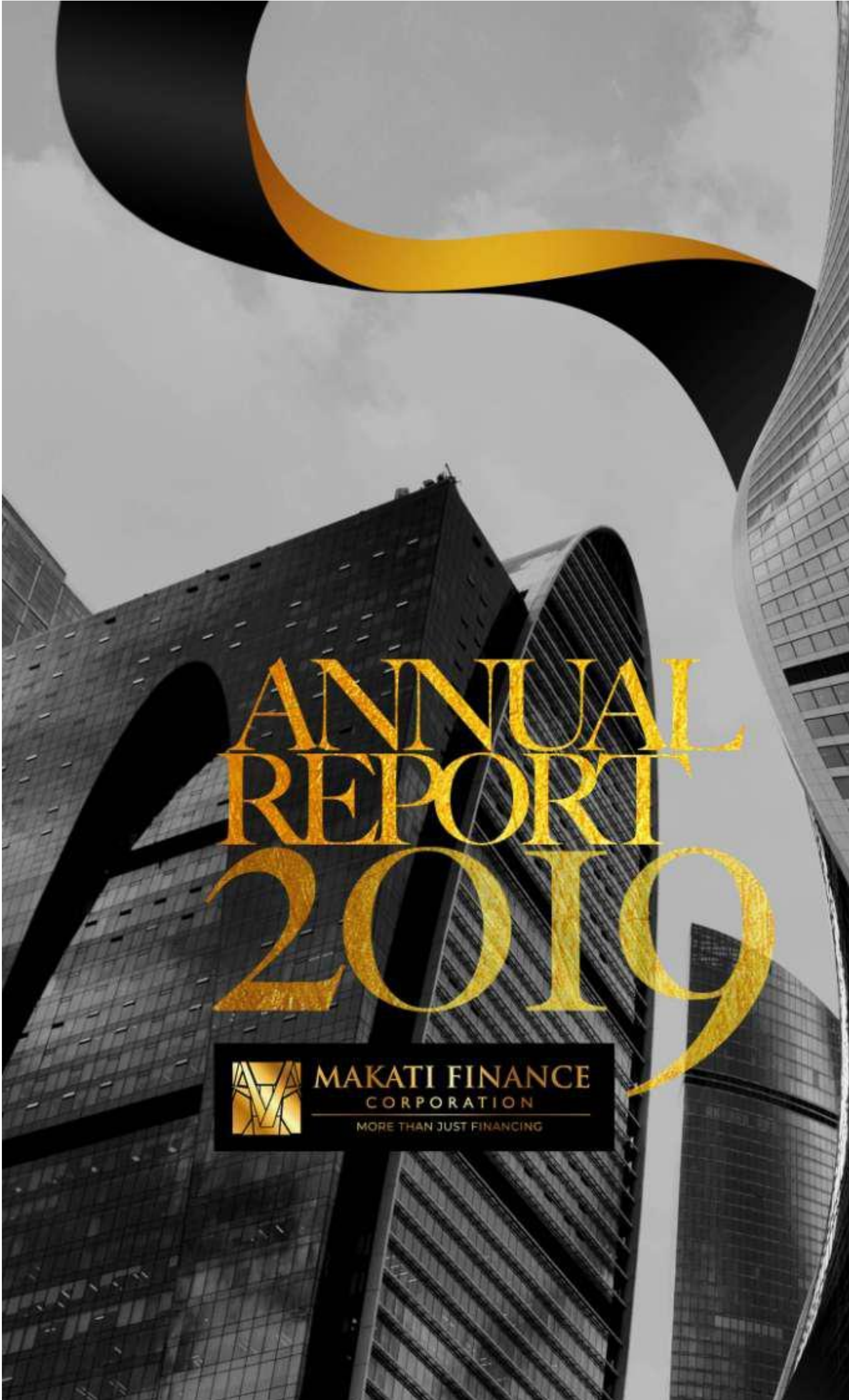

ANNUAL REPORT 2019

MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

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LETTER TO STAKEHOLDERS

In 2019, total loan portfolio stood at Php 1.20B, a 38% increase vs Php 738M in 2018. MFC introduced two new product lines – **Pension Loans** and **Leisure Bike Financing.**. The three products that were launched in 2018, namely **MFC Car Loans**, **Micro Business Loans** and **Corporate Salary Loans** doubled from Php 75M in 2018 to Php 154M in 2019.

The Company registered a remarkable growth in its traditional loans. Total Loan releases grew by 29% to P874M from Php 678M in 2018. The growth in loans were across all products with the top three led by **Motorcycle Financing at 50%**, followed by **Business Loans at 29%**, and **Factors** by 21%.

The growth in MFC's new products and traditional loans helped in rebalancing its loan portfolio. **Motorcycle Financing** now accounted for 37% of the portfolio, down from 44% in 2018, while the new products increased to 20% from 9% in 2018.

Total collections in 2019 increased by about 28% to Php 904M versus Php 709M in 2018 resulting to a net income of Php 21.7M, or about 137% higher versus Php 9.2M in 2018 as reflected in its audited financial statements.

Plans and Prospects for 2020

With a milestone performance in 2019, MFC greeted 2020 with full of optimism and drive to beat 2019's performance. MFC generated 57% more loans in the first two months of 2020 versus the same period in 2019. Our momentum was interrupted as Enhanced Community Quarantine or ECQ was declared in mid-March 2020. Despite the ECQ and Covid-19 pandemic wreaking havoc, MFC is committed to forge ahead albeit slowly and with more caution. The loan production target is constantly under review as we navigate our way in today's uncertain times.

As we focus on collection in the coming months, our aim is to assist our existing clients in overcoming the impact of the crisis by closely working with them, by providing alternatives to keep their account moving and businesses afloat. Their success after all is also our success.

MFC shall continue to position itself as among the top players and the financing company of choice in the market it serves. It will be capitalizing on its 54 years of experience in prudent lending activities and will emerge even stronger in these trying times. MFC will continuously adapt and raise the quality of the services it provides to all its clients.

On behalf of our Board, we are grateful for the support of all our stakeholders – our shareholders, our creditors, our customers and our employees. We remain committed to enhancing shareholders' value and to the future of the Company.

[redacted]

MAXCY FRANCISCO JOSE R. BORROMEO
President

[redacted]

RENE B. BENITEZ
Chairman of the Board

FINANCIAL SERVICES

MOTORCYCLE FINANCING

Fast and easy installment plans used for the purchase of brand new or repossessed motorcycle units.

CASH LINE™

A personal, multi-purpose, hassle-free, collateral-free loan that is designed for the credit needs of practicing doctors (MD, DMD and DVM).

FACTORING

(Factoring of Receivables)

A financing scheme that enables businesses to get an advance on trade receivables. It eases cash flow pinches and promotes increased business productivity.

BUSINESS LOANS

A collateral based loan intended to address your business demands for quick cash to cover expenses, buy new equipments or finance your expansion.

You can revolve your credit line up the the maximum loanable value of your collecteral.

MFC CAR LOAN

The fast and easy financing of your brand new and second hand vehicles.

CORPORATE SALARY LOAN

A personal, multipurpose, hassle free, non- collateral loan that is designed to assist Corporate Clients to provide loan assistance to their employees.

PERSONAL LOAN

A personal, multipurpose, hassle free, non- collateral loan that is designed for immediate and personal needs with flexible repayment terms.

PENSION LOAN

Fast and Easy Loan for our Senior Citizen or Pensioners provided their Monthly Pension loan with a lowest interest rate.

