERT CHARLES M. LEHMANN
 ASTERIO L. FAVIS JR.
 CRISTINO L. PANLILIO

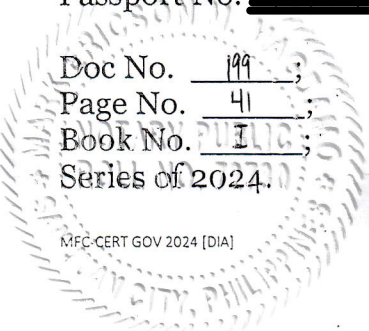
3. This certification is being issued as part of the disclosure requirements of the Securities and Exchange Commission.

[REDACTED]

DANILO ENRIQUE O. CO
Affiant

SUBSCRIBED AND **SWORN** to before me this 10 JUN 2024 at San Juan City, M.M. affiant personally appeared before me and exhibited his Competent Evidence of Identity consisting of Passport No. [REDACTED] issued at DFA Manila valid until 29 June 2031.

Doc No. 199 ;
 Page No. 41 ;
 Book No. PUBLIC ;
 Series of 2024.



[Signature]
MARK ERICSON M. MAGDAMO
 Notary Public - San Juan City
 Appointment No. 18 (01 Apr. 2024 to 31 Dec. 2025)
 Roll of Attorneys No. 72730
 PTR No. 1750840; 01/05/2024; San Juan City
 IBP Member No. 417138; Quezon City
 MCLE Compliance No. VII-0015239; valid until 14 April 2025
 TIN 284-979-488
 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 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 3th day of June 2024 at Makati City, Philippines


ALAN MICHAEL R. CRUZ
Affiant

SUBSCRIBED AND SWORN to before me this 04 JUN 2024 day of MAKATI CITY at MAKATI CITY affiant personally appeared before me and exhibited his Tax Identification Number [REDACTED]

Doc No. 664
Page No. 14
Book No. 2810
Series of 2024


ATTY. RENZ M. VILLA
Notary Public of Makati City
Appointment No. 01-111
Until December 31, 2024
PTR No. MKT 10073004; 01-02 2024; Makati City
IBP Lifetime No. 015896; 12-27-2013; LC
Roll No. 3726
MCLE Compliance No. V1150074195; 02-15-2022
Ground Floor, Makati Terraces Condominium
5650 Davila St., Brgy. Tejeros, Makati City 1204

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 3th day of June 2024 at Makati City, Philippines.


ASTERIO L. FAVIS, JR.
Affiant

04 JUN 2024

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

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Page No. 14
Book No. LXXIX
Series of 2024


ATTY. RENE M. M. VILLA
Solicitor Public of Makati City
Appointment No. 41-111
Until December 31, 2024
PTR No. MICT 10073904; 01-02 2024; Makati City
IBP Lifetime No. 013998; 12-27-2013; LC
Roll No. 37226
MCLC Compliance No. VII-0024195; 02-15-2022
Ground Floor, Makati Terraces Condominium
9650 Davila 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, Banihad, 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 3th day of June 2024 at Makati City, Philippines.



IRINEO A. CASES, JR.
Affiant

SUBSCRIBED AND SWORN to before me this 04 JUN 2024 day of MAKATI CITY at MAKATI CITY personally appeared before me and exhibited his Tax Identification Number [REDACTED] affiant

Doc No. 65
Page No. 14
Book No. 5517
Series of 2024

ATTY. RENE M. VILLA
Notary Public of Makati City
Appointment No. 81-111
Until December 31, 2034
PTR No. Mkt 10073901-01-02-2024; Makati City
IBP Lifetime No. 013898; 12-27-2013; LC
Roll No. 37276
MCLC Compliance No. VII-0024195; 02-15-2022
Ground Floor, Makati Terraces Condominium
255 Davina St., Brgy. Tejeros, Makati City 1204

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

Table with 10 columns for SEC Registration Number, containing the digits 2, 8, 7, 8, 8.

COMPANY NAME

Grid for Company Name containing 'MAKATI FINANCE CORPORATION'.

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

Grid for Principal Office address containing '3RD FLOOR MAZDA MAKATI BUILDING, 2301 CHINO ROCES AVENUE, BARANGAY MAGALLANES, MAKATI CITY'.

Form Type

Table for Form Type containing 'A', 'A', 'F', 'S'.

Department requiring the report

Table for Department requiring the report containing 'C', 'R', 'M', 'D'.

Secondary License Type, if applicable

Table for Secondary License Type containing 'FINANCING'.

COMPANY INFORMATION

Table for Company's Email Address containing 'mfin@makatifinance.com.ph'.

Table for Company's Telephone Number(s) containing '02-775-18132'.

Table for Mobile Number containing 'N/A'.

Table for No. of Stockholders containing '112'.

Table for Annual Meeting (Month/Day) containing 'Last Thursday of July'.

Table for Fiscal Year (Month/Day) containing 'December 31'.

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Table for Name of Contact Person containing 'Marcos E. Larosa'.

Table for Email Address containing 'mlarosa@makatifinance.com.ph'.

Table for Telephone Number(s) containing '02-775-18132'.

Table for Mobile Number containing '0917-530-9923'.

CONTACT PERSON'S ADDRESS

Table for Contact Person's Address containing '3rd Floor Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, Makati City'.

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

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



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Makati Finance Corporation (the "Company")** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, 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.

Robert Charles M. Lehmann
 Chairman of the Board

Maxcy Francisco Jose R. Borrromeo
 President

Marcos E. Larosa
 Chief Finance Officer

SUBSCRIBED AND SWORN TO BEFORE ME
 THIS DAY OF 16 APR 2024
 DEBENT EXHIBITED HIS/HER
 NO. _____ ISSUED ON _____

Signed this 8th day of April 2024

DOC. NO. 120
 PAGE NO. 25
 BOOK NO. LXX
 SERIES OF 2024

ATTY. RENE M. M. VILLA
 Notary Public of Makati City
 Appointment No. 41-111
 Until December 31, 2024
 PTR No. MKT 1007390 (1) 01-02 2024; Makati City
 IBP Lifetime No. 013895; 12-27-2013; LC
 Roll No. 37226
 MCLC Compliance No. VII-0024195; 02-15-2022
 Ground Floor, Makati Terraces Condominium
 5650 Davila St., Brgy. Tejeros, Makati City 1209



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 Audits 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as of December 31, 2023 and 2022;
- the statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in equity for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

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

We 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, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, 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 and for the year ended December 31, 2021 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="320 768 735 824">Expected credit losses (ECL) on loans and other receivables</p> <p data-bbox="320 1081 767 1384">We focused on this account because of the complexity involved in the estimation process, and the significant judgments that management makes in ascertaining the expected credit loss on loans and other receivables. The calculation of expected credit loss is inherently judgmental for any financing company.</p> <p data-bbox="320 1417 767 1957">Key areas of judgment include defining default, identifying exposures with significant deterioration in credit quality, identification of credit impaired loans, and estimation of expected realizable value of any collateral held supporting the calculation of individually assessed provisions; and the application of appropriate impairment models for the collectively assessed accounts. This includes the use of key assumptions in the impairment models (i.e., staging of accounts, forward-looking information), the exposure at default (EAD), the probability of default (PD) and the loss given default (LGD).</p>	<p data-bbox="850 842 1393 898">Our work over the impairment losses of loans and other receivables included:</p> <ul data-bbox="850 920 1445 1957" style="list-style-type: none"> <li data-bbox="850 920 1445 1066">• 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="850 1077 1445 1256">• testing of the accuracy of the loan aging schedule to determine appropriateness of staging of loan accounts including those identified as default accounts by recalculating from the last date of payment to the reporting date; <li data-bbox="850 1267 1445 1626">• testing of key assumptions in the ECL models such as PD, LGD, EAD built from historical data through validation of the accuracy and completeness of data inputs in the ECL models and in the ECL calculation by comparing them with the information obtained from the current and historical loan portfolio (i.e. aging schedule) which provides information about the classification of credit exposures, age of the receivables, collection experience and existence of collateral, among others; <li data-bbox="850 1637 1445 1783">• independent comparison and assessment of reasonableness of economic information used as the forward-looking information as basis of calculation of ECL to available macro-economic data; <li data-bbox="850 1794 1445 1957">• for a sample of individually assessed loans identified as default (i.e. credit-impaired), examined relevant supporting documents such as valuation of collateral used as a basis in estimating the recoverable amount and measuring the loan loss allowance; and



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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>(cont'd.)</p> <p>As at December 31, 2023, the total ECL allowance on loans and other receivables amounted to P156.89 million while the provision for credit losses recognized in profit or loss for the year amounted to P32.18 million.</p> <p>Refer to Note 3, Note 17 and Note 19 in the financial statements.</p>	<ul style="list-style-type: none"> recalculation of the expected credit loss for selected accounts and portfolios for collective assessment at reporting date using the ECL methodology adopted by Company.

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.

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

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

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

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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, actions taken to eliminate threats or safeguards applied.

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 Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 20 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

[REDACTED]

Zaldy D. Aguirre
Partner

CPA Cert. [REDACTED]

P.T.R. [REDACTED] issued on January 12, 2024, Makati City

TIN [REDACTED]

BIR A.N. [REDACTED], issued on December 22, 2023; effective until December 21, 2026

BOA/PRC [REDACTED] effective until November 14, 2025

Makati City
April 15, 2024



**Statement 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 as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 15, 2024.


The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration, Financial Soundness Indicators and the Map of the Group of Companies within which Makati Finance Corporation belongs as at December 31, 2023, 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, Section 7 of the Revised SRC Rule 68, are presented for purposes of filing with the Securities and Exchange Commission and are not a required parts 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.




Zaldy D. Aguirre
Partner

CPA Cert 

P.T.R.  issued on January 12, 2024, Makati City

TIN 

BIR A.N.  2023, issued on December 22, 2023; effective until December 21, 2026

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Makati City
April 15, 2024

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



Statement 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, 2023, and have issued our report thereon dated April 15, 2024. 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 (PFRS) 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 PFRS. 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, 2023 and no material exceptions were noted.

Isla Lipana & Co.




Zaldy D. Aguirre
Partner

CPA Cer 

P.T.R. , issued on January 12, 2024, Makati City

TIN 

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Makati Finance Corporation

Statement of Financial Position
As at December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash	2	23,102,110	34,051,506
Loans and other receivables, net	3,18	441,452,515	476,372,353
Other assets, net	4	104,855,751	108,457,610
Total current assets		569,410,376	618,881,469
Non-current assets			
Loans and other receivables, net	3,18	369,399,529	338,928,285
Property and equipment, net	5	5,669,637	6,276,492
Investment properties	6	153,312,587	90,801,000
Right-of use asset, net	16	16,531,808	18,730,644
Deferred tax assets, net	13	41,559,313	40,530,674
Total non-current assets		586,472,874	495,267,095
Total assets		1,155,883,250	1,114,148,564
Liabilities and Equity			
Current liabilities			
Current portion of Notes payable	9,18	484,652,041	419,496,400
Accounts payable		22,964,740	40,392,497
Accrued expenses	8	17,909,501	20,587,598
Lease liabilities	16,18	9,527,935	6,493,544
Income tax payable	13	3,417,997	1,529,041
Total current liabilities		538,472,214	488,499,080
Non-current liabilities			
Notes payable	9,18	26,222,222	42,052,330
Lease liabilities	16,18	9,887,494	15,019,195
Retirement benefit obligation, net	14	10,225,288	5,478,727
Total non-current liabilities		46,335,004	62,550,252
Total liabilities		584,807,218	551,049,332
Equity			
Capital stock	10	271,961,630	269,283,709
Additional paid-in capital		5,803,922	5,803,922
Retained earnings		285,327,520	277,759,900
Remeasurement gain on retirement benefit obligation	14	7,982,960	10,251,701
Total equity		571,076,032	563,099,232
Total liabilities and equity		1,155,883,250	1,114,148,564

(The notes on pages 1 to 36 are an integral part of these financial statements.)

Makati Finance Corporation

Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(With comparative figures for the year ended December 31, 2021)
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Interest income	2,3,7	175,174,176	158,979,539	174,717,502
Interest expense	9,7	(34,653,048)	(33,125,884)	(35,883,274)
Net interest margin		140,521,128	125,853,655	138,834,228
Other income				
Service charges	11	8,428,924	4,681,392	6,102,222
Fair value adjustment on investment properties	6	4,817,734	24,602,534	4,430,491
Miscellaneous	12	26,403,922	10,157,904	17,408,069
Total other income		39,650,580	39,441,830	27,940,782
Total operating income		180,171,708	165,295,485	166,775,010
Operating expenses				
Salaries and employee benefits		56,752,510	60,608,488	59,458,056
Provision for credit losses	3	32,176,691	18,840,356	16,318,563
Taxes and licenses		14,992,634	13,696,781	14,667,754
Occupancy costs		4,451,052	12,310,518	13,515,015
Depreciation and amortization	4,5,16	16,879,761	9,473,494	12,023,567
Travel and transportation		5,138,614	7,664,302	5,374,796
Management and professional fees		7,152,343	7,037,544	6,321,676
Commission		3,267,254	1,097,649	931,758
Provision for impairment loss of repossessed assets	4	7,495,767	377,146	927,711
Entertainment, amusement and recreation		558,787	375,368	260,209
Miscellaneous	12	14,044,270	10,407,838	11,979,309
Total operating expenses		162,909,683	141,889,484	141,778,414
Income before income tax		17,262,025	23,406,001	24,996,596
Income tax expense	13	4,338,476	5,552,903	15,292,190
Net income		12,923,549	17,853,098	9,704,406
Other comprehensive (loss) income		(2,268,741)	4,210,913	3,144,085
Total comprehensive income for the year		10,654,808	22,064,011	12,848,491
Basic and diluted earnings per share	10	0.05	0.07	0.04

(The notes on pages 1 to 36 are an integral part of these financial statements.)

Makati Finance Corporation

Statements of Changes in Equity
For the years ended December 31, 2023 and 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, 2021	266,204,047	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 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
Transactions with owners					
Stock dividends	2,677,921	-	(2,677,921)	-	-
Cash dividends	-	-	(2,678,008)	-	(2,678,008)
Total transactions with owners	2,677,921	-	(5,355,929)	-	(2,678,008)
Comprehensive income					
Net income for the year	-	-	12,923,549	-	12,923,549
Other comprehensive loss	-	-	-	(2,268,741)	(2,268,741)
Total comprehensive income (loss)	-	-	12,923,549	(2,268,741)	10,654,808
Balances at December 31, 2023	271,961,630	5,803,922	285,327,520	7,982,960	571,076,032

(The notes on pages 1 to 36 are an integral part of these financial statements.)

Makati Finance Corporation

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(With comparative figures for the year ended December 31, 2021)
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		17,262,025	23,406,001	24,996,596
Adjustments for:				
Provision for credit losses on loans and other receivables	3	16,377,948	18,840,356	16,318,563
Depreciation and amortization	4,5,16	16,879,761	9,417,435	12,023,566
Fair value change in investment properties	6	(4,817,734)	(24,602,534)	(4,430,491)
Retirement benefits expense	14	2,477,820	3,180,335	3,527,986
Interest expense from lease liabilities	16	1,169,810	1,249,467	1,766,789
Provision for (reversal of) impairment loss of repossessed assets	4	7,495,767	377,146	927,711
Gain from sale of repossessed assets	4	567,701	(463,451)	(2,377,048)
Loss on sale of investment property		-	-	272,612
Lease additions, net of modification		3,451	(86,387)	-
Operating income before working capital changes		57,416,549	31,318,368	53,026,284
Decrease (increase) in:				
Loans and other receivables		(69,623,207)	37,655,324	110,970,271
Other assets		(4,312,634)	10,612,253	(22,059,689)
Increase (decrease) in:				
Accounts payable		(17,427,757)	4,669,740	16,510,663
Accrued expenses		(2,678,097)	(2,243,613)	(18,396,287)
Cash (used in) generated from operations		(36,625,146)	82,012,072	140,051,242
Income taxes paid		(3,478,159)	(3,857,517)	(1,980,754)
Net cash flows (used in) provided by operating activities		(40,103,305)	78,154,555	138,070,488
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	5	(2,079,327)	(683,956)	(5,925,121)
Additions to software	4	(375,799)	(113,116)	(335,631)
Additions to investment properties	6	-	(3,070,225)	(2,230,309)
Net cash used in investing activities		(2,455,126)	(3,867,297)	(8,491,061)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of notes payable		229,332,325	219,516,745	144,434,268
Settlement of notes payable		(180,006,792)	(322,674,571)	(266,120,713)
Payment of lease liabilities	16	(15,038,490)	(8,737,993)	(7,941,968)
Cash dividends paid	10	(2,678,008)	(1,455,711)	(1,624,140)
Net cash from (used in) financing activities		31,609,035	(113,351,530)	(131,252,553)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(10,949,396)	(39,064,272)	(1,673,126)
Cash and cash equivalents				
January 1		34,051,506	73,115,778	74,788,904
December 31		23,102,110	34,051,506	73,115,778

(The notes on pages 1 to 36 are an integral part of these financial statements.)

Makati Finance Corporation

Notes to the Financial Statements

As at and for the years ended December 31, 2023 and 2022

(With comparative figures and notes as at December 31, 2022 and for the years ended December 31, 2022 and 2021)

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

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, 2002, 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, 2023, the Company's closing price at the PSE amounts to P1.90 per share (2022 - P2.35 per share).

Amalgamated Investment Bancorporation (AIB) (the "Parent Company") owns 43.41% of the Company as at December 31, 2023 and 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 146 employees as at December 31, 2023 (2022 - 156).

Approval of the financial statements

These financial statements have been approved and authorized for issuance by the Company's BOD on April 8, 2024. There are no significant subsequent events from April 8, 2024 to April 15, 2024.

2 Cash

This account consists of:

	2023	2022
Cash on hand	907,412	650,871
Cash in banks	22,194,698	33,400,635
	23,102,110	34,051,506

Cash in banks earn interest at the prevailing bank deposit rates which range from 0.05% to 0.25% (2022 - 0.05% to 0.15%). In 2023, interest income on cash in banks amount to P14,033 (2022 - P31,283; 2021 - P50,003).

3 Loans and other receivables, net

The account as at December 31 consist of:

	2023	2022
Consumer	708,725,305	776,014,826
Services	247,349,179	166,711,347
Other receivables	11,666,496	13,085,453
	967,740,980	955,811,626
Allowance for expected credit loss (ECL)	(156,888,936)	(140,510,988)
	810,852,044	815,300,638

Interest rates on loans and other receivables for the year ended December 31, 2023 range from 0.42% to 3.00% (2022 - 1.20% to 3.00%) add-on rate per month plus gross receipts tax. For the year ended December 31, 2023, interest income earned on loans receivables amounts to P175.16 million (2022 - P158.95 million; 2021 - P174.67 million).

Certain motorcycle financing receivables (included in Consumer category above) amounting to P109.73 million (2022 - P175.52 million) were used as collateral on notes payable to banks (see Note 9).

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

	2023	2022
Secured loans		
Chattel mortgage	400,823,972	383,569,862
Real estate mortgage	127,728,010	177,231,108
Other collaterals	69,320,406	31,272,185
Total secured	597,872,388	592,073,155
Unsecured	369,868,592	363,738,471
	967,740,980	955,811,626

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

Movements in allowance for ECL follow:

December 31, 2023				
Receivable from Customers				
	Consumer	Services	Others	Total
At January 1	116,168,180	19,877,093	4,465,715	140,510,988
Provision during the year	21,079,112	11,097,579	-	32,176,691
Write-off during the year	(10,860,432)	(4,938,311)	-	(15,798,743)
At December 31	126,386,860	26,036,361	4,465,715	156,888,936
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

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.

4 Other assets, net

This account consists of:

	Note	2023	2022
Repossessed assets, net		95,192,990	99,692,514
Prepaid expenses		4,290,984	3,569,794
Security deposits	16	4,761,292	4,733,792
Software costs		530,485	381,510
Financial asset at fair value through other comprehensive income (FVOCI)		80,000	80,000
		104,855,751	108,457,610

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

The movement in repossessed assets follow:

	2023	2022
Cost		
At January 1	141,497,292	150,809,469
Additions	59,019,279	68,111,860
Disposals	(59,892,665)	(77,424,037)
At December 31	140,623,906	141,497,292
Allowance for impairment losses		
At January 1	41,804,778	41,427,632
Allowance for impairment during the year	7,495,767	377,146
Write-off	(3,869,629)	-
At December 31	45,430,916	41,804,778
Carrying amount	95,192,990	99,692,514

Included in the statement of comprehensive income are the gain from sale of repossessed assets amounting to P567,701 in 2023 (2022 - P463,451). Proceeds from sale amounted to P60.46 million in 2023 (2022 - P77.89 million).

The movement in software costs follow:

	2023	2022
Cost		
At January	6,475,216	6,362,100
Additions	375,799	113,116
At December 31	6,851,015	6,475,216
Accumulated amortization		
At January 1	6,093,706	5,951,260
Amortization for the year	226,824	142,446
Accumulated amortization	6,320,530	6,093,706
Carrying amount	530,485	381,510

5 Property and equipment, net

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

2023				
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	19,869,472	10,861,636	10,408,455	41,139,563
Additions	831,944	470,000	777,383	2,079,327
Disposals	-	-	(542,000)	(542,000)
At December 31	20,701,416	11,331,636	10,643,838	42,676,890
Accumulated depreciation				
At January 1	18,801,529	8,370,692	7,690,850	34,863,071
Depreciation	659,008	699,043	1,328,131	2,686,182
Disposals	-	-	(542,000)	(542,000)
At December 31	19,460,537	9,069,735	8,476,981	37,007,253
Carrying amount	1,240,879	2,261,901	2,166,857	5,669,637
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	683,956	-	-	683,956
At December 31	19,869,472	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	1,067,943	2,490,944	2,717,605	6,276,492

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 are impaired as at December 31, 2023 and 2022.

6 Investment properties, net

Investment properties consist of land and building amounting to P87,021,301 and P66,291,286 respectively (2022 - P73,858,715 and P16,942,285, respectively).

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

	2023	2022
Beginning of the year	90,801,000	63,128,241
Additions	57,693,853	3,070,225
Fair value adjustment	4,817,734	24,602,534
	153,312,587	90,801,000

In 2023, the Company has acquired a property through a Dacion En Pago arrangement, with a fair market value of P77.27 million. However, the property has been booked at a value of P57.69 million, net of the share of another lender, reflecting the Company's portion of ownership. Unrealised gain amounting to P13.55 million pertaining to the foreclosure was recognized under miscellaneous income (Note 12).

The Company measures 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 2023.

The fair value of the Company's investment properties was determined using the Market Approach (Level 2), 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 2023 (2022 - P76,043).

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.