FINANCIAL HIGHLIGHTS

INCOME STATEMENT

(In thousand Pesos)

	FOR THE YEARS		
	2019	2018	2017
NET INTEREST INCOME	₱ **147,364**	₱ 112,440	₱ 124,748
OTHER INCOME	**20,304**	22,856	29,950
OPERATING INCOME(LOSS)	₱ **167,668**	₱ 135,296	₱ 154,698
OPERATING EXPENSES	**(133,256)**	(117,406)	(223,252)
OPERATING INCOME(LOSS)	₱ **34,412**	₱ 17,890	₱ (68,554)
NON OPERATING INCOME	**-**	758	102,802
SHARE IN NET INCOME FROM AN ASSOCIATE	**-**	-	2,252
NET INCOME BEFORE TAX	₱ **34,412**	₱ 18,648	₱ 36,500
INCOME TAX BENEFIT (EXPENSE)	**(12,707)**	(9,474)	17,899
NET INCOME AFTER TAX	P **21,705**	P 9,174	P 54,399

BALANCE SHEET

	2019	2018	2017
TOTAL ASSETS	**1,324,629**	1,018,444	970,788
RECEIVABLES	**1,020,202**	738,593	616,946
INVESTMENT PROPERTIES	**62,965**	61,640	53,826
BORROWINGS	**709,309**	464,743	427,339
SHAREHOLDERS' EQUITY	**521,411**	509,297	506,788

STATEMENT OF CASH FLOWS

(In thousand Pesos)

	FOR THE YEARS		
	2018	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
INCOME BEFORE INCOME TAX	**₱ 34,412**	₱ 18,648	₱ 36,500
ADD(DEDUCT)ADJUSTMENTS FOR NON OPEATING ITEM	**30,642**	(887)	(28,255)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	**₱ 65,054**	₱ 17,761	₱ 8,245
DECREASE(INCREASE) IN LOANS & OTHER ASSETS	**(295,881)**	(111,247)	133,793
INCREASE (DECREASE) IN ACCOUNTS PAYABLE & ACCRUED EXPENSES	**14,864**	6,101	(20,431)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(₱ 215,963)**	(₱ 87,385)	₱ 121,607
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(9,181)**	(7,932)	198,373
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**227,142**	29,244	(290,797)
NET INCREASE(DRECREASE) IN CASH AND CASH EQUIVALENTS	**₱ 1,999**	(₱ 66,073)	₱ 29,182
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**60,727**	126,800	97,618
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱ 62,726**	₱ 60,727	₱126,800

FINANCIAL REVIEW AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS – YEAR 2019

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 P21.7 million, or about 137% higher versus P9.2 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.

RESULTS OF OPERATIONS – YEAR 2018

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

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

Interest income in 2018 amounted to ₱133.93 million; major breakdown of which is ₱23.65 million from Rx, P43.29 million from MFC Factors and Business Loans and ₱61.64 million from MC Financing.

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

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

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

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

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

Income Before Income Tax
As of December 31, 2018, the company's Income before share in net income of an associate and gain on sale of investment in an associate amounted to ₱18.65 million, higher versus a loss of ₱68.55 million in 2017, mainly due to reduction in operating expenses from P223.25 million in 2017 to just Php 117.4 million in 2018.

RESULTS OF OPERATIONS – YEAR 2017

Net Income after Tax for the year ending December 31, 2017, as reflected in the audited financial statements ended at ₱54.4 million, or 17.41% higher from ₱46.33 million in 2016. This is mainly due to reduction in operating expenses by ₱ 77 million and increase in other income by ₱ 24.15 million.

Total operating income ended at ₱257.5 million in 2017 from ₱273.1 million in 2016. The 5.71% decline was mainly due to decline in generated interest income. Total expenses in 2017 ended at ₱222.25 million, lower versus ₱300.33 million in 2016, mainly due to decrease in loss on sale and inventory write-down of repossessed motorcycle inventories by ₱48.14 million and decrease in provision for credit losses by ₱9.4 million. Salaries and employee benefits also decreased by ₱19.14 million

Interest income in 2017 amounted to ₱157.66 million; major breakdown of which is ₱19.54 million from Rx, P32.15 million from MFC Factors and Business Loans and ₱101.54 million from MC Financing.

As of December 31, 2017, Earnings Per Share ended at ₱0.24 from ₱0.21 in 2016.

Financial Condition and Capital Resources
Total assets as of December 31, 2017 ended at ₱970.79 million, lower versus ₱1,227.58 million in 2016 mainly due to decrease in loans receivables by ₱232.08 million and sale of investment in associate amounting to ₱94.96 million. On the other hand, total liabilities also declined by ₱303.49 million, from ₱767.49 million in 2016 to ₱464 million in 2017 mainly due to net settlement of notes payable amounting to ₱283.85 million.

Interest Income
The interest income this year ended at ₱157.66 million in 2017 from ₱209.49 million in 2016. This is mainly due to lower loans receivable at the beginning of 2017.

Net Interest Income
Net interest income amounted to ₱124.75 million in 2017 versus ₱164.5 million in 2016. This is mainly due to lower loans receivable at the beginning of 2017.

Other Income
Other income increased by ₱24.15 million, from ₱108.6 million in 2016 to ₱132.75 million in 2017 due mainly to increase in gain from sale of investment in an associate amounting to ₱18.17 million and ₱10.53 million gain on foreclosure of investment properties .

Income Before Income Tax
As of December 31, 2017, the company ended at Income before share in net income of an associate amounting to ₱34.25 million, higher versus a loss of ₱27.24 million in 2016, mainly due to lower total operating expenses by ₱77.08 million.

Net Income
The Company posted a net income of ₱54.4 million in 2017, or 17.41% higher versus ₱46.3 million in 2016

RESULTS OF OPERATIONS – YEAR 2016

Net Income after Tax for the year ending December 31, 2016, as reflected in the audited financial statements had increased by 0.76% to ₱46.33 million in 2016 from ₱45.98 million in 2015. This is mainly due to the increase in share in net income from of an associate by ₱6.4 million from ₱40.78 million in 2015 to ₱47.22 million in 2016 and a onetime gain from sale of investment in an associate amounting to ₱84.63 million.

Total operating income improved from ₱186.32 million in 2015 to ₱273.1 million in 2016, mainly due to onetime gain from sale of investment in an associate as discussed above. Total expenses in 2016 ended at ₱300.33 million, higher versus ₱185million in 2015, mainly due to increase in loss on sale and inventory write-down of repossessed motorcycle inventories by ₱60.7 million and increase in provision for credit losses by ₱17.47 million. Taxes and licenses also increased by ₱13.84 million due to accrued capital gains tax from sale of investment in an associate amounting to ₱12 million.

Interest income in 2016 amounted to ₱209.49 million; major breakdown of which is ₱21.2 million from Rx, ₱24.26 million from MFC Factors and Business Loans and ₱163.22 million from MC Financing.

As of December 31, 2016, Earnings Per Share ended at ₱0.21 from ₱0.22 in 2015.

Financial Condition and Capital Resources
Total assets as of December 31, 2016 ended at ₱1,227.6 million, lower versus ₱1,321 million in 2015 mainly due to decrease in repossessed motorcycle inventories

by ₱88.0 million and sale of investment in an associate with a book value amounting to ₱75.35 million. On the other hand, total liabilities also declined by ₱133.3 million, from ₱900.7 million in 2015 to ₱767.5 million in 2016 mainly due to net settlement of notes payable amounting to ₱32.1 million.

Interest Income

The interest income this year ended at ₱209.5 million in 2016 from ₱211.4 million in 2014. This is mainly due to lower loans receivable at the beginning of 2016.

Net Interest Income

Net interest income amounted to ₱164.5 million in 2016 versus ₱166.5 million in 2015. This is mainly due to lower loans receivable at the beginning of 2016.

Other Income

Other income increased by ₱88.7 million, from ₱19.9 million in 2015 to ₱108.6 million in 2016 due mainly to a onetime gain from sale of investment in an associate amounting to ₱84.6 million and higher collections of processing fees from new loan releases and late payment charges collected from past due accounts.

Income Before Income Tax

As of December 31, 2016, the company ended at a loss before share in net income of an associate amounting to ₱27.2 million, mainly due to increase in loss on sale and inventory write-down of repossessed motorcycle inventories by ₱60.7 million and increase in provision for credit losses by ₱17.47 million.

Net Income

The Company posted a net income of ₱46.3 million in 2016, higher versus ₱46.0 million in 2015 or an increase of 0.76%.

MANAGEMENT'S DISCUSSION ON PLAN OF OPERATIONS

Plans and Prospects for 2020

With a milestone performance in 2019, MFC greeted 2020 with full of optimism and drive to beat 2019's performance. MFC generated 57% more loans in the first two months of 2020 versus the same period in 2019. Our momentum was interrupted as Enhanced Community Quarantine or ECQ was declared in mid-March 2020. Despite the ECQ and Covid-19 pandemic wreaking havoc, MFC is committed to forge ahead albeit slowly and with more caution. The loan production target is constantly under review as we navigate our way in today's uncertain times.

As we focus on collection in the coming months, our aim is to assist our existing clients in overcoming the impact of the crisis by closely working with them, by providing alternatives to keep their account moving and businesses afloat. Their success after all is also our success.