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:

	2023				Total
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	
Loans and other receivables, net	84,655,159	383,056,833	326,812,153	16,327,899	810,852,044
Results of operation					
Revenue					
Interest income	26,280,234	69,572,943	71,300,955	8,020,044	175,174,176
Other income	2,057,488	27,316,004	3,320,421	6,956,667	39,650,580
Total	28,337,722	96,888,947	74,621,376	14,976,711	214,824,756
Expenses					
Interest expense	5,198,770	13,762,957	14,104,793	1,586,528	34,653,048
Provision for expected credit losses	5,953,023	13,775,932	16,988,116	2,955,387	39,672,458
Operating expenses	12,843,642	45,027,374	58,180,031	7,186,178	123,237,225
	23,995,435	72,566,263	89,272,940	11,728,093	197,562,731
Net operating income (loss)	4,342,287	24,322,684	(14,651,564)	3,248,618	17,262,025
Income tax expense (benefit)	1,088,603	6,091,032	(3,654,912)	813,753	4,338,476
Net Income (loss)	3,253,684	18,231,652	(10,996,652)	2,434,865	12,923,549
Total Assets	96,292,720	572,121,950	460,272,420	27,196,160	1,155,883,250
Total Liabilities	77,142,436	263,756,179	203,138,223	40,770,380	584,807,218
Other segment information					
Capital expenditures	274,286	937,805	722,273	144,962	2,079,326
Depreciation and amortization	2,226,624	7,613,007	5,863,342	1,176,788	16,879,761

2022					
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	92,081,355	375,575,917	307,852,105	39,791,261	815,300,638
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
	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 expected credit 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)	4,599,797	17,301,857	(6,455,751)	2,407,196	17,853,099
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, net	94,546,818	380,068,851	347,907,565	49,273,084	871,796,318
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	13,651,549	1,136,913	27,940,782
Total	25,216,238	77,826,723	90,708,081	8,907,242	202,658,284
Expenses					
Interest expense	4,517,853	13,943,781	15,825,779	1,595,861	35,883,274
Provision for expected credit losses	2,171,377	6,701,681	7,606,210	767,006	17,246,274
Operating expenses	11,365,248	35,933,418	71,751,120	5,482,354	124,532,140
	18,054,478	56,578,880	95,183,109	7,845,221	177,661,688
Net operating income (loss)	7,161,760	21,247,843	(4,475,028)	1,062,021	24,996,596
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	(7,344,569)	394,339	9,704,406
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

8 Accrued expenses

This account consists of:

	2023	2022
Accrued rent	4,532,800	4,894,595
Insurance payable	4,205,346	3,981,994
Accrued taxes	4,537,682	3,454,505
Commissions and outside services	441,197	1,776,647
Accrued interest	1,524,719	1,283,054
Accrued administrative expenses	853,779	1,255,443
Accrued management and professional fees	875,480	737,677
Others	938,498	3,203,683
	17,909,501	20,587,598

Others mainly include accrual on utilities and travel and transportation.

9 Notes payable

The account as at December 31 consists of:

	2023	2022
Notes payable to:		
Related parties	382,583,587	257,408,526
Banks	109,733,333	175,517,005
Individuals/corporate	18,557,343	28,623,199
	510,874,263	461,548,730

The current and non-current portion of the account are as follow:

	2023	2022
Current	484,652,041	419,496,400
Non-current	26,222,222	42,052,330
	510,874,263	461,548,730

Interest rates on notes payable range from 5.50% to 9.00% in 2023 (2022 - 5.50% to 8.75%). Interest expenses on these notes payable amount to P33.48 million in 2023 (2022 - P31.47 million; 2021 - P34.12 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, 2023 and 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 avallment basis.

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

	2023		2022	
	Carrying amount	Secured notes	Carrying amount	Secured notes
Motorcycle financing receivables	155,789,216	109,733,333	227,613,885	175,517,005

10 Equity

On July 27, 2023, the BOD and stockholders approved the declaration of 0.99% stock dividends in the amount of P2.68 million to stockholders of record as at August 24, 2023 with distribution date not later than September 20, 2023. Fractional shares of 43.70 shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P2.68 million.

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.

As at December 31, 2023, the Company has 271,961,630 (2022 – 269,283,709) common shares issued and outstanding which are owned by 112 (2022 – 111) shareholders.

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

	2023		2022		2021	
	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	269,283,709	269,283,709	267,828,098	267,828,098	266,204,047	266,204,047
Stock dividends	2,677,921	2,677,921	1,455,611	1,455,611	1,624,051	1,624,051
At December 31	271,961,630	271,961,630	269,283,709	269,283,709	267,828,098	267,828,098

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:

	2023	2022	2021
Net income for the year	12,923,549	17,853,098	9,704,406
Weighted average number of outstanding common shares	270,435,582	268,555,904	266,610,060
Basic and diluted earnings per share	0.05	0.07	0.04

11 Service charges

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

	2023	2022	2021
Processing fees	7,261,796	4,011,154	3,494,270
Late payment charges	1,158,691	661,681	2,592,064
Others	8,437	8,557	15,888
	8,428,924	4,681,392	6,102,222

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.

Others pertain to the convenience fee charged by the Company.

12 Miscellaneous

Miscellaneous income for the years ended December 31 consists of the following items:

	2023	2022	2021
Unrealised gain on foreclosure (Note 6)	13,549,615	-	-
Penalties	7,978,395	6,053,470	7,776,978
Others	4,875,912	4,104,434	9,631,091
	26,403,922	10,157,904	17,408,069

Others mainly consist of gain on sale of motorcycle units.

Miscellaneous expenses for the years ended December 31 consist of the following items:

	2023	2022	2021
Communication	2,415,785	2,894,069	2,931,713
Stationaries and supplies	2,711,297	2,256,939	2,918,595
Others	8,917,188	5,256,830	6,129,001
	14,044,270	10,407,838	11,979,309

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

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) rate of 1%, instead of 2%, for the period beginning July 1, 2020 until June 30, 2023, 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:

	2023	2022	2021
Current	5,367,115	3,005,907	3,599,704
Deferred	(1,028,639)	2,546,996	11,692,486
	4,338,476	5,552,903	15,292,190

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

	2023	2022	2021
Income before tax	17,262,025	23,406,001	24,996,641
Income tax benefit at statutory income tax rate (25%)	4,315,506	5,851,500	6,249,160
Adjustments for:			
Interest income subjected to final tax	(3,508)	(7,821)	(12,501)
Impact of PFRS 16	25,382	(290,776)	-
Effect of CREATE law	-	-	9,051,635
Non-deductible interest expense	1,096	-	3,896
Change in unrecognized DTA	-	-	-
Effective income tax expense	4,338,476	5,552,903	15,292,190

The components of the Company's deferred tax assets and liabilities as at December 31 are as follows:

	2023	2022
Deferred tax assets		
Allowance for credit losses	39,163,685	35,069,198
Allowance of repossessed assets write-down	11,357,729	10,451,194
Accrued expenses	1,685,388	1,685,388
Retirement expense	3,020,042	2,400,587
Impairment loss on investment properties	228,988	228,988
Past service costs	40,293	40,294
Others	1,216,006	1,216,006
	56,712,131	51,091,655
Deferred tax liabilities		
Remeasurement gain on defined benefit obligation	3,137,635	3,137,635
Fair value increase in investment properties	12,015,183	7,423,346
	15,152,818	10,560,981
	41,559,313	40,530,674

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

	2023	2022
Beginning of the year	40,530,674	44,481,308
Amounts charged to profit or loss	1,028,639	(2,546,996)
Amounts charged to other comprehensive income	-	(1,403,638)
End of the year	41,559,313	40,530,674

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:

	2023	2022
Present value of benefit obligation	17,524,485	12,587,051
Fair value of plan assets	(7,299,197)	(7,108,324)
Retirement benefit obligation	10,225,288	5,478,727

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

	2023	2022
Current service cost	2,067,594	2,778,358
Net interest cost	410,226	401,977
	2,477,820	3,180,335

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

	2023	2022
At beginning of year	12,587,051	15,085,059
Current service cost	2,067,594	2,778,358
Interest cost	926,407	766,321
Remeasurements		
Loss (Gain) from changes in financial assumptions	2,763,316	(5,264,281)
Gain from experience adjustments	(629,883)	(778,406)
Benefits paid from Plan Assets - excluding settlements	(190,000)	-
At end of year	17,524,485	12,587,051

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

	2023	2022
At beginning of year	7,108,324	7,172,117
Interest income	516,181	364,344
Benefits paid	(190,000)	-
Remeasurements – Plan Assets	(135,308)	(428,137)
At end of year	7,299,197	7,108,324

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

	2023	2022
Cash and cash equivalents	2,014,219	3,793,982
Financial assets at fair value through profit or loss - fixed income	5,273,978	3,313,473
Accrued other receivables	11,000	869
	7,299,197	7,108,324

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

	2023	2022
Discount rate	6.16%	7.36%
Future salary increases	5.00%	5%
Average remaining working life (in years)	24.0	24.7

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, 2023			
Discount rate	100 basis points	(2,345,453)	2,850,482
Salary growth rate	100 basis points	2,855,229	(2,389,579)
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)

There are no expected contributions to the plan for the year ending December 31, 2024.

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	2023			2022		
		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	-	181,521	-	-	80,514	-
Notes payable	B	-	-	303,600,000	-	-	191,100,000
Availments		158,600,000	-	-	16,000,000	-	-
Settlements		46,100,000	-	-	92,500,000	-	-
Interest expense		18,506,868	-	-	13,725,831	-	83,855
<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	-	320,703	-	-	342,254	-
Availments		22,599	-	-	77,350	-	-
Settlements		44,150	-	-	42,900	-	-

forward

Category/Transaction	Ref	2023			2022		
		Amount of transaction	Due from related parties	Due to related parties	Amount of transaction	Due from related parties	Due to related parties
Accounts payable	D	-	-	15,131,269	-	-	14,456,450
Availments		130,991,997	-	-	71,576,002	-	-
Settlements		130,596,637	-	-	70,969,009	-	-
<i>MAPI Lending Investors, Inc.</i>							
Miscellaneous receivables	A	-	1,477,772	-	-	2,229,436	-
Availments		-	-	-	1,157,245	-	-
Settlements		751,664	-	-	16,492,411	-	-
Accounts payable	D	-	-	78,479	-	-	78,640
Availments		3,268	-	-	3,268	-	-
Settlements		-	-	-	-	-	-
Short term placements	C	-	-	-	-	-	-
Availments		-	-	-	611,209	-	-
Settlements		-	-	-	16,298,384	-	-
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	-	180,714	-	-	170,673	-
Availments		63,059	-	-	64,325	-	-
Settlements		53,018	-	-	26,250	-	-
Accounts payable	D	-	-	7,586,792	-	-	2,923,459
Availments		47,559,533	-	-	26,019,931	-	-
Settlements		52,222,866	-	-	24,961,153	-	-
<i>Pikeville Bancshares</i>							
Professional fees		390,320	-	-	1,193,920	-	275,520
<i>MERG Realty Development Corp.</i>							
Miscellaneous receivables	A	-	18,057	-	-	18,057	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-

forward

Category/Transaction	Ref	Amount of transaction	2023 Outstanding Balances		Amount of transaction	2022 Outstanding Balances	
			Due from related parties	Due to related parties		Due from related parties	Due to related parties
Notes payable	B	-	-	34,374,826	-	-	32,819,218
Availments		1,555,608	-	-	1,485,210	-	-
Settlements		-	-	-	-	-	-
Interest expense		1,830,127	-	-	1,747,306	-	-
<i>Felibon Realty, Inc.</i>							
Miscellaneous receivables	A	-	18,275	-	-	-	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-
<i>Directors and other stockholders</i>							
Notes payable	B	-	-	33,316,111	-	-	14,985,086
Availments		-	-	-	4,565,890	-	-
Settlements		-	-	-	11,873,090	-	-
Interest expense		1,930,553	-	-	919,964	-	-
Professional and other management fees		-	-	-	-	-	2,466,407
TOTAL			2,197,042	394,087,477		12,903,341	259,188,635

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, 2023 and 2022, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P382.58 million and P257.41 million. Interest expense from these borrowings amounted to P33.48 million and P31.47 million in 2023 and 2022, 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.
- D. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

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 2023 and 2022 amounts to P0.78 million and P8.62 million, respectively.

Security deposits arising from these lease agreements amount to P4.76 million and P4.73 million as at December 31, 2023 and 2022, respectively (Note 4).

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

	2023	2022
Less than one year	10,159,271	7,395,583
Between one and five years	10,500,220	17,345,473
	20,659,491	24,741,056

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

	2023	2022
As at January 1	21,512,739	36,256,416
Additions	10,017,940	1,933,757
Lease modification	1,753,430	(9,188,908)
Interest expense	1,169,810	1,249,467
Payments	(15,038,490)	(8,737,993)
As at December 31	19,415,429	21,512,739

Right-of-use assets

	2023	2022
Balance at January 1	18,730,644	32,311,216
Additions	10,017,940	1,933,756
Lease modification	1,749,979	(9,102,520)
Depreciation of right-of-use assets	(13,966,755)	(6,411,808)
Balance at December 31	16,531,808	18,730,644

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 reviews its loan portfolio to assess impairment on a regular basis. In determining whether a loss should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. On the basis of existing knowledge, it is reasonably possible that outcomes within the next financial year, which are different from the assumptions used, may amount to a material difference compared to this year's impairment loss. It is, however, impracticable to estimate the impact of such difference in outcomes.

Based on the Company's assessment, provision for impairment losses is required as at December 31, 2023 amounting to P32.18 million (2022 - P18.84 million). Allowance for impairment of P15.80 million was written off in 2023 (2022 – P7.98 million) after the Company exhausted all efforts and means to collect the amount due.

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 weighted average incremental borrowing rate applied to measure its lease liabilities arising from the lease contracts in 2023 was 4.37%. 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 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, 2023, 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, 2023 and 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.

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, 2023 and 2022.

	2023		
	Up to one year	Over one year	Total
Financial assets			
Cash	23,102,110	-	23,102,110
Loans and other receivables	441,452,515	369,399,529	810,852,044
Security deposits	4,761,292	-	4,761,292
Financial assets at FVOCI	80,000	-	80,000
Total financial assets	469,395,917	369,399,529	838,795,446
Financial liabilities			
Notes payable	484,652,041	26,222,222	510,874,263
Accounts payable	22,964,740	-	22,964,740
Accrued expenses*	13,371,819	-	13,371,819
Lease liabilities	9,527,935	9,887,494	19,415,429
Total financial liabilities	530,516,535	36,109,716	566,626,251
Total maturity gap	(61,120,618)	333,289,813	272,169,195

*Excluding government payables

	2022		
	Up to one year	Over one year	Total
Financial assets			
Cash	34,051,506	-	34,051,506
Loans and other receivables, net	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 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:

	2023	2022
Cash	22,194,698	33,400,635
Loans and other receivables (net, ECL allowance)	810,852,044	815,300,638
Security deposits	4,761,292	4,733,792
	837,808,034	853,435,065

Cash excludes 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.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with credit worthy counterparties. The security of loans and receivable is disclosed in Note 3.

The following summarizes the credit quality of the Company's Loans and other receivables:

	2023	2022
Neither past due nor impaired	527,201,316	574,400,616
Past due but not impaired	350,964,928	301,240,238
Impaired	89,574,736	80,170,772
	967,740,980	955,811,626

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

The credit quality of the portfolio of loans and other receivables can be assessed by reference to the historical experience of the Company with the borrowers. All loans and other receivables neither past due nor impaired are considered high grade and can withstand weak economic conditions. These pertain to borrowers with strong repayment capacity, have excellent liquidity and low leverage. Mostly, these are the accounts with updated amortization payments. Past due accounts are not considered impaired as these are backed-up by collaterals and considered fully collectible based on management's experience.

18.4 Fair value determination

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

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	23,102,110	23,102,110	34,051,506	34,051,506
Loans and other receivables, net	810,852,044	810,852,044	815,300,638	815,300,638
Security deposits	4,761,292	4,761,292	4,733,792	4,733,792
Financial assets at FVOCI	80,000	80,000	80,000	80,000
	838,795,446	838,795,446	854,165,936	854,165,936
Financial liabilities				
Notes payable	510,874,263	510,874,263	461,548,730	461,548,730
Accounts payable	22,964,740	22,964,740	40,392,497	40,392,497
Accrued expenses	17,909,501	17,909,501	20,587,596	20,587,596
Lease liabilities	19,415,429	19,415,429	21,512,739	21,512,739
	571,163,933	571,163,933	544,041,562	544,041,562

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 main Level 3 inputs used by the Company pertain to marketability and size.

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

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, 2023 and 2022, 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.

19 Summary of material accounting policies

The material 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 (PFRS). The term PFRS 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, 2023 and 2022.

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, 2023:

- Amendments to PAS1, '*Presentation of Financial Statements*', and PFRS Practice Statement 2

The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) 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.

To support this amendment, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- 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 12, '*Income Taxes*'

The amendments require companies to recognise deferred tax 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 deferred tax 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 recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable.

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

The following amendments to existing standards are not mandatory for the December 31, 2023 reporting period and have not been early adopted by the Company.

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

Amendments made to PAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in PAS 8, '*Accounting Policies, Changes in Accounting Estimates and Errors*'. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

- Amendments to PAS 7, '*Statement of Cash Flows*' and PFRS 7, '*Financial Instruments: Disclosures*'

The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by PAS 7 Statement of Cash Flows and PFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

The terms and conditions of SFAs.

1. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
2. The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.

3. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
4. Non-cash changes in the carrying amounts of financial liabilities in (b).
5. Access to SFA facilities and concentration of liquidity risk with finance providers.

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, 2023 that are relevant or expected to have a material impact on the Company's financial statements.

19.3 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.

19.4 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.

19.5 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.

19.5.1 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, 2023 and 2022 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 2023 and 2022.

(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.

19.5.2 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.

19.6 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).

19.7 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.

19.8 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.

19.9 Income 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.

19.10 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, 2023 and 2022.

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

19.11 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.

19.12 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.

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, 2023 include the following:

	Amount
Gross receipts tax (GRT)	9,720,139
Documentary stamp taxes (DST)	1,382,451
DST on stock dividends	26,779
License and permit fees	1,587,657
	12,717,026

The above are lodged under "Taxes and Licenses" account in the Company's statement of total comprehensive income. As at December 31, 2023, accrued GRT and DST amounted to P3,130,963 and P34,875, respectively.

(b) Withholding taxes

Withholding taxes incurred and accrued for the year ended December 31, 2023 are as follows:

	Amount
Withholding tax on compensation	2,185,102
Final withholding tax	41,720
Expanded withholding taxes	5,950,398
	<u>8,177,220</u>

No withholding taxes were paid to the BIR for the year ended December 31, 2023.

(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, 2023.

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, 2023**

Unappropriated Retained Earnings, available for dividends distribution - beginning as previously presented	P103,034,430
Add: Net income actually earned/realized during the year	
Net income during the period	12,923,549
Less: Dividends declared during the year	(5,355,929)
Fair value change in investment properties	(3,613,301)
<hr/>	
RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DISTRIBUTION	P106,988,749

EXHIBIT II

SCHEDULE SHOWING FINANCIAL SOUNDNESS PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2023

	2023	2022
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	105.75%	126.69%
Debt to equity ratio	102.40%	97.86%
Quick ratio	86.27%	104.49%
PROFITABILITY RATIOS		
Return on assets	1.12%	1.60%
Return on equity	2.26%	3.17%
Net profit margin	7.17%	10.80%
ASSET TO EQUITY RATIO	202.40%	197.86%
INTEREST RATE COVERAGE RATIO	1.50	1.71

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

EXHIBIT III

**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-F
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2023**

	2023	2022
Ratio or percentage of total real estate investments to total assets	13.26%	8.15%
Total receivables to total assets	70.15%	73.18%
Total DOSRI receivables to net worth	1.10%	2.31%
Amount of receivables from a single corporation to total receivables:		
Amalgamated Investment Bancorporation (AIB)	0.02%	0.01%
Motor Ace Philippines, Inc. (MAPI)	0.04%	0.40%
Honda Motor World, Inc. (HMWI)	0.02%	0.18%
MAPI Lending Investors, Inc. (MAPILI)	0.28%	0.27%
HMW Lending Investors, Inc. (HMWLI)	0.40%	0.72%

EXHIBIT IV

**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2023**

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Cash	23,102,110	23,102,110	14,033
Loans and other receivables, net	967,740,980	810,852,044	175,160,143
Security deposits	4,761,292	4,761,292	-
Financial asset at fair value through other comprehensive income Orchard golf club shares	1	80,000	-

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Central Device Encryption - 10Users @ 2780.00	₱14,000	₱ -	₱14,000	₱-	₱ -	₱ -
Sophos XG210 Appliance - Upgrade License Renewal	9,000	-	9,000	-	-	-
Sophos Central Intercept X Advanced with EDR	1,400	-	1,400	-	-	-
Sophos Central Intercept X Advanced for Server	18,767	-	5,331	-	-	13,436
Central Device Encryption - 10Users	20,500	-	20,500	-	-	-
84pcs. GV 25 Tracking Device	6,000	-	4,000	-	-	2,000
Web hosting upgrade	158,300	-	46,650	-	-	111,650
Web hosting upgrade	39,770	-	11,640	-	-	28,130
WEBSITE SECURITY RENEWAL PAYMENT	4,333	-	2,167	-	-	2,166
RENEWAL OF MAKATIFINANCE.PH DOMAIN	9,120	-	1,679	-	-	7,441
RENEWAL OF MAKATIFINANCE.PH DOMAIN	11,052	-	4,835	-	-	6,217
Hostgator, webhosting, web backup/security - makatifinance.ph	12,164	-	7,299	-	-	4,865
SYNC RENEWAL	13,390	-	8,355	-	-	5,035
20PCS GV 25 Tracking Device	8,897	-	5,338	-	-	3,559
GMAIL WORKSPACE - makatifinance.com.ph	41,800	-	8,800	-	-	33,000
71 UNITS FOR DUAL NETWORK SIM FOR GPS TRUCKING	13,017	-	7,100	-	-	5,918
Hostgator, webhosting, web backup/security - makatifinance.ph	-	7,796	2,599	-	-	5,197
QNE Maintenance	-	20,000	3,333	-	-	16,667
Supply and Delivery of SOPHOS Antivirus Renewal	-	335,000	59,942	-	-	275,058
GPS INSTALATION WAREHOUSE TRUCK	-	1,655	965	-	-	690
RENEWAL OF MAKATIFINANCE.PH DOMAIN (2 YEARS)	-	11,348	1,891	-	-	9,456
TOTAL	₱ 381,510	₱ 375,799	₱226,824	₱ -	₱ -	₱530,485

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in statement of financial position
Landbank / PN	P27,233,333	P1,011,111	P26,222,222

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

Name of related party	Balance at beginning of period	Balance at end of period
	P -	P -

Schedule G. Guarantees of Securities of Other Issuers

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

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	77,290,877	77,290,877	-	77,290,877	-	-
COMMON	68,798,067	68,798,067	-	68,798,067	-	-
COMMON	60,286,680	60,286,680	-	40,755,554	-	19,531,126
COMMON	10,115,997	10,115,997	-	-	-	10,115,997
COMMON	9,617,084	9,617,084	-	9,617,084	-	-
COMMON	8,998,726	8,998,726	-	-	8,998,726	-
COMMON	7,584,642	7,584,642	-	-	7,584,642	-
COMMON	6,807,235	6,807,235	-	-	-	6,807,235
COMMON	6,481,207	6,481,207	-	-	-	6,481,207
COMMON	6,222,250	6,222,250	-	-	-	6,222,250
COMMON	2,739,646	2,739,646	-	-	2,739,646	-
COMMON	1,035,573	1,035,573	-	-	-	1,035,573
COMMON	807,546	807,546	-	-	-	807,546
COMMON	549,836	549,836	-	-	-	549,836
COMMON	528,944	528,944	-	-	-	528,944
COMMON	469,927	469,927	-	469,927	-	-
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	311,080	311,080	-	-	-	311,080
COMMON	195,649	195,649	-	-	-	195,649
COMMON	113,696	113,696	-	-	37,897	75,799

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	62,762	62,762	-	-	-	62,762
COMMON	36,760	36,760	-	-	-	36,760
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,991	26,991	-	-	-	26,991
COMMON	25,561	25,561	-	-	8,518	17,043
COMMON	25,135	25,135	-	-	-	25,135
COMMON	21,859	21,859	-	-	-	21,859
COMMON	33,823	33,823	-	-	-	33,823
COMMON	20,656	20,656	-	-	-	20,656
COMMON	19,297	19,297	-	-	-	19,297
COMMON	18,731	18,731	-	-	-	18,731
COMMON	17,556	17,556	-	-	-	17,556
COMMON	10,723	10,723	-	-	-	10,723
COMMON	9,166	9,166	-	-	-	9,166
COMMON	7,816	7,816	-	-	-	7,816
COMMON	35,491	35,491	-	-	-	35,491
COMMON	7,778	7,778	-	-	-	7,778

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	7,692	7,692	-	-	-	7,692
COMMON	6,002	6,002	-	-	-	6,002
COMMON	2,969	2,969	-	-	-	2,969
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	2,550	-
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	2,550	-
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	2,550	-
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,549	2,549	-	-	2,549	-
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	2,548	-
COMMON	2,549	2,549	-	-	-	2,549