MFC shall continue to position itself as among the top players and the financing company of choice in the market it serves. It will be capitalizing on its 54 years of experience in prudent lending activities and will emerge even stronger in these trying times. MFC will continuously adapt and raise the quality of the services it provides to all its clients.

FUNDS GENERATION

We currently have a ₱350 million facility with Amalgamated Investment Bancorporation (AIB) and ₱355 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 2019.

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

MARKET SHARE INFORMATION

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

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

The latest available price information on Makati Finance's stock price is **₱1.90** per share as of **July 05, 2020**.

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

	Market Prices	
Quarter Ending	**High**	**Low**
March 2020	2.00	2.00
December 2019	2.48	2.48
September 2019	3.09	3.09
June 2019	3.03	3.03
March 2019	2.69	2.69
December 2018	2.73	2.73
September 2018	2.80	2.80
June 2018	3.03	3.03
March 2018	2.92	2.92
December 2017	2.90	2.90
September 2017	2.89	2.89
June 2017	3.08	3.07
March 2017	2.93	2.93
December 2016	2.84	2.83
September 2016	3.20	3.20

HOLDERS OF COMMON STOCK
TOP 20 Stockholders As of May 31, 2020

There are a total of 109 stockholders as of May 31, 2020

Name of Stockholders	Nat	Class	No. of Common Shares Held	Percentage
1. AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	112,576,292	42.81%
2. MOTOR ACE PHILIPPINES, INC.	FIL	A	66,517,910	25.30%
3. PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	20,438,969	7.77%
4. BORROMEO BROS. ESTATE INC.	FIL	A	9,780,727	3.72%
5. MF PIKEVILLE HOLDINGS, INC.	FIL	A	9,298,350	3.54%
6. GRACEFIELD CAPITAL HOLDINGS INC.	FIL	A	8,700,484	3.31%
7. ERIC B. BENITEZ	FIL	A	7,333,268	2.79%
8. MELLISSA B. LIMCAOCO	FIL	A	6,581,626	2.50%
9. GLENN B. BENITEZ	FIL	A	6,266,403	2.38%
10. RENE B. BENITEZ	FIL	A	6,016,030	2.29%
11. JOEL FERRER	FIL	A	2,648,849	1.01%
12. MICHAEL WEE	FOR	A	1,001,253	0.38%
13. REYES, MARY GRACE V.	FIL	A	780,784	0.30%
14. SALUD BORROMEO FOUNDATION	FIL	A	531,615	0.20%
15. TERESITA B. BENITEZ	FIL	A	511,415	0.19%
16. MERG REALTY DEVELOPMENT	FIL	A	454,354	0.17%
17. GLENN BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	275,903	0.12%
18. GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	275,903	0.12%
19. GLENN BENITEZ ITF ANDREA C. BENITEZ	FIL	A	275,903	0.12%
20. RENE BENITEZ ITF CARMELA L. BENITEZ	FIL	A	275,903	0.12%
SUB-TOTAL			260,691,469	99.14%
OTHER STOCKHOLDERS (89)			2,256,774	0.86%
GRAND TOTAL(109 stockholders)			262,948,243	100.00%

Currently the Company is compliant in the PSE continuing listing requirement rule on minimum public ownership. The rule requires a 10% minimum public float. MFC has 15.53% public float.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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 December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for oversseing 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.

Roxas Cruz Tagle & Co., the independent auditors 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 Management, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

[redacted]

MARCOS E. LAROSA
Chief Finance Officer

[redacted]

MAXCY FRANCISCO JOSE R. BORROMEO
President

[redacted]

RENE B. BENITEZ
Chairman of the Board

MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED
DECEMBER 31, 2017)

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019

Financial Statements

Supplementary Schedules

BOA/PRC Reg. No. 0005,
December 13, 2018, valid until July 20, 2021
SEC Accreditation No. 0007-FR-5,
July 5, 2018, valid until July 4, 2021

2nd Floor Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
www.bdo-roxascruztagle.ph
Tel: + (632) 8844 2016
Fax: + (632) 8844 2045

INDEPENDENT AUDITOR'S REPORT

The Board of Directorsand Shareholders
Makati Finance Corporation
(A Subsidiary of Amalgamated Investment Bancorporation)
3rd floor Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Makati Finance Corporation ("the Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis forOpinion

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

Other matter

The financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on April 12, 2018.

Key Audit Matters

Key audit matters are those 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.

Assessment of Expected Credit Losses (ECL) on Loans and Other Receivables

The Company is required to use the ECL model to determine impairment of loans and other receivables. This is significant to our audit because loans and other receivables amounting to P1.02 billion as at December 31, 2019, represents 77% of total assets. Moreover, the assessment using the ECL model involves significant judgments and estimates. We have reviewed the reasonableness of the assumptions used by the management in the assessment of ECL. Necessary disclosures are included in Note 4, Use of judgments, estimates and assumptions, and Note 7, Loans and other receivables – net.

Other information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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SEC Accreditation No. 0007-FR-5,
July 5, 2018, valid until July 4, 2021

2nd Floor Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
www.bdo-roxascruztagle.ph
Tel: + (632) 8844 2016
Fax: + (632) 8844 2045

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

BOA/PRC Reg. No. 0005,
December 13, 2018, valid until July 20, 2021
SEC Accreditation No. 0007-FR-5,
July 5, 2018, valid until July 4, 2021

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

From the matters communicated with those charged with governance, we determine those markets 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.

ROXAS CRUZ TAGLE AND CO.

Aljuver R. Gamao
Partner
CPA Certificate No. 0126931
Tax Identification No. 944-910-315
SEC Accreditation No. 1776-A, issued on September 10, 2019,
effective until September 09, 2022
BIR Accreditation No. 08-001682-015-2019, issued on February 08, 2019,
effective until February 07, 2022
PTR No. 8138977, issued on January 21, 2020, Cebu City

May 6, 2020
Makati City

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	Note	**2019**	2018
ASSETS			
Cash and cash equivalents	*6*	**₱62,726,271**	₱60,727,435
Loans and other receivables – net	*7*	**1,020,201,707**	738,592,949
Property and equipment – net	*8*	**9,226,046**	7,089,171
Investment properties – net	*9*	**62,964,857**	61,640,377
Right-of-use assets	*20*	**23,882,655**	—
Deferred tax assets – net	*17*	**61,209,971**	69,401,876
Retirement plan assets – net	*15*	**—**	244,127
Other assets – net	*10*	**84,417,823**	80,748,175
		₱1,324,629,330	₱1,018,444,110

	Note	**2019**	2018
LIABILITIES AND EQUITY			
Liabilities			
Notes payable	*11*	**₱709,309,048**	₱464,742,883
Accounts payable	*18*	**29,715,348**	17,918,996
Accrued expenses	*12*	**31,397,530**	25,873,348
Income tax payable	*17*	**726,531**	611,610
Lease liabilities	*20*	**28,094,989**	—
Retirement benefits liability – net	*15*	**3,974,808**	—
		803,218,254	509,146,837
Equity			
Capital stock	*14*	**262,948,243**	231,572,111
Additional paid-in capital		**5,803,922**	5,803,922
Retained earnings		**248,566,443**	265,783,544
Remeasurement gains on retirement benefit liability	*15*	**4,092,468**	6,137,696
		521,411,076	509,297,273
		₱1,324,629,330	₱1,018,444,110

See Notes to the Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31,2017)