Schedule H. Capital Stock

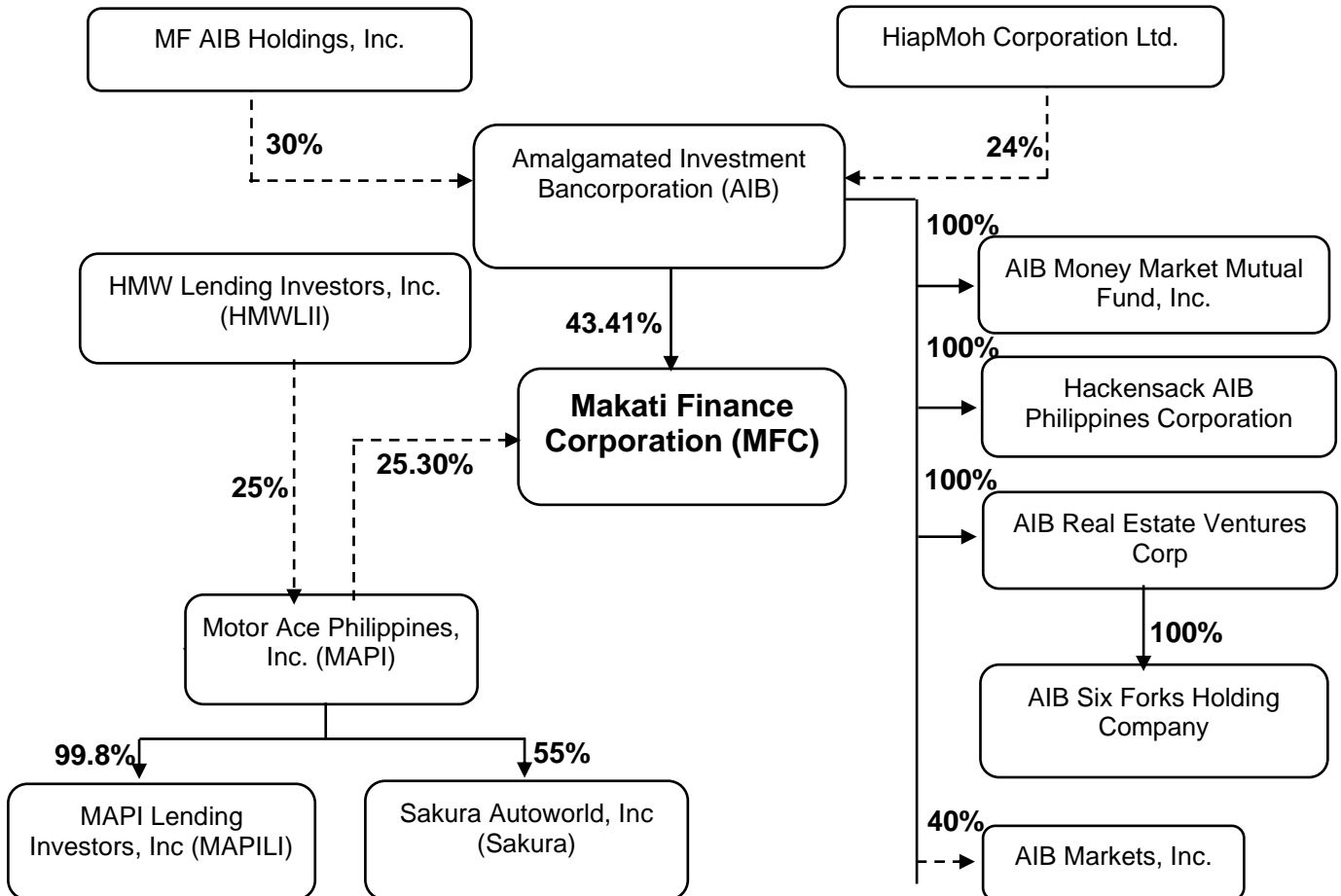
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	1,629	1,629	-	-	-	1,629
COMMON	1,413	1,413	-	-	-	1,413
COMMON	1,214	1,214	-	-	-	1,214
COMMON	1057	1057	-	-	-	1057
COMMON	805	805	-	-	-	805
COMMON	547	547	-	-	-	547
COMMON	420	420	-	-	-	420
COMMON	288	288	-	-	-	288
COMMON	224	224	-	-	-	224
COMMON	115	115	-	-	-	115
COMMON	115	115	-	-	-	115
COMMON	115	115	-	-	-	115
COMMON	115	115	-	-	-	115
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

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	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	-
COMMON	1	1	-	-	1	-
TOTAL	271,961,630	271,961,630	-	196,931,509	19,379,631	55,650,490

**EXHIBIT V
MAKATI FINANCE CORPORATION**

MAP OF THE GROUP OF COMPANIES WITHIN WHICH MAKATI FINANCE CORPORATION BELONGS AT DECEMBER 31, 2023



Legend:

- - - Associate
- Subsidiary

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

2024

SEC Form 17-Q

1st Qtr. 2024

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

113

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

Document I.D.

Document I.D.

LCU

LCU

Cashier

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, 2024**

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

(0632) 7751-8132

8. Issuer's telephone number, including area code

7823 MAKATI AVENUE, POBLACION, MAKATI CITY 1210

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
Title of each Class Number of shares of common stock
outstanding and amount of debt outstanding

COMMON STOCK

271,961,630*

**as reported by the stock transfer agent as of March 31, 2024*

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

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- Unaudited Interim Statements of Comprehensive of Income for the First Three Months ended March 31, 2024 and 2023, and Audited Consolidated Statements of Income as of December 31, 2023.
- Unaudited Interim Statement of Changes in Equity for the First Three Months ended March 31, 2024 and 2023, and Audited Consolidated Statement of Changes in Equity as of December 31, 2023.
- Unaudited Interim Statements of Cash Flows for the First Three Months Ended March 31, 2024 and 2023, and Audited Consolidated Statements of Cash Flows as of December 31, 2023.
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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)

	2024	2023
NET INTEREST INCOME RATIO	77.46%	80.20%
EBIT MARGIN	32.34%	28.56%
RETURN ON ASSETS (ANNUALIZED)	1.06%	0.90%
DEBT TO EQUITY	101.25%	98.90%
RETURN ON EQUITY (ANNUALIZED)	2.12%	1.80%

The net interest income ratio, as of March 31, 2024 stood at 77.46%, which was lower compared to 80.20% in the same period last year. This is mainly due to an increase in interest expense by 22%, from ₱7.67 million in 2023 to ₱9.35 million in 2024, as borrowing rates have continued to rise. Additionally, the Company's Notes Payable also increased by 6% from ₱469 million to ₱498 million. 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 32.34% this year, higher versus 28.56% in 2023. The Return on assets was 1.06% in 2024, an increase from 0.90% in 2023, primarily due to an increase 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 2.12% in 2024, higher from 1.80% 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

Results of Operations/Material Changes in Financial Statement Accounts

The company reported a net income of ₱3.05 million for the first quarter of 2023, representing a 20% increase compared to the same period last year. As of March 2024, the company incurred total operating expenses amounting to ₱32.12 million, reflecting a 1% decrease compared to the same period last year. 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 ₱1,155.40 million as of March 2024, same level as of December 31, 2023. The Loans Receivable portfolio experienced a 1% growth, equivalent to approximately ₱5 million, rising from ₱810.8 million on December 31, 2023, to ₱815.40 million as of March 31, 2024. This growth has been achieved through the company's proactive operations, which prioritize stricter credit controls.

As of March 31, 2024, the total liabilities amounted to ₱581.2 million, reflecting a 0.60% decrease compared to ₱584.8 million as of December 31, 2023.

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

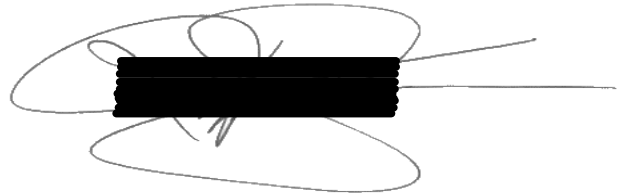
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.



Issuer.....**ROBERT CHARLES M. LEHMANN**.....

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

DateMay 14, 2024



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

Signature and Title.....

Date May 14, 2024

ANNEX A

INTERIM FINANCIAL STATEMENTS
For the Period Ending March 31, 2024
With Comparative Figures for 2023

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF FINANCIAL POSITION
FOR THE PERIOD ENDING MARCH 31, 2024, 2023 AND DECEMBER 31, 2023

	Notes	Mar. 31, 2024 (Unaudited)	Dec. 31, 2023 (Audited)	Mar. 31, 2023 (Unaudited)
Assets				
Current assets				
Cash	2	17,789,697	23,102,110	27,561,856
Loans and other receivables, net	3,18	443,931,403	441,452,515	481,609,891
Other assets, net	4	108,098,526	104,855,751	106,575,477
Total current assets		569,819,626	569,410,376	615,747,224
Non-current assets				
Loans and other receivables, net	3,18	371,473,818	369,399,529	353,542,337
Property and equipment, net	5	5,230,451	5,669,637	5,762,942
Investment properties	6	151,212,587	153,312,587	90,801,000
Right-of use asset, net	16	16,531,808	16,531,808	18,730,644
Deferred tax assets, net	13	41,138,618	41,559,313	40,476,424
Total non-current assets		585,587,282	586,472,874	509,313,347
Total assets		₱ 1,155,406,908	₱ 1,155,883,250	₱ 1,125,060,571
Current liabilities				
Current portion of Notes payable	9,18	491,762,803	484,652,041	420,161,578
Accounts payable		29,811,138	22,964,740	36,243,644
Accrued expenses	8	19,197,728	17,909,501	24,507,888
Lease liabilities	16,18	9,527,935	9,527,935	6,493,544
Income tax payable	13	4,013,178	3,417,997	2,321,920
Total current liabilities		554,312,782	538,472,214	489,728,574
Non-current liabilities				
Notes payable	9,18	6,555,555	26,222,222	48,891,667
Lease liabilities	16,18	9,887,494	9,887,494	15,019,195
Retirement benefit obligation, net	14	10,525,288	10,225,288	5,778,727
Total non-current liabilities		26,968,337	46,335,004	69,689,589
Total liabilities		₱ 581,281,119	₱ 584,807,218	₱ 559,418,163
Equity				
Capital stock	10	271,961,630	271,961,630	269,283,709
Additional paid-in capital		5,803,922	5,803,922	5,803,922
Retained earnings		288,377,277	285,327,520	280,303,076
Remeasurement gain on retirement benefit obligation	14	7,982,960	7,982,960	10,251,701
Total equity		₱ 574,125,789	₱ 571,076,032	₱ 565,642,408
Total liabilities and equity		₱ 1,155,406,908	₱ 1,155,883,250	₱ 1,125,060,571

(The notes on pages 1 to 36 are an integral part of these financial statements.)

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDING MARCH 31, 2024, 2023 AND DECEMBER 31, 2023

	Notes	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Interest income	2,3,7	41,493,370	175,174,176	38,725,636
Interest expense	9,7	(9,351,978)	(34,653,048)	(7,668,774)
Net interest margin		32,141,392	140,521,128	31,056,862
Other income				
Service charges	11	1,784,988	8,428,924	2,122,836
Fair value adjustment on investment properties	6	-	4,817,734	-
Miscellaneous	12	2,264,683	26,403,922	2,564,782
Total other income		4,049,671	39,650,580	4,687,618
Total operating income		36,191,063	180,171,708	35,744,480
Operating expenses				
Salaries and employee benefits		13,921,733	56,752,510	13,858,528
Provision for credit losses	3	2,691,496	32,176,691	2,883,000
Taxes and licenses		3,453,980	14,992,634	3,204,627
Occupancy costs		4,784,028	4,451,052	4,781,663
Depreciation and amortization	4,5,16	720,881	16,879,761	692,917
Travel and transportation		1,187,263	5,138,614	1,696,879
Management and professional fees		1,640,466	7,152,343	1,448,369
Commission		928,030	3,267,254	824,130
Provision for impairment loss of repossessed assets	4	325,725	7,495,767	-
Entertainment, amusement and recreation		159,721	558,787	140,510
Miscellaneous	12	2,312,106	14,044,270	2,823,552
Total operating expenses		32,125,429	162,909,683	32,354,175
Income before income tax		4,065,634	17,262,025	3,390,305
Income tax expense	13	1,015,877	4,338,476	847,129
Net income		3,049,757	12,923,549	2,543,176
Other comprehensive (loss) income		-	(2,268,741)	-
Total comprehensive income for the year		3,049,757	10,654,808	2,543,176
Basic and diluted earnings per share	10	0.01	0.05	0.01

(The notes on pages 1 to 36 are an integral part of these financial statements.)