	Notes	**2019**	2018	2017
Interest income	*6,7,18*	**₱173,297,706**	₱133,929,324	₱157,661,732
Interest expense	*11,18,20*	**25,933,893**	21,488,855	32,913,687
		147,363,813	112,440,469	124,748,045
Other income				
Service charges		**9,532,386**	6,024,171	4,404,252
Gain on sale of repossessed assets	*10*	**8,035,028**	—	—
Gain on foreclosed assets	*9*	—	4,320,613	10,526,725
Miscellaneous	*16*	**10,772,120**	12,511,588	15,019,422
		28,339,534	22,856,372	29,950,399
Total operating income		**175,703,347**	135,296,841	154,698,444
Operating expenses				
Salaries and employee benefits		**58,700,908**	55,040,738	56,006,403
Depreciation and amortization	*8,9,10,20*	**19,369,163**	5,340,924	5,677,458
Taxes and licenses		**17,506,834**	12,228,553	28,846,766
Provision (recovery) for credit losses	*7*	**15,493,762**	(11,712,656)	27,279,895
Management and professional fees		**6,438,464**	7,833,473	7,336,159
Travel and transportation		**5,929,455**	6,477,228	6,038,986
Occupancy costs	*20*	**3,890,312**	16,349,727	16,435,820
Commission		**1,127,396**	6,830,370	7,997,697
Entertainment, amusement and recreation		**1,046,408**	748,392	729,938
Provision for impairment loss of repossessed assets	*10*	**60,937**	6,359,127	32,595,997
Loss from sale of repossessed assets	*10*	**—**	2,794,153	23,961,274
Miscellaneous	*16*	**11,727,273**	9,116,363	10,346,249
Total operating expenses		**141,290,912**	117,406,392	223,252,642
Non-operating income				
Gain on sale of investment properties	*9*	**—**	758,000	—
Gain on sale of investment in an associate		**—**	—	102,801,839
Income before share in net income of an associate and income tax		**34,412,435**	18,648,449	34,247,641
Share in net income of an associate		—	—	2,252,071
Income before income tax		**₱34,412,435**	₱18,648,449	₱36,499,712

forward

		2019	2018	2017
Income before income tax		**₱34,412,435**	₱18,648,449	₱36,499,712
Income tax benefit (expense)	*17*	**(12,706,786)**	(9,473,953)	17,899,431
Net income		**21,705,649**	9,174,496	54,399,143
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement gains (losses) on retirement benefit liability, net of tax	*15*	**(2,045,228)**	2,399,700	(753,593)
Total comprehensive income		**₱19,660,421**	₱11,574,196	₱53,645,550
Basic and Diluted Earnings Per Share	*19*	**₱0.09**	₱0.04	₱0.24

See Notes to the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2017)

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings (Note 14)	Remeasurement Gains on Retirement Benefit Liability (Note 15)	Total Equity
Balance at January 1, 2019, as previously reported	**₱231,572,111**	**₱5,803,922**	**₱265,783,544**	**₱6,137,696**	**₱509,297,273**
Transitional adjustment due to the adoption of PFRS 16 (Note 3)	—	—	(6,170,402)	—	(6,170,402)
Balance at January 1, 2019, as restated	231,572,111	5,803,922	259,613,142	6,137,696	503,126,871
Stock dividends	31,376,132	—	(31,376,132)	—	—
Cash dividends	—	—	(1,376,216)	—	(1,376,216)
Total comprehensive income					
Net income	—	—	21,705,649	—	21,705,649
Other comprehensive income	—	—	—	(2,045,228)	(2,045,228)
	—	—	21,705,649	(2,045,228)	19,660,421
Balance at December 31, 2019	**₱262,948,243**	**₱5,803,922**	**₱248,566,443**	**₱4,092,468**	**₱521,411,076**

See Notes to the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2017)

	Capital Stock (Note 14)	**Additional Paid-in Capital**	**Retained Earnings** (Note 14)	**Remeasurement Gains on Retirement Benefit Liability** (Note 15)	**Share in Other Comprehensive Income of an Associate**	**Total Equity**
Balance at January 1, 2018 as previously reported	₱223,412,301	₱5,803,922	₱273,833,971	₱3,737,996	₱—	₱506,788,190
Adjustment	—	—	(905,181)	—	—	(905,181)
Balance at January 1, 2018, as adjusted	223,412,301	5,803,922	272,928,790	3,737,996	—	505,883,009
Stock dividends	8,159,810	—	(8,159,810)	—	—	—
Cash dividends	—	—	(8,159,932)	—	—	(8,159,932)
Total comprehensive income						
Net income	—	—	9,174,496	—	—	9,174,496
Other comprehensive income	—	—	—	2,399,700	—	2,399,700
	—	—	9,174,496	2,399,700	—	11,574,196
Balance at December 31, 2018	₱231,572,111	₱5,803,922	₱265,783,544	₱6,137,696	₱—	₱509,297,273
Balance at January 1, 2017	₱216,462,556	₱5,803,922	₱233,334,355	₱4,491,589	₱57	₱460,092,479
Stock dividends	6,949,745	—	(6,949,745)	—	—	—
Cash dividends	—	—	(6,949,839)	—	—	(6,949,839)
Total comprehensive income						
Net income	—	—	54,399,143	—	—	54,399,143
Other comprehensive income	—	—	57	(753,593)	(57)	(753,593)
	—	—	54,399,200	(753,593)	(57)	53,645,550
Balance at December 31, 2017	₱223,412,301	₱5,803,922	₱273,833,971	₱3,737,996	₱—	₱506,788,190

See Notes to the Financial Statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2017)

	Notes	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱34,412,435**	₱18,648,449	₱36,499,712
Adjustments for:				
Provision (recovery) for credit losses onloans and other receivables	*7*	**15,493,762**	(11,712,656)	27,279,895
Depreciation and amortization	*8,9,10,20*	**19,369,163**	5,340,924	5,677,458
Loss (gain) from sale of repossessed assets	*10*	**(8,035,028)**	2,794,153	23,961,274
Interest expense from lease liabilities	*20*	**2,455,808**	—	—
Retirement benefits expense (income)	*15*	**1,297,181**	1,842,045	(2,189,142)
Provision for impairment loss of repossessed assets	*10*	**60,937**	6,359,127	32,595,997
Gain on foreclosed assets		**—**	(4,320,613)	(10,526,725)
Gain on disposal of investment property	*9*	**—**	(758,000)	—
Recovery of impairment loss from investment property	*9*	**—**	(432,334)	—
Share in net income of an associate		**—**	—	(2,252,071)
Gain on sale of investment in an associate		**—**	—	(102,801,839)
Operating income before changes in working capital		**65,054,258**	17,761,095	8,244,559
Decrease (increase) in:				
Loans and other receivables		**(297,102,520)**	(109,934,241)	164,150,166
Other assets		**(17,839,519)**	(19,578,609)	(35,169,432)
Increase (decrease) in:				
Accounts payable		**11,796,352**	1,455,738	745,470
Accrued expenses		**5,524,182**	6,201,295	(17,878,065)
Net cash flows provided by (used in) operating activities		**(232,567,247)**	(104,094,722)	120,092,698
Income taxes paid		**(2,456,316)**	(1,555,782)	(3,298,135)
Proceeds from sale of repossessed assets		**19,060,718**	18,265,578	4,812,179
Net cash provided by (used in) operating activities		**(215,962,845)**	(87,384,926)	121,606,742

forward

	Note	**2019**	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	*8*	**(₱6,505,018)**	(₱611,970)	(₱1,434,292)
Investment properties	*9*	**(2,000,000)**	(8,899,692)	—
Software	*10*	**(915,500)**	(20,102)	(208,620)
Proceeds from sale of:				
Property and equipment		**240,000**	—	—
Investment in an associate		—	—	200,016,000
Investment properties		—	1,600,000	—
Net cash provided by (used in) investing activities		**(9,180,518)**	(7,931,764)	198,373,088
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable	*21*	**502,958,988**	267,152,586	240,696,640
Settlements of notes payable	*21*	**(258,392,823)**	(229,748,593)	(524,544,208)
Payments of lease liabilities		**(16,047,750)**	—	—
Cash dividends paid- including fractional shares	*14*	**(1,376,216)**	(8,159,932)	(6,949,839)
Net cash provided by (used in) financing activities		**227,142,199**	29,244,061	(290,797,407)
NET INCREASE (DECREASE) CASH AND CASH EQUIVALENTS		**1,998,836**	(66,072,629)	29,182,423
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**60,727,435**	126,800,064	97,617,641
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱62,726,271**	₱60,727,435	₱126,800,064
OPERATIONALCASH FLOWS FROM INTEREST				
Interest received		**₱173,657,409**	₱134,679,111	₱156,200,648
Interest paid		**₱29,603,629**	₱22,307,837	₱40,124,997

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 2017)

1. Reporting entity

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

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

Amalgamated Investment Bancorporation(AIB) (the Parent Company) owns 28.42% of the Company as atDecember 31, 2019 and 2018.

On March 11, 2002, the Board of Directors (BOD) and stockholders approved the offer of up to 19,560,000 shares from the Company's unissued common stock through initial common public offering (IPO). The application for the IPO of the company was approved by the SEC and the Philippine Stock Exchange(PSE), on December 9, 2002 and November 28, 2002, respectively. The company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of ₱1.38 per share.

As at December 31, 2019, the Company's closing price at the PSE amounts to ₱2.48 per share.

The Company's principal place of business is at 3rdFloor Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, Makati, Makati City.

The financial statements were approved and authorized for issuance by the BOD on May 6, 2020

2. Basis of preparation and statement of compliance

<u>Statement of Compliance</u>
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

<u>Basis of Preparation</u>
The financial statements of the Company have been prepared on the historical cost basis.

<u>Functional and Presentation Currency</u>
The financial statements are presented in Philippine peso, which is the functional currency of the Company. All values are rounded off to the nearest peso (₱), except when otherwise indicated.

3. **Significant accounting policies**

<u>Adoption of New and Amended PFRS</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – PFRS 16 supersedes PAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, Standing Interpretations Committee (SIC) -15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires almost all leases to be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to *classify* leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Company is the lessor.

  The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4 and under which the cumulative effect on initial application is recognized in retained earnings at January 1, 2019.

  The details of accounting policies under PAS 17 and IFRIC 4 are disclosed separately if they are different from those under PFRS 16 and the impact of changes is disclosed under "Leases" of this note.

  Leases previously accounted for as operating leases
  As a lessee, leases previously classified as operating lease, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if PFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

  The Company used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17:

  - Applied a single discount rate to a portfolio of leases with similar characteristics.
  - Adjusted the right-of-use assets by the amount of PAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
  - Applied exemption not to recognize right-of-use assets and liabilities with less than 12 months of lease term.
  - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

The effect of transition to PFRS 16 as at January 1, 2019 follows:

	January 1, 2019 *(as previously reported)*	*Adjustments*	January 1, 2019 *(as restated)*
Assets			
Other assets - net	₱80,748,175	(₱3,680,462)	₱77,067,713
Right-of-use assets	–	38,129,874	38,129,874
Deferred tax assets – net	70,430,319	1,067,117	71,497,436
	151,178,494	35,516,529	186,695,023
Liabilities and Equity			
Lease liabilities	–	41,686,931	41,686,931
Retained earnings	265,783,544	(6,170,402)	259,613,142
	265,783,544	35,516,529	301,300,073

When measuring the lease liabilities, the Company discounted lease payments using its incremental borrowing rates at January 1, 2019 specific for each lease agreements as follows:

Operating lease commitment as at December 31, 2018	₱51,810,257
Discounted using the incremental borrowing rate at January 1, 2019	(10,123,326)
Lease liabilities as at January 1, 2019	₱41,686,931

Right-of-use assets and lease liabilities were recognized and presented separately in the statements of financial position.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, Income Taxes, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments- Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (FVOCI) (instead of at fair value through profit or loss (FVPL)) if a specified condition is met. It also clarifies the requirements in PFRS 9 for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income (OCI)or equity according to where the entity originally recognized those past transactions or events.

- Annual Improvements 2015-2017 Cycle

  - PFRS 3, *Business Combinations*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

  - PFRS 11, *Joint Arrangements*
    An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

  - PAS 12, *Income Taxes*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where it originally recognized those past transactions or events.

    An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

    Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

  - PAS 23, *Borrowing Costs*
    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

    The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

The adoption these new and amended PFRS did not have any material effect on the financial statements,except for PFRS 16. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December31, 2019 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1 and PAS 8, *Definition of Material* – The amendments address the definition of material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, Insurance Contracts. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

- Deferred effectivity - Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under the prevailing circumstances, the adoption of these new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

Financial assets and financial liabilities

Date of recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial recognition and measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated atFVPL, includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets atFVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

Financial assets and liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognize OCI (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in OCI are not subsequently transferred to profit or loss.

As at December 31, 2019 and 2018, the Company does not have financial assets and liabilities at FVPL.

Financial assets at amortized cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Company's cash and cash equivalents, loans and receivables, security deposits and other investments under other assets are included under this category (Notes6,7 and 10).

Financial liabilities at amortized cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2019 and 2018, the Company's liabilities arising from its notes payable, accounts payable, accrued expenses and lease liabilities are included under this category (Notes 11,12, 18 and 20).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2019 and 2018, the Company's other investment under other assets is included under this category (Note 10).

Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of financial assets at amortized cost

The Company records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of financial assets and liabilities

Financial assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognizedwhen:

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

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

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of financial instrument between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

<u>Cash and cash equivalents</u>
Cash includes cash on hand and in banks which are stated at amortize cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

<u>Loans and other receivables</u>
Loans and other receivables are amounts due from customers for services performed in the ordinary course of business.

Loans and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for credit losses.

<u>Property and equipment</u>
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

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

The remaining useful lives and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the separate statements of income in the period of retirement and disposal.

Investment properties

Investment properties primarily consist of foreclosed real estate properties. These are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. A gain or loss on exchange is recognized in profit or loss under “Gain on foreclosed assets” account.

Foreclosed real estate properties are classified under “investment properties” account upon:

(a) entry of judgment in case of judicial foreclosure;
(b) execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or
(c) notarization of the Deed of Dacion in case of payment in kind (dacion enpago).

Subsequent to initial recognition, depreciable investment properties are carried at cost less depreciation and any impairment in value. The Company estimates the useful lives of its investment properties based on the period over which the assets are expected to be available for use. Any depreciation for these assets is calculated on a straight line basis using a useful life that ranges from 15 to 20 years.

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

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when it has either been disposed or when it is permanently withdrawn from the use and not future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in profit or loss in the year of derecognition.

Investment in an associate

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

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

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

The Company's share in profit or loss of an associate is shown as a separate line item in the statements of comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Company, using consistent accounting policies.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. Gain on sale of investment in an associate is recognized upon sale of the investment as the difference between the selling price and the carrying value of the investment sold.

Repossessed assets

Repossessed assets are carried at cost, which is the fair value at recognition date. The Company recognizes repossessed assets at cost less impairment. In determining the recoverability of the repossessed assets, management considers whether those assets are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale.Repossessed assetsis presented under "Other assets" account in the statements to financial position.

Software costs

Software costs that are not an integral part of the hardware are classified as intangible assets. This is included under "Other asset" account in the statements of financial position, which includes costs incurred relative to the development of the Company's software.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is expensed as incurred.

Software asset is amortized on a straight line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software assets for the current and comparative periods range from three to five years.

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

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statements of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair value measurements

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market 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 or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Accounts payable and accrued expenses

Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business whichever is longer); otherwise, they are presented as noncurrent liabilities.

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

Provisions and contingencies

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is charged against profit or loss, net of any reimbursement.

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

Capital stock

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments. Share capital is measured at par value. When the shares are sold at premium, the difference between the proceeds and par value is credited as additional paid-in capital.

Retained earnings

Unappropriated retained earnings include all current and prior period results and other capital adjustments as disclosed in the statement of changes in equity, free from any restriction.

Revenue recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Interest income on loans and other receivables. Interest income on loans and other receivables is recognized in profit or loss for all financial instruments measured at amortized cost using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

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

Service charges - service charges are recognized as revenue as the services are rendered.

Miscellaneous - miscellaneous are recognized as revenue as the penalties and other charges accrues.

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.

Expense recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Foreign currency denominated transactions and balances

Transactions in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency-denominated monetary assets and liabilities are translated into Philippine Peso using the rates of exchange provided by its Parent Company, which approximate the prevailing exchange rate at statement of financial position date. Exchange gains or losses arising from translation of foreign currency-denominated items at rates different from those at which they were previously recorded are recognized in profit or loss.

Retirement benefit costs

The liability or asset recognized in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense inprofit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income inprofit or loss.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Income tax

The tax expense for the period comprises current and deferred tax. Tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity, or when the tax arises from a business combination. Current and deferred tax that relates to items that are recognized in OCI or directly in equity are also recognized in OCI or directly in equity, respectively.

Current tax

Current tax assets and current tax liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the applicable tax rate for the years presented.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. However, deferred income tax liabilities are not recognized if it arises from:

a) the initial recognition of goodwill; or
b) the initial recognition of an asset or liability in a transaction which:

   (i) is not a business combination;
   (ii) the initial recognition of an asset or liability in a transaction which is not a business combination at the time of the transaction affects neither accounting nor taxable profit; and
   (iii) investments in subsidiaries and jointly controlled entities where the Parent Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits from MCIT and NOLCO can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of transaction, affects neither accounting profit nor taxable profit (tax loss).