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING MARCH 31, 2024, 2023 AND DECEMBER 31, 2023

	Capital stock (Note 10)	Addition al paid-in capital	Retained earnings	Remeasur- ent gain (loss) on retirement benefit obligation	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	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
Transactions with owners					
Stock dividends	2,677,921	-	(2,677,921)	-	-
Cash dividends	-	-	(2,678,008)	-	(2,678,008)
Total transactions with owners	2,677,921	-	(5,355,929)	-	(2,678,008)
Comprehensive income					
Net income for the year	-	-	12,923,549	-	12,923,549
Other comprehensive loss	-	-	-	(2,268,741)	(2,268,741)
Total comprehensive income (loss)	-	-	12,923,549	(2,268,741)	10,654,808
Balances at December 31, 2023	271,961,630	5,803,922	285,327,520	7,982,960	571,076,032
Transactions with owners					
Stock dividends	-	-	-	-	-
Cash dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Comprehensive income					
Net income for the year	-	-	3,049,757	-	3,049,757
Other comprehensive loss	-	-	-	-	-
Total comprehensive income (loss)	-	-	3,049,757	-	3,049,757
Balances at March 31, 2024	271,961,630	5,803,922	288,377,277	7,982,960	574,125,789

(The notes on pages 1 to 36 are an integral part of these financial statements.)

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDING MARCH 31, 2024 AND 2023, AND DECEMBER 31, 2023

	Notes	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		4,065,634	17,262,025	3,390,305
Adjustments for:				
Provision for credit losses on loans and other receivables	3	2,691,496	16,377,948	2,883,000
Depreciation and amortization	4,5,16	720,881	16,879,761	692,917
Fair value change in investment properties	6	-	(4,817,734)	-
Retirement benefits expense	14	300,000	2,477,820	300,000
Interest expense from lease liabilities	16	-	1,169,810	-
Provision for (reversal of) impairment loss of repossessed assets	4	325,725	7,495,767	-
Gain from sale of repossessed assets	4	-	567,701	-
Loss on sale of investment property		-	-	-
Lease additions, net of modification		-	3,451	-
Operating income before working capital changes		8,103,736	57,416,549	7,266,222
Decrease (increase) in:				
Loans and other receivables		(7,244,672)	(69,623,207)	(22,733,500)
Other assets		(3,568,501)	(4,312,634)	1,882,133
Increase (decrease) in:				
Accounts payable		6,846,398	(17,427,757)	(4,148,853)
Accrued expenses		1,288,226	(2,678,097)	3,919,199
Cash (used in) generated from operations		5,425,187	(36,625,146)	(13,814,799)
Income taxes paid		-	(3,478,159)	-
Net cash flows (used in) provided by operating activities		5,425,187	(40,103,305)	(13,814,799)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	5	(281,695)	(2,079,327)	(179,366)
Additions to software	4	-	(375,799)	-
Disposals of investment properties	6	2,100,000	-	-
Net cash from (used in) investing activities		1,818,305	(2,455,126)	(179,366)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of notes payable		35,063,031	229,332,325	70,740,749
Settlement of notes payable		(47,618,936)	(180,006,792)	(63,236,234)
Payment of lease liabilities	16	-	(15,038,490)	-
Cash dividends paid	10	-	(2,678,008)	-
Net cash from (used in) financing activities		(12,555,905)	31,609,035	7,504,515
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,312,413)	(10,949,396)	(6,489,650)
Cash and cash equivalents				
January 1		23,102,110	34,051,506	34,051,506
December 31		17,789,697	23,102,110	27,561,856

(The notes on pages 1 to 36 are an integral part of these 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, 2024 AND 2023
(WITH COMPARATIVE FIGURES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023)

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, 2002, 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, 2024, December 31, 2023, and March 31, 2023 the Company’s closing price at the PSE amounts to P1.72, P1.90, and P2.10 per share, respectively.

Amalgamated Investment Bancorporation (AIB) (the “Parent Company”) owns 43.41% of the Company as at March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

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 142, 146 and 150 employees as at March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

2 Cash

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Cash on hand	726,612	907,412	949,372
Cash in bank	17,063,085	22,194,698	26,612,484
	P 17,789,697	P 23,102,110	P 27,561,856

Cash in banks earn interest at the prevailing bank deposit rates which range from 0.05% to 0.25% as of March 31, 2024, December 31, 2023, and March 31, 2023. Interest income on cash in banks amount to P3,092, P14,033, and P3,044 as of March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

3 Loans and other receivables, net

The account as at March 31 and December 31 consist of:

	31-Mar-24 Unaudited	31-Dec-23 Audited	31-Mar-23 Unaudited
Consumer Services	712,611,000	708,725,305	794,778,788
Other receivables	250,248,303	247,349,179	171,612,532
	12,126,350	11,666,496	12,154,897
	974,985,653	967,740,980	978,546,217
Allowance for expected credit loss (ECL)	(159,580,432)	(156,888,936)	(143,393,989)
	P 815,405,221	P 810,852,044	P 835,152,228

Interest rates on loans and other receivables range from 0.42% to 3.00% add-on rate per month plus gross receipts tax. Interest income earned on loans receivables amounts to P41.49 million, P175.16 million, and P38.73 million as at March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

Certain motorcycle financing receivables (included in Consumer category above) amounting to P136.21 million, P155.79 million, and P186.23 million as of March 31, 2024, December 31, 2023, and March 31, were used as collateral on notes payable to banks 2023 (see Note 9), respectively.

The following table shows the breakdown of loans and other receivables (gross of allowance for ECL) as to collateral as at March 31, 2024, December 31, 2023, and March 31, 2023:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Secured loans			
Chattel mortgage	409,974,924	400,823,972	402,319,058
Real estate mortgage	129,600,316	127,728,010	160,158,851
Other collaterals	101,877,945	69,320,406	50,853,494
Total secured	641,453,185	597,872,388	613,331,403
Unsecured	333,532,468	369,868,592	365,214,814
	P 974,985,653	P 967,740,980	P978,546,217

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

Movements in allowance for ECL follow:

March 31, 2024				
Receivable from Customers				
	Consumer	Services	Others	Total
At January 1	134,875,609	17,547,612	4,465,715	156,888,936
Provision during the year	564,112	2,127,384	-	2,691,496
Write-off during the year	-	-	-	-
At March 31	P 135,439,721	P 19,674,996	P 4,465,715	P 159,580,432

December 31, 2023				
Receivable from Customers				
	Consumer	Services	Others	Total
At January 1	116,168,180	19,877,093	4,465,715	140,510,988
Provision during the year	21,079,112	11,097,579	-	32,176,691
Write-off during the year	(10,860,432)	(4,938,311)	-	(15,798,743)
At December 31	₱ 126,386,860	₱ 26,036,361	₱ 4,465,715	₱ 156,888,936

March 31, 2023				
Receivable from Customers				
	Consumer	Services	Others	Total
At January 1	108,045,972	27,999,302	4,465,715	140,510,989
Provision during the year	2,141,482	741,518	-	2,883,000
Write-off during the year	-	-	-	0
At March 31	₱ 110,187,454	₱ 28,740,820	₱ 4,465,715	₱ 143,393,989

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.

4 Other assets, net

This account consists of:

	Note	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Repossessed assets, net		96,852,627	95,192,990	96,492,704
Prepaid expenses		5,897,043	4,290,984	4,576,699
Security deposits	16	4,761,292	4,761,292	4,733,792
Software costs		507,564	530,485	692,282
Financial asset at fair value through other comprehensive income (FVOCI)		80,000	80,000	80,000
		₱ 108,098,526	₱ 104,855,751	₱ 106,575,477

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

The movement in repossessed assets follow:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Cost			
At January 1	140,623,906	141,497,292	141,497,296
Additions	17,745,691	59,019,279	11,540,390
Disposals	(17,467,125)	(59,892,665)	(14,740,204)
At December 31	₱ 140,902,472	₱ 140,623,906	₱ 138,297,482
Allowance for impairment losses			
At January 1	45,430,916	41,804,778	41,804,778
Allowance for impairment during the year	325,725	7,495,767	—
Write-off	(1,706,796)	(3,869,629)	—
At December 31	₱ 44,049,845	₱ 45,430,916	₱ 41,804,778
Carrying amount	₱ 96,852,627	₱ 95,192,990	₱ 96,492,704

Included in the statement of comprehensive income are the gain from sale of repossessed assets amounting to P145,967, P567,701, and P271,231 as at March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

The movement in software costs follow:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Cost			
At January	6,851,015	6,475,216	6,475,216
Additions	(1,625)	375,799	355,000
At March 31 and December 31	₱ 6,849,390	₱ 6,851,015	₱ 6,830,216
Accumulated amortization			
At January 1	6,320,530	6,093,706	6,093,706
Amortization for the year	21,296	226,824	44,228
Accumulated amortization	₱ 6,341,826	₱ 6,320,530	₱ 6,137,934
Carrying amount At March 31 and December 31	₱ 507,564	₱ 530,485	₱ 692,282

5 Property and equipment, net

The movements in the account for the period ended March 31, 2024, December 31, 2023, and March 31, 2023 are summarized below:

	March 31, 2024 (Unaudited)			
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	20,701,416	11,331,636	10,643,838	42,676,890
Additions	260,400	-	-	260,400
Disposals	-	-	-	-
At March 31	20,961,816	11,331,636	10,643,838	42,937,290
Accumulated depreciation				
At January 1	19,460,537	9,069,735	8,476,981	37,007,253
Depreciation	182,118	169,240	348,228	699,586
Disposals	-	-	-	-
At March 31	19,642,655	9,238,975	8,825,209	37,706,839
Carrying amount	1,319,161	2,092,661	1,818,629	5,230,451
	December 31, 2023 (Audited)			
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	19,869,472	10,861,636	10,408,455	41,139,563
Additions	831,944	470,000	777,383	2,079,327
Disposals	-	-	(542,000)	(542,000)
At December 31	₱ 20,701,416	₱ 11,331,636	₱ 10,643,838	₱ 42,676,890
Accumulated depreciation				
At January 1	18,801,529	8,370,692	7,690,850	34,863,071
Depreciation	659,008	699,043	1,328,131	2,686,182
Disposals	-	-	(542,000)	(542,000)
At December 31	₱ 19,460,537	₱ 9,069,735	₱ 8,476,981	₱ 37,007,253
Carrying amount	₱ 1,240,879	₱ 2,261,901	₱ 2,166,857	₱ 5,669,637

	March 31, 2023 (Unaudited)			
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	19,869,472	10,861,636	10,408,455	41,139,563
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	18,801,529	8,370,692	7,690,850	34,863,071
Depreciation	168,440	170,490	(232,640)	106,290
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	5,762,942

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 are impaired as at March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

6 Investment properties, net

Investment properties as of March 31, 2024 consist of land and building amounting to P85,175,301 and P66,037,286, respectively (2023 - P87,021,301 and P66,291,286, respectively).

The movements in the account for the period ended March 31, 2024, December 31, 2023, and March 31, 2023 are summarized below:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Beginning of the year	153,312,587	90,801,000	63,128,241
Additions	-	57,693,853	3,070,225
Fair value adjustment	-	4,817,734	24,602,534
Disposals	(2,100,000)	-	-
	P 151,212,587	P 153,312,587	P 90,801,000

In 2023, the Company has acquired a property through a Dacion En Pago arrangement, with a fair market value of P77.27 million. However, the property has been booked at a value of P57.69 million, net of the share of another lender, reflecting the Company's portion of ownership. Unrealised gain amounting to P13.55 million pertaining to the foreclosure was recognized under miscellaneous income (Note 12).

The Company measures 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 2023.