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same transaction authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
    - the Company has the right to operate the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At the inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

For contracts entered into before January 1, 2019, the Company determines whether an arrangement is or contains a lease based on whether of:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets;
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of output.

Company as a lessee. TheCompany recognizes a right-of-use asset and lease liability at the date of initial application for leases previously classified as an operating lease under PAS 17.

The right-of-use asset is initially measured as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The right-of-use asset is subsequently depreciated using the straight line method over the shorter of the estimated useful life of 3 to 15 years or the lease term.

In addition, the right-of-use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments option renewal period if the Company is reasonably to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. It is remeasured when there is a change in future lease payments or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases. The Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

<u>Notes payable</u>
Notes payable are recognized initially at transaction price (that is, the present value of cash payable to the creditors, including transaction costs). Notes payable are subsequently stated at amortized cost using EIR method, which ensures that any finance costs even the period of repayment is a consistent rate in the balance of the liability carried in the statements of the financial position.

Notes payable are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after financial reporting date.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. The key management personnel of the Company and post-employment benefit plans for the benefit of the Company's employees are also considered to be related parties.

Earnings per share

Basic earnings per share (EPS) is computed by dividing the profit to the weighted average number of common shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding and assume of all dilutive potential ordinary shares.

Segment reporting

The Company's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5 to the financial statements.

Events after the statement of financial position date

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

4. Use of Judgments, Estimates and Assumptions

The preparation of thefinancial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Company has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the separate financial statements:

Determination whether an arrangement contains a lease **-** The Company assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3. On adoption of PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

The details of these lease agreements are disclosed in Note 20.

Company as lessee. The Company has entered into lease agreements as a lessee. Depreciation of right-of-use of asset and interest expense on lease liability recognized in profit or loss are disclosed in Notes 20.

Capitalization of software costs - The Company has entered into a contract for the development of its loans management system. The Company used judgment to decide whether development costs are capitalizable as intangible assets and to assess that the asset will generate probable future economic benefits. The Company recorded the cost under "Other assets" account in the statements of financial position.

Provisions and contingencies - The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

As at December 31, 2019 and 2018, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed in the financial statements.

Determining the lease term of contracts with renewal and termination options – Company as lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

<u>Estimatesand assumptions</u>
The key estimates and assumptions used in thefinancial statements are based upon the Company's evaluation of relevant facts and circumstances as at the date of the separate financial statements. Actual results could differ from such estimates.

Determining significant increases in credit risk and estimating allowance for credit losses - The Company establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized (as well as the amount of interest revenue).

For the purpose of determining significant increases in credit risk and recognizing a loss allowance, the Company groups its loans and other financial receivables on the basis of share 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.

At initial recognition of a financial asset, the Company recognizes a loss allowance equal to 12-month expected credit losses. These are the credit losses that are expected to result from default events that are possible within 12 months from the reporting date. This means that the actual loss does not need to take place within the 12-month period; it is the occurrence of the default event that ultimately results in that loss.

After initial recognition, the three stages would be applied as follows:

- Stage 1: Credit risk has not increased significantly since initial recognition – recognize 12-month expected credit losses
- Stage 2: Credit risk has increased significantly since initial recognition – recognize lifetime expected losses with interest revenue being calculated based on the gross amount of the asset
- Stage 3: There is objective evidence of impairment as at the reporting date (using the criteria currently included in PAS 39) – recognize lifetime expected losses, with interest revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

Determining from recognizing 12-month expected credit losses to lifetime expected credit losses requires judgment and careful estimates from management as the focus is on the change in the risk of the default, and not on the changes in the amount of expected credit losses. When determining which loans and other receivables may be subject to lifetime expected credit losses, the Company considers indicators such as request for loan modification or restructuring, changes in the health condition of borrowers, when accounts become past due or when accounts are in default, changes in industry or economic conditions that affect the ability of the borrowers to pay and other changes in the expected behavior of the borrower, and past-due information.

The measurement of expected credit losses is based on the present value of cash shortfalls, and takes into account both the amount and timing of contractual payments, including any proceeds from the repossession and sale of collaterals. These are reassessed and adjusted on any expected changes in the credit risks. Therefore, a credit loss may arise in instances where there is a delay in the payment of contractually required amount, even if all contractual cash payments are ultimately expected to be received in full.

As at December 31, 2019 and 2018, allowance for credit losses amounted to ₱123.67 million and ₱108.18 million, respectively (Note 7). The carrying values of loans and other receivables amounted to ₱1.02 billion and ₱738.59 million as at December 31, 2019 and 2018, respectively (Note 7).

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

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

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

As at December 31, 2019 and 2018, the Company did not recognize impairment on property and equipment, investment properties and software costs.

The carrying values of property and equipment, investment properties and software costs are disclosed in Notes 8,9 and 10.

As at December 31, 2019 and 2018, the carrying value of repossessed assets amounted to ₱76.71 million and ₱70.58 million, respectively. Provision for impairment loss of repossessed assets amounted to ₱0.06 million, ₱6.36 million and ₱32.60 million in 2019, 2018 and 2017, respectively (Note 10).

Realizability of deferred tax assets - The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed inNote 17.

Estimating useful lives of property and equipment, investment properties and software costs - The Company estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 3.

Valuation of retirement benefits - The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement liability are provided in Note 16.

The Company's net retirement liabilities amounted to ₱3.97 millionas at December 31, 2019 and net retirement plan assets amounted to ₱0.24 million as at December 31, 2018, respectively (Note 15).

Leases - Estimating the incremental borrowing rate - The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

<u>Fair Value Measurement</u>
The methods and assumptions used by the Company in estimating the fair value of its financial instrument are as follows:

Cash Equivalents

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

Loans and Other Receivables

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

Other investments

Debt securities. Fair values are generally based on quoted market prices. If the prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow method methodology.

Equity securities. Fair values are generally based on quoted market prices. For equity securities with quoted bid and offer prices, fair values are based on the price withing the bid-offer spread that is most representative of the exit price in the circumstances. If the market prices are not readily available, fair values are estimated using values obtained from independent parties offering pricing services.

Notes Payable

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

Accounts Payable and Accrued Expenses (excluding payable to government)

The carrying amounts of accounts payable and accrued expenses (excluding payable to government) approximate fair values due to their short-term maturities.

5. Segment Information

Operating Segments

The Company's operating businesses are recognized andmanaged 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 Rx cash line product- loans tailored to medical professionals.

MFC Factors Group

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

MC Financing Group

The MC Financing Group grants loans to motorcycle buyers.

Other Segments

This segment includes business loans, car loans, and corporate salary loans.

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

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

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

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

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

The Company does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues.
Financial information about operating segments follows:

	2019				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	**₱198,505,250**	**₱508,035,629**	**₱797,568,423**	**₱72,926,495**	**₱1,577,035,797**
Results of operation					
Revenues					
Interest Income	**29,548,067**	**57,293,673**	**78,055,306**	**8,400,660**	**173,297,706**
Other Income	**3,879,713**	**8,274,360**	**12,724,762**	**3,460,699**	**28,339,534**
	33,427,780	**65,568,033**	**90,780,068**	**11,861,359**	**201,637,240**
Expenses					
Interest expense	**4,421,850**	**8,573,962**	**11,680,928**	**1,257,153**	**25,933,893**
Provision for losses	**1,320,276**	**14,763,990**	**(826,940)**	**297,373**	**15,554,699**
Operating expenses	**15,160,656**	**27,414,200**	**77,473,253**	**5,688,104**	**125,736,213**
	20,902,782	**50,752,152**	**88,327,241**	**7,242,630**	**167,224,805**
Net operating income	**12,524,998**	**14,815,881**	**2,452,827**	**4,618,729**	**34,412,435**
Less: Income tax expense	**3,764,260**	**8,119,065**	**(540,683)**	**1,364,144**	**12,706,786**
Net Income	**₱8,760,738**	**₱6,696,816**	**₱2,993,510**	**₱3,254,585**	**₱21,705,649**
Statement of Financial Position					
Total Assets	**₱127,847,598**	**₱492,291,230**	**₱652,786,156**	**₱51,704,346**	**₱1,324,629,330**
Total Liabilities	**₱87,334,140**	**₱296,623,707**	**₱384,149,599**	**₱35,110,808**	**₱803,218,254**
Other segment information					
Capital expenditures	**₱1,185,783**	**₱3,034,781**	**₱4,764,323**	**₱435,631**	**₱9,420,518**
Depreciation and amortization	**₱2,106,014**	**₱7,152,916**	**₱9,263,555**	**₱846,678**	**₱19,369,163**

	2018				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	₱166,535,133	₱378,586,886	₱495,635,667	₱118,492,785	₱1,159,250,471
Results of operation					
Revenues					
Interest Income	23,652,725	40,285,247	61,636,851	8,354,501	133,929,324
Other Income	3,095,559	8,804,760	4,707,280	7,006,773	23,614,372
	26,748,284	49,090,007	66,344,131	15,361,274	157,543,696
Expenses					
Interest expense	1,560,058	5,481,098	8,960,984	5,486,715	21,488,855
Provision for losses	(5,328,844)	541,821	409,088	1,818,559	(2,559,376)
Operating expenses	12,415,643	31,012,835	66,992,955	9,544,335	119,965,768
	8,646,857	37,035,754	76,363,027	16,849,609	138,895,247
Net operating income(loss)	18,101,427	12,054,253	(10,018,896)	(1,488,335)	18,648,449
Less: Income tax expense	5,430,428	3,616,276	999,800	(572,551)	9,473,953
Net Income(loss)	₱12,670,999	₱8,437,977	(₱11,018,696)	(₱915,784)	₱9,174,496
Statement of Financial Position					
Total Assets	₱109,735,402	₱381,895,803	₱424,107,178	₱102,705,727	₱1,018,444,110
Total Liabilities	₱64,834,871	₱193,283,542	₱189,000,790	₱62,027,634	₱509,146,837
Other segment information					
Capital expenditures	₱1,369,310	₱3,112,874	₱4,075,290	₱974,289	₱9,531,764
Depreciation and amortization	₱673,269	₱2,007,126	₱1,962,653	₱697,876	₱5,340,924

	2017				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	₱118,275,453	₱253,140,942	₱581,487,644	₱34,280,473	₱987,184,512
Results of operation					
Revenues					
Interest Income	19,537,997	32,147,331	101,544,196	4,432,208	157,661,732
Other Income	2,650,408	3,984,746	7,454,834	118,662,250	132,752,238
	22,188,405	36,132,077	108,999,030	123,094,458	290,413,970
Expenses					
Interest expense	2,002,116	6,678,942	24,227,409	5,220	32,913,687
Provision for losses	809,670	–	26,470,225	–	27,279,895
Operating expenses	14,972,843	24,382,100	73,553,071	80,812,662	193,720,676
	17,784,629	31,061,042	124,250,705	80,817,882	253,914,258
Net operating income(loss)	4,403,776	5,071,035	(15,251,675)	42,276,576	36,499,712
Less: Income tax expense	(1,367,564)	(2,226,971)	(6,718,067)	(7,586,829)	(17,899,431)
Net Income(loss)	₱5,771,340	₱7,298,006	(₱8,533,608)	₱49,863,405	₱54,399,143
Statement of Financial Position					
Total Assets	₱64,724,751	₱241,137,958	₱475,396,141	₱189,529,450	₱970,788,300
Total Liabilities	₱53,112,221	₱110,605,096	₱264,835,105	₱35,447,689	₱464,000,110
Other segment information					
Capital expenditures	₱6,531,530	₱13,979,213	₱32,111,517	₱1,893,072	₱54,515,332
Depreciation and amortization	₱587,949	₱1,258,367	₱2,890,481	₱940,661	₱5,677,458

6. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱2,567,191**	₱1,982,700
Cash in banks	**36,588,695**	34,978,801
Cash equivalents	**23,570,385**	23,765,934
	₱62,726,271	₱60,727,435

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.64% to 0.74% per annum in 2019 and 2018. Interest income on cash in banks amounted to ₱0.05million, ₱0.05million and₱0.07 million in 2019, 2018 and 2017, respectively.

Cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from 30 to 90 days at 10.5% and 8.5% interest per annum, respectively. Interest income on cash equivalents amounted to₱1.77 million,
₱3.15 million and₱3.75 millionin 2019, 2018 and 2017,respectively (Note 18).

7. Loans and Other Receivables -Net

This account consists of:

	2019	2018
Receivables from customers		
Consumer	**₱1,190,077,491**	₱872,560,125
Services	**373,759,437**	273,716,561
Other receivables	**13,198,869**	12,973,785
	1,577,035,797	1,159,250,471
Unearned interest income	**(395,846,762)**	(283,034,257)
Allowance for credit losses	**(123,673,142)**	(108,179,380)
Clients equity	**(37,314,186)**	(29,443,885)
	₱1,020,201,707	₱738,592,949

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

	2019	2018
Motorcycle financing	**₱589,853,279**	₱485,526,651
Business loans	**383,913,894**	289,475,750
Rx cash line	**197,609,078**	165,638,961
Car loans	**177,443,684**	76,484,813
Receivables purchased	**124,121,735**	98,146,282
Corporate salary loans	**6,982,861**	5,854,167
	1,479,924,531	1,121,126,624
Personal loans	**25,518,103**	3,233,904
Leisure bike loans	**20,162,444**	288,706
Pension loans	**15,035,371**	447,622
Housing loans	**11,925,678**	10,174,642
Accrued interest receivable	**11,270,801**	11,630,504
Sales contract receivable	**1,368,200**	1,491,200
Advances to officers and employees	**265,978**	182,024
Due from affiliates	**101,007**	101,007
Miscellaneous receivables	**11,463,684**	10,574,238
	₱1,577,035,797	₱1,159,250,471

Miscellaneous receivables pertain to receivables from employees, other relatedparties (Note 18) and other non-related parties.

Interest rates on loans receivable ranges from 1.2% to 2.6% add-on rate per month plus gross receipts tax. Interest income earned from receivables from customers amounted to ₱171.48 million, ₱130.80 million and₱153.70 million in 2019, 2018 and 2017, respectively.

Motorcycle financing receivables amounting to ₱345.12 million and ₱194.98 million in 2019 and 2018, respectively, were used as collateral on notes payable to banks (Note 11).

The following table shows the breakdown of loans (gross of allowance for credit losses) as to secured and unsecured and the breakdown of the unsecured loans and the breakdown of secured loans as to type of security as at December 31, 2019 and 2018:

	2019	**%**	2018	%
Secured loans				
Chattel mortgage	**₱568,158,106**	**49.67%**	₱417,458,924	49.30%
Real estate mortgage	**275,528,746**	**24.09%**	221,106,372	26.11%
Other collaterals*	**120,166,855**	**10..50%**	102,017,477	12.05%
Total secured	**963,853,707**	**84.26%**	740,582,773	87.46%
Unsecured	**180,021,142**	**15.74%**	106,189,556	12.54%
	₱1,143,874,849	**100.00%**	₱846,772,329	100.00%

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

Movements in allowance for credit losses follow:

	December 31, 2019			
	Receivable from Customers			
	Consumer	**Services**	**Others**	**Total**
At January 1	**₱93,251,527**	**₱10,462,137**	**₱4,465,716**	**₱108,179,380**
Provision during the year	**13,671,031**	**1,701,683**	**121,048**	**15,493,762**
At December 31	**₱106,922,558**	**₱12,163,820**	**₱4,586,764**	**₱123,673,142**

	December 31, 2018			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	₱97,474,427	₱16,942,833	₱5,474,776	₱119,892,036
Recovery during the year	(4,222,900)	(6,480,696)	(1,009,060)	(11,712,656)
At December 31	₱93,251,527	₱10,462,137	₱4,465,716	₱108,179,380

	December 31, 2017			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	₱72,945,970	₱16,501,357	₱3,164,814	₱92,612,141
Provision during the year	24,528,457	441,476	2,309,962	27,279,895
At December 31	₱97,474,427	₱16,942,833	₱5,474,776	₱119,892,036

In determining the allowance for credit losses on loans and other receivables, the Company groups its loans and other financial receivables on the basis of share 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.

In 2019, the Company recognized additional provision for ECL on loans and other receivables amounting to ₱4.50 million as a result of the Company's preliminary assessment on the impact of novel strain of coronavirus (COVID-19) pandemic (Note 23). The management continuously assesses the length or severity of this pandemic, or the extent to which the disruption may materially impact the collectability of loans and other receivables onwards.