The fair value of the Company's investment properties was determined using the Market Approach (Level 2), 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, P76,043, and P76,043 as at March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

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.

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:

	March 31, 2024 (Unaudited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	82,666,357	367,210,820	332,819,633	32,708,411	815,405,221
Results of operation					
Revenue					
Interest income	4,634,407	14,018,152	20,827,157	2,013,654	41,493,370
Other income	546,118	1,769,794	1,120,625	613,134	4,049,671
Total	5,180,525	15,787,946	21,947,782	2,626,788	45,543,041
Expenses					
Interest expense	1,044,525	3,159,479	4,694,126	453,847	9,351,977
Provision for expected credit losses	574,841	889,608	784,142	768,631	3,017,222
Operating expenses	2,054,818	9,131,708	17,114,570	807,111	29,108,207
	3,674,184	13,180,795	22,592,838	2,029,589	41,477,406
Net operating income (loss)	1,506,341	2,607,151	(645,056)	597,198	4,065,634
Income tax expense (benefit)	376,531	651,548	(161,481)	149,279	1,015,877
Net Income (loss)	1,129,810	1,955,603	(483,575)	447,919	3,049,757
Total Assets					
Total Liabilities	96,292,720	572,121,950	460,272,420	26,719,818	1,155,406,908
Other segment information					
Capital expenditures	26,521	117,809	106,776	9,294	260,400
Depreciation and amortization	73,083	324,643	294,238	28,917	720,881
	December 31, 2023 (Audited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	84,655,159	383,056,833	326,812,153	16,327,899	810,852,044
Results of operation					
Revenue					
Interest income	26,280,234	69,572,943	71,300,955	8,020,044	175,174,176
Other income	2,057,488	27,316,004	3,320,421	6,956,667	39,650,580
Total	28,337,722	96,888,947	74,621,376	14,976,711	214,824,756
Expenses					
Interest expense	5,198,770	13,762,957	14,104,793	1,586,528	34,653,048
Provision for expected credit losses	5,953,023	13,775,932	16,988,116	2,955,387	39,672,458
Operating expenses	12,843,642	45,027,374	58,180,031	7,186,178	123,237,225
	23,995,435	72,566,263	89,272,940	11,728,093	197,562,731
Net operating income (loss)	4,342,287	24,322,684	(14,651,564)	3,248,618	17,262,025
Income tax expense (benefit)	1,088,603	6,091,032	(3,654,912)	813,753	4,338,476
Net Income (loss)	3,253,684	18,231,652	(10,996,652)	2,434,865	12,923,549
Total Assets	96,292,720	572,121,950	460,272,420	27,196,160	1,155,883,250
Total Liabilities	77,142,436	263,756,179	203,138,223	40,770,380	584,807,218
Other segment information					
Capital expenditures	274,286	937,805	722,273	144,962	2,079,326
Depreciation and amortization	2,226,624	7,613,007	5,863,342	1,176,788	16,879,761

	March 31, 2023 (Unaudited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	92,081,355	375,575,917	307,852,105	39,791,261	815,300,638
Results of operation					
Revenue					
Interest income	4,572,668	10,694,499	19,224,871	4,233,598	38,725,636
Other income	614,090	1,865,780	1,953,497	254,251	4,687,618
	₱ 5,186,758	₱12,560,279	₱ 21,178,368	₱4,487,849	₱ 43,413,254
Expenses					
Interest expense	1,004,630	3,052,349	3,195,851	415,944	7,668,774
Provision for expected credit losses	200,000	1,175,198	700,000	807,802	2,883,000
Operating expenses	2,960,802	6,730,209	18,181,686	1,598,478	29,471,175
	₱ 4,165,432	₱10,957,756	₱22,077,537	₱2,822,224	₱ 40,022,949
Net operating income (loss)	1,021,326	1,602,523	(899,169)	1,665,625	3,390,305
Income tax expense (benefit)	220,174	495,264	(407,822)	539,513	847,129
Net Income (loss)	₱ 801,152	₱1,107,259	(₱491,347)	₱1,126,112	₱2,543,176
Total Assets	100,439,990	509,196,837	474,393,339	41,030,405	1,125,060,571
Total Liabilities	₱ 60,684,540	₱ 253,714,702	₱222,265,866	₱22,751,966	₱ 559,417,074
Other segment information					
Capital expenditures	₱ 21,179.00	₱49,534.00	₱ 89,044.00	₱19,609.00	₱179,366.00
Depreciation and amortization	₱81,819.00	₱191,356.00	₱343,990.00	₱75,752.00	₱692,917.00

8 Accrued expenses

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Accrued rent	1,943,825	4,532,800	2,639,637
Insurance payable	653,455	4,205,346	4,058,252
Accrued taxes	2,873,096	4,537,682	2,829,195
Commissions and outside services	286,857	441,197	1,425,840
Accrued interest	4,987,052	1,524,719	4,530,397
Accrued administrative expenses	2,358,446	853,779	3,503,942
Accrued management and professional fees	1,118,044	875,480	1,505,534
Others	4,976,953	938,498	4,015,091
	₱ 19,197,728	₱ 17,909,501	₱ 24,507,888

Others mainly include accrual on utilities and travel and transportation.

9 Notes payable

The account as at March 31, 2024, December 31, 2023, and March 31, 2023 consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Notes payable to:			
Related parties	347,891,240	382,583,587	241,700,000
Banks	95,614,222	109,733,333	128,641,270
Individuals/corporate	54,812,896	18,557,343	98,711,975
	₱ 498,318,358	₱ 510,874,263	₱ 469,053,245

The current and non-current portion of the account are as follow:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Current	491,762,803	484,652,041	420,161,578
Non-current	6,555,555	26,222,222	48,891,667
	₱ 498,318,358	₱ 510,874,263	₱ 469,053,245

Interest rates on notes payable range from 5.50% to 9.00% and 5.50% to 8.75% in March 31, 2024, December 31, 2023, and March 31, 2023, respectively. Interest expenses on these notes payable amount to P9.35 million, P33.48 million, and P7.67 million as at March 31, 2024, December 31, 2023, and March 31, 2023, 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 December 31, 2023 and 2022, the notes payable to banks are secured by certain 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):

	March 31, 2024 (Unaudited)		December 31, 2023 (Audited)		March 31, 2023 (Unaudited)	
	Carrying amount	Secured notes	Carrying amount	Secured notes	Carrying amount	Secured notes
Motorcycle financing receivables	136,210,222	95,614,222	155,789,216	109,733,333	186,226,054	128,641,270

10 Equity

On July 27, 2023, the BOD and stockholders approved the declaration of 0.99% stock dividends in the amount of P2.68 million to stockholders of record as at August 24, 2023 with distribution date not later than September 20, 2023. Fractional shares of 43.70 shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P2.68 million.

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.

As at March 31, 2024, December 31, 2023, and March 31, 2023, the Company has 271,961,630, 271,961,630, and 269,283,709 common shares issued and outstanding which are owned by 113, 112, and 111 shareholders.

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

	March 31, 2024 (Unaudited)		December 31, 2023 (Audited)		March 31, 2023 (Unaudited)	
	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	271,961,630	271,961,630	269,283,709	269,283,709	269,283,709	269,283,709
Stock dividends	-	-	2,677,921	2,677,921	-	-
At December 31	271,961,630	271,961,630	271,961,630	271,961,630	269,283,709	269,283,709

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 period ended March 31, 2024, December 31, 2023, and March 31, 2023 follow:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Net income for the year	3,049,757	12,923,549	2,543,176
Weighted average number of outstanding common shares	271,961,630	270,435,582	269,283,709
Basic and diluted earnings per share	0.01	0.05	0.01

11 Service charges

The account for the period ended March 31, 2024, December 31, 2023, and March 31, 2023 consists of the following:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Processing fees	1,476,421	7,261,796	1,894,009
Late payment charges	306,248	1,158,691	227,347
Others	2,319	8,437	1,480
	₱ 1,784,988	₱ 8,428,924	₱ 2,122,836

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.

Others pertain to the convenience fee charged by the Company.

12 Miscellaneous

Miscellaneous income for the period ended March 31, 2024, December 31, 2023, and March 31, 2023 consists of the following items:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Unrealised gain on foreclosure (Note 6)	-	13,549,615	-
Penalties	1,755,993	7,978,395	1,750,722
Others	508,690	4,875,912	814,060
	₱ 2,264,683	₱ 26,403,922	₱ 2,564,782

Others mainly consist of gain on sale of motorcycle units.

Miscellaneous expenses for the period ended March 31, 2024, December 31, 2023, and March 31, 2023 consist of the following items:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Communication	605,352	2,415,785	523,096
Stationaries and supplies	721,148	2,711,297	678,085
Others	985,606	8,917,188	1,622,371
	₱ 2,312,106	₱14,044,270	₱2,823,552

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

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) rate of 1%, instead of 2%, for the period beginning July 1, 2020 until June 30, 2023, 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 period ended March 31, 2024, December 31, 2023, and March 31, 2023:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Current	595,182	5,367,115	792,879
Deferred	420,695	(1,028,639)	54,250
	₱1,015,877	₱4,338,476	₱847,129

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

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Income before tax	4,065,633	17,262,025	3,390,305
Income tax benefit at statutory income tax rate (25%)	1,016,408	4,315,506	847,576
Adjustments for:			
Interest income subjected to final tax	(773)	(3,508)	(447)
Impact of PFRS 16	-	25,382	-
Effect of CREATE law	-	-	-
Non-deductible interest expense	242	1,096	-
Change in unrecognized DTA	-	-	-
Effective income tax expense	₱1,015,877	₱4,338,476	₱847,129

The components of the Company's deferred tax assets and liabilities as at March 31, 2024, December 31, 2023, and March 31, 2023 are as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Deferred tax assets			
Allowance for credit losses	38,586,559	39,163,685	35,069,198
Allowance of repossessed assets write-down	11,439,160	11,357,729	10,396,944
Accrued expenses	1,685,388	1,685,388	1,685,388
Retirement expense	3,095,042	3,020,042	2,400,587
Impairment loss on investment properties	228,988	228,988	228,988
Past service costs	40,293	40,293	40,294
Others	1,216,006	1,216,006	1,216,006
	56,291,436	56,712,131	51,037,405
Deferred tax liabilities			
Remeasurement gain on defined benefit obligation	3,137,635	3,137,635	3,137,635
Fair value increase in investment properties	12,015,183	12,015,183	7,423,346
	15,152,818	15,152,818	10,560,981
	P41,138,618	P41,559,313	P40,476,424

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

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Beginning of the year	41,559,313	40,530,674	40,530,674
Amounts charged to profit or loss	(420,695)	1,028,639	(54,250)
Amounts charged to other comprehensive income		-	-
End of the year	P41,138,618	P41,559,313	P40,476,424

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:

	2023	2022
Present value of benefit obligation	17,524,485	12,587,051
Fair value of plan assets	(7,299,197)	(7,108,324)
Retirement benefit obligation	10,225,288	5,478,727

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

	2023	2022
Current service cost	2,067,594	2,778,358
Net interest cost	410,226	401,977
	2,477,820	3,180,335

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

	2023	2022
At beginning of year	12,587,051	15,085,059
Current service cost	2,067,594	2,778,358
Interest cost	926,407	766,321
Remeasurements		
Loss (Gain) from changes in financial assumptions	2,763,316	(5,264,281)
Gain from experience adjustments	(629,883)	(778,406)
Benefits paid from Plan Assets - excluding settlements	(190,000)	-
At end of year	17,524,485	12,587,051

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

	2023	2022
At beginning of year	7,108,324	7,172,117
Interest income	516,181	364,344
Benefits paid	(190,000)	-
Remeasurements – Plan Assets	(135,308)	(428,137)
At end of year	7,299,197	7,108,324

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

	2023	2022
Cash and cash equivalents	2,014,219	3,793,982
Financial assets at fair value through profit or loss - fixed income	5,273,978	3,313,473
Accrued other receivables	11,000	869
	7,299,197	7,108,324

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

	2023	2022
Discount rate	6.16%	7.36%
Future salary increases	5.00%	5%
Average remaining working life (in years)	24.0	24.7

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, 2023			
Discount rate	100 basis points	(2,345,453)	2,850,482
Salary growth rate	100 basis points	2,855,229	(2,389,579)
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)

There are no expected contributions to the plan for the year ending December 31, 2024.

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	2023			2022		
		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	-	181,521	-	-	80,514	-
Notes payable	B	-	-	303,600,000	-	-	191,100,000
Availments		158,600,000	-	-	16,000,000	-	-
Settlements		46,100,000	-	-	92,500,000	-	-
Interest expense		18,506,868	-	-	13,725,831	-	83,855
<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	-	320,703	-	-	342,254	-
Availments		22,599	-	-	77,350	-	-
Settlements		44,150	-	-	42,900	-	-
<i>forward</i>							

Category/Transaction	Ref	Amount of transaction	2023		2022		Due to related parties
			Outstanding Balances		Outstanding Balances		
			Due from related parties	Due to related parties	Amount of transaction	Due from related parties	
Accounts payable	D	-	-	15,131,269	-	-	14,456,450
Availments		130,991,997	-	-	71,576,002	-	-
Settlements		130,596,637	-	-	70,969,009	-	-
<i>MAPI Lending Investors, Inc.</i>							
Miscellaneous receivables	A	-	1,477,772	-	-	2,229,436	-
Availments		-	-	-	1,157,245	-	-
Settlements		751,664	-	-	16,492,411	-	-
Accounts payable	D	-	-	78,479	-	-	78,640
Availments		3,268	-	-	3,268	-	-
Short term placements	C	-	-	-	-	-	-
Availments		-	-	-	611,209	-	-
Settlements		-	-	-	16,298,384	-	-
Interest income		-	-	-	1,216,597	-	-
<i>HMW Lending Investors, Inc.</i>							
Loans Receivable	A	-	-	-	-	5,840,453	-
Settlements		-	-	-	2,725,970	-	-
<i>Honda Motor World, Inc.</i>							
Loans Receivable	A	-	-	-	-	1,269,809	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	739,583	-	-
Miscellaneous receivables	A	-	180,714	-	-	170,673	-
Availments		63,059	-	-	64,325	-	-
Settlements		53,018	-	-	26,250	-	-
Accounts payable	D	-	-	7,586,792	-	-	2,923,459
Availments		47,559,533	-	-	26,019,931	-	-
Settlements		52,222,866	-	-	24,961,153	-	-
<i>Pikeville Bancshares</i>							
Professional fees		390,320	-	-	1,193,920	-	275,520
<i>MERG Realty Development Corp.</i>							
Miscellaneous receivables	A	-	18,057	-	-	18,057	-

forward

Category/Transaction	Ref	Amount of transaction	2023 Outstanding Balances		Amount of transaction	2022 Outstanding Balances	
			Due from related parties	Due to related parties		Due from related parties	Due to related parties
Notes payable	B	-	-	34,374,826	-	-	32,819,218
Availments		1,555,608	-	-	1,485,210	-	-
Settlements		-	-	-	-	-	-
Interest expense		1,830,127	-	-	1,747,306	-	-
<i>Felibon Realty, Inc.</i>							
Miscellaneous receivables	A	-	18,275	-	-	-	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-
<i>Directors and other stockholders</i>							
Notes payable	B	-	-	33,316,111	-	-	14,985,086
Availments		-	-	-	4,565,890	-	-
Settlements		-	-	-	11,873,090	-	-
Interest expense		1,930,553	-	-	919,964	-	-
Professional and other management fees		-	-	-	-	-	2,466,407
TOTAL			2,197,042	394,087,477		12,903,341	259,188,635

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, 2023 and 2022, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P382.58 million and P257.41 million. Interest expense from these borrowings amounted to P33.48 million and P31.47 million in 2023 and 2022, 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.
- D. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

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 2023 and 2022 amounts to P0.78 million and P8.62 million, respectively.

Security deposits arising from these lease agreements amount to P4.76 million, P4.76 million and P4.73 million as at March 31, 2024, December 31, 2023 and March 31, 2023, respectively (Note 4).

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

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Less than one year	10,159,271	10,159,271
Between one and five years	10,500,220	10,500,220
	P 20,659,491	P 20,659,491

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

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
As at January 1	21,512,739	21,512,739
Additions	10,017,940	10,017,940
Lease modification	1,753,430	1,753,430
Interest expense	1,169,810	1,169,810
Payments	(15,038,490)	(15,038,490)
As at March 31 and December 31	P 19,415,429	P 19,415,429

Right-of-use assets

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at January 1	18,730,644	18,730,644
Additions	10,017,940	10,017,940
Lease modification	1,749,979	1,749,979
Depreciation of right-of-use assets	(13,966,755)	(13,966,755)
Balance at March 31 and December 31	P 16,531,808	P 16,531,808

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 reviews its loan portfolio to assess impairment on a regular basis. In determining whether a loss should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. On the basis of existing knowledge, it is reasonably possible that outcomes within the next financial year, which are different from the assumptions used, may amount to a material difference compared to this year's impairment loss. It is, however, impracticable to estimate the impact of such difference in outcomes.

Based on the Company's assessment, provision for impairment losses is required as at December 31, 2023 amounting to P2.69 million (2023 – P32.18 million). Allowance for impairment of P5.0 million was written off in March 31, 2024 (December 31, 2023 – P15.80 million) after the Company exhausted all efforts and means to collect the amount due.

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 weighted average incremental borrowing rate applied to measure its lease liabilities arising from the lease contracts in 2023 was 4.37%. 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 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, 2024 and December 31, 2023, the Company did not recognize any additional impairment loss on its investment properties in the absence of any indicators of impairment, respectively.

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, 2024 and December 31, 2023 and 2022 is fully recoverable and realizable, respectively.

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.

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, 2024 and December 31, 2023, respectively.

	March 31, 2024 (Unaudited)		
	Up to one year	Over one year	Total
Financial assets			
Cash	17,789,697		17,789,697
Loans and other receivables	443,931,403	371,473,818	815,405,221
Security deposits	4,761,292		4,761,292
Financial assets at FVOCI	80,000		80,000
Total financial assets	P 466,562,392	P 371,473,818	P 838,036,210
Financial liabilities			
Notes payable	491,762,803	6,555,555	498,318,358
Accounts payable	29,811,138		29,811,138
Accrued expenses*	19,197,728		19,197,728
Lease liabilities	9,527,935	9,887,494	19,415,429
Total financial liabilities	P 550,299,604	P 16,443,049	P 566,742,653
Total maturity gap	P (83,737,212)	P 355,030,769	P 271,293,557

*Excluding government payables

	December 31, 2023 (Audited)		
	Up to one year	Over one year	Total
Financial assets			
Cash	23,102,110	-	23,102,110
Loans and other receivables	441,452,515	369,399,529	810,852,044
Security deposits	4,761,292	-	4,761,292
Financial assets at FVOCI	80,000	-	80,000
Total financial assets	P 469,395,917	P 369,399,529	P 838,795,446
Financial liabilities			
Notes payable	484,652,041	26,222,222	510,874,263
Accounts payable	22,964,740	-	22,964,740
Accrued expenses*	13,371,819	-	13,371,819
Lease liabilities	9,527,935	9,887,494	19,415,429
Total financial liabilities	P 530,516,535	P 36,109,716	P 566,626,251
Total maturity gap	P (61,120,618)	P 333,289,813	P 272,169,195

*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 March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Cash	17,063,085	22,194,698	26,906,507
Loans and other receivables (net, ECL allowance)	815,405,221	810,852,044	978,546,217
Security deposits	4,761,292	4,761,292	4,733,792
	P 837,229,598	P 837,808,034	P1,010,186,516

Cash excludes 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.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with credit worthy counterparties. The security of loans and receivable is disclosed in Note 3.

The following summarizes the credit quality of the Company's Loans and other receivables:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Neither past due nor impaired	658,821,696	527,201,316	630,271,874
Past due but not impaired	225,014,544	350,964,928	233,400,956
Impaired	91,149,413	89,574,736	114,873,387
	P 974,985,653	P 967,740,980	P 978,546,218

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

The credit quality of the portfolio of loans and other receivables can be assessed by reference to the historical

experience of the Company with the borrowers. All loans and other receivables neither past due nor impaired are considered high grade and can withstand weak economic conditions. These pertain to borrowers with strong repayment capacity, have excellent liquidity and low leverage. Mostly, these are the accounts with updated amortization payments. Past due accounts are not considered impaired as these are backed-up by collaterals and considered fully collectible based on management's experience.

18.4 Fair value determination

The table below summarizes the carrying amount and fair value of financial assets and liabilities at March 31, 2024 and December 31, 2023, respectively:

	March 31, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	17,789,697	17,789,697	23,102,110	23,102,110
Loans and other receivables, net	815,405,221	815,405,221	810,852,044	810,852,044
Security deposits	4,761,292	4,761,292	4,761,292	4,761,292
Financial assets at FVOCI	80,000	80,000	80,000	80,000
	P 838,036,210	P 838,036,210	P 838,795,446	P 838,795,446
Financial liabilities				
Notes payable	498,318,358	498,318,358	510,874,263	510,874,263
Accounts payable	29,811,138	29,811,138	22,964,740	22,964,740
Accrued expenses	19,197,728	19,197,728	17,909,501	17,909,501
Lease liabilities	19,415,429	19,415,429	19,415,429	19,415,429
	P 566,742,653	P 566,742,653	P 571,163,933	P 571,163,933

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 main Level 3 inputs used by the Company pertain to marketability and size.

The Company's financial assets at FVOCI are classified under Level 2 of the fair value hierarchy as at March 31, 2024 and December 31, 202, respectively.

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 2023.

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 period ended March 31, 2024, December 31, 2023, and March 31, 2023, the Company is compliant with the minimum capital requirements, respectively

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.

19 Summary of material accounting policies

The material 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 (PFRS). The term PFRS 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 period ended March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

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, 2023:

- Amendments to PAS1, '*Presentation of Financial Statements*', and PFRS Practice Statement 2

The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) 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.

To support this amendment, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- 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 12, '*Income Taxes*'

The amendments require companies to recognise deferred tax 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 deferred tax 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 recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable.

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

The following amendments to existing standards are not mandatory for the December 31, 2023 reporting period and have not been early adopted by the Company.

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

Amendments made to PAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in PAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

- **Amendments to PAS 7, 'Statement of Cash Flows' and PFRS 7, 'Financial Instruments: Disclosures'**

The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by PAS 7 Statement of Cash Flows and PFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

The terms and conditions of SFAs.

1. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.

2. The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.

3. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.

4. Non-cash changes in the carrying amounts of financial liabilities in (b).

5. Access to SFA facilities and concentration of liquidity risk with finance providers.

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, 2023 that are relevant or expected to have a material impact on the Company's financial statements.

19.3 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.

19.4 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.

19.5 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.

19.5.1 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, 2023 and 2022 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 2023 and 2022.

(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.

19.5.2 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.

19.6 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).

19.7 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.

19.8 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.

19.9 Income 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.

19.10 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, 2023 and 2022.

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

19.11 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.

19.12 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.

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 accrued for the period ended March 31, 2024, December 31, 2023, and March 31, 2023 include the following:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Gross receipts tax (GRT)	2,270,006	9,720,139	429,195
Documentary stamp taxes (DST)	163,650	1,382,451	2,158,950
DST on stock dividends	-	26,779	-
License and permit fees	583,356	1,587,657	376,482
	P 3,017,012	P 12,717,026	P 2,964,627

The above are lodged under "Taxes and Licenses" account in the Company's statement of total comprehensive income. As at March 31, 2024, December 31, 2023, and March 31, 2023 accrued GRT and DST amounted to P 2,270,006, P3,130,963, P2,158,948 and P64,786, P34,875, P327,375, respectively.

(b) Withholding taxes

Withholding taxes incurred and accrued for the period ended March 31, 2024, December 31, 2023, and March 31, 2023 are as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Withholding tax on compensation	503,085	2,185,102	471,731
Final withholding tax	-	41,720	-
Expanded withholding taxes	1,144,498	5,950,398	761,621
	1,647,583	8,177,220	1,233,352

No withholding taxes were paid to the BIR for the year ended December 31, 2023.

(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, 2023.

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.