8. Property and Equipment -Net

The roll forward analysis of this account follows:

	2019			
	Furniture, Fixtures and Equipment	**Leasehold Rights and Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**₱15,667,508**	**₱7,476,840**	**₱8,716,395**	**₱31,860,743**
Additions	**1,733,218**	**–**	**4,771,800**	**6,505,018**
Disposal	**–**	**–**	**(1,200,000)**	**(1,200,000)**
At December 31	**17,400,726**	**7,476,840**	**12,288,195**	**37,165,761**
Accumulated Depreciation				
At January 1	**14,298,934**	**4,548,243**	**5,924,395**	**24,771,572**
Depreciation	**1,230,926**	**1,282,969**	**1,614,248**	**4,128,143**
Disposal	**–**	**–**	**(960,000)**	**(960,000)**
At December 31	**15,529,860**	**5,831,212**	**6,578,643**	**27,939,715**
Carrying amount	**₱1,870,866**	**₱1,645,628**	**₱5,709,552**	**₱9,226,046**

	2018			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,055,538	₱7,476,840	₱8,716,395	₱31,248,773
Additions	611,970	–	–	611,970
At December 31	15,667,508	7,476,840	8,716,395	31,860,743
Accumulated Depreciation				
At January 1	12,756,436	3,155,087	4,486,353	20,397,876
Depreciation	1,542,498	1,393,156	1,438,042	4,373,696
At December 31	14,298,934	4,548,243	5,924,395	24,771,572
Carrying amount	₱1,368,574	₱2,928,597	₱2,792,000	₱7,089,171

	2017			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱14,447,145	₱7,476,840	₱8,523,396	₱30,447,381
Additions	699,292	–	735,000	1,434,292
Disposals	(90,899)	–	(542,001)	(632,900)
At December 31	15,055,538	7,476,840	8,716,395	31,248,773
Accumulated Depreciation				
At January 1	10,693,469	1,693,436	3,236,645	15,623,550
Depreciation	2,105,467	1,461,651	1,340,042	4,907,160
Disposals	(42,500)	–	(90,334)	(132,834)
At December 31	12,756,436	3,155,087	4,486,353	20,397,876
Carrying amount	₱2,299,102	₱4,321,753	₱4,230,042	₱10,850,897

In 2019, the Company sold transportation equipment at its carrying amount, hence no gains or losses on disposal was incurred.

As at December 31, 2019 and 2018, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱3.96million and ₱3.26 million, respectively.

Management believes that there are no indicators that the Company's property and equipment is impaired and that its carrying amount approximates its fair value or realizable value.

9. InvestmentProperties - Net

The roll forward of this account follows:

	2019		
	Land	**Building**	**Total**
Cost			
At January 1	**₱47,989,954**	**₱15,285,692**	**₱63,275,646**
Additions	**–**	**2,000,000**	**2,000,000**
At December 31	**47,989,954**	**17,285,692**	**65,275,646**
Accumulated depreciation and amortization			
At January 1	–	**1,128,070**	**1,128,070**
Depreciation	–	**675,520**	**675,520**
At December 31	–	**1,803,590**	**1,803,590**
Allowance for impairment loss	**(507,199)**	–	**(507,199)**
Carrying amounts	**₱47,482,755**	**₱15,482,102**	**₱62,964,857**

	2018		
	Land	Building	Total
Cost			
At January 1	₱43,580,954	₱11,637,000	₱55,217,954
Additions	–	8,899,692	8,899,692
Reclassification	5,251,000	(5,251,000)	–
Disposals	(842,000)	–	(842,000)
At December 31	47,989,954	15,285,692	63,275,646
Accumulated depreciation and amortization			
At January 1	–	452,550	452,550
Depreciation	–	675,520	675,520
At December 31	–	1,128,070	1,128,070
Allowance for impairment loss	(507,199)	–	(507,199)
Carrying amounts	₱47,482,755	₱14,157,622	₱61,640,377

	2017		
	Land	Building	Total
Cost			
At January 1	₱3,544,001	₱–	₱3,544,001
Additions	41,235,421	11,637,000	52,872,421
Disposals	(1,198,468)	–	(1,198,468)
At December 31	43,580,954	11,637,000	55,217,954
Accumulated depreciation and amortization			
Depreciation	–	452,550	452,550
At December 31	–	452,550	452,550
Allowance for impairment loss	(939,533)	–	(939,533)
Carrying amounts	₱42,641,421	₱11,184,450	₱53,825,871

The aggregate fair value of the investment properties of the Company amounted to ₱68.39 million and ₱66.39 million as at December 31, 2019 and 2018, respectively.

The Company foreclosed properties upon default of the borrowers and recognized gain on repossession which amounted to nil and ₱4.32 million in 2019 and 2018, respectively. These are presented under "Gain on foreclosed assets" account in the statements of comprehensive income. Such gain was recognized based on the appraised values made by an external expert upon the foreclosure of the assets.

Gain on sale on investment properties amounted to nil and ₱0.76 million in 2019 and 2018, respectively.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to ₱75,792 and ₱148,628 in 2019 and 2018, respectively.

The movements in the allowance for impairment losses on investment properties follow:

	2019	2018
Balance, January 1	**₱507,199**	₱939,533
Reversal	**–**	(432,334)
Balance, December 31	**₱507,199**	₱507,199

10. **Other Assets -Net**

This account consists of:

	2019	2018
Repossessed assets, net	**₱76,706,196**	₱70,577,608
Prepaid securities	**5,824,509**	5,289,819
Software costs	**700,606**	103,387
Security deposits	**134,784**	3,900,651
Other investments	**1,051,728**	876,710
	₱84,417,823	₱80,748,175

Repossessed assets pertain to motorcycle units that were repossessed from the Company's motorcycle financing business carried at the cost less impairment. These units are intended for immediate resale. Included in the statements of comprehensive income are the gain from sale of repossessed assetsamounted to ₱8.04 million in 2019 and loss from sale of repossessed assets of
₱2.79 million and₱23.96 million in 2018 and 2017, respectively.Proceeds from sale amounted to ₱19.06 million, ₱18.27 million and ₱4.81 million in 2019, 2018 and 2017, respectively. Provision for impairment loss of repossessed assetsamounted to ₱0.06 million,₱6.36 million and₱32.60 million in 2019, 2018 and 2017, respectively.

Prepaid securities pertain to expenses paid in advance but not yet incurred.

Other investments represent investment with debt and equity securities.

The movement in software costs follow:

	2019	2018	2017
Cost			
At January 1	**₱5,098,717**	₱5,078,615	₱4,869,996
Additions	**915,500**	20,102	208,619
At December 31	**6,014,217**	5,098,717	5,078,615
Accumulated amortization			
At January 1	**4,995,330**	4,703,622	4,385,874
Amortization for the year	**318,281**	291,708	317,748
Accumulated Amortization	**5,313,611**	4,995,330	4,703,622
Carrying amount	**₱700,606**	₱103,387	₱374,993

11. Notes Payable

This account consists of:

	Note	**2019**	2018
Related parties	*18*	**₱443,227,374**	₱320,866,395
Banks		**259,181,674**	135,376,488
Individuals/corporate		**6,900,000**	8,500,000
		₱709,309,048	₱464,742,883

Interest rates from borrowings range from 5.00% to 7.15% and 4.00% to 4.35% per annum in 2019 and 2018, respectively.

Interest expense on these notes payable amounted to ₱23.48 million,₱21.49 million and ₱32.91 million in 2019, 2018 and 2017, respectively.

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

Notes payable to banks have a maturity of up to three (3) years. As at December 31, 2019 and 2018, 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 receivable (with 50% to 85% loanable value) on a per availment basis.

The following assets were used to secure the notes payable to banks availed by the Company:

	2019		2018	
	Carrying amount	**Secured notes**	Carrying amount	Secured notes
Motorcycle financing receivables	**₱345,119,511**	**₱228,118,876**	₱194,976,496	₱135,376,488

12. **Accrued expenses**

This account consists of:

	Note	**2019**	2018
Accrued taxes		**₱7,020,117**	₱5,027,072
Accrued insurance payable		**6,569,889**	3,975,359
Accrued occupancy costs		**4,077,131**	3,215,311
Accrued interest	*18*	**2,961,731**	3,163,813
Accrued administrative expenses		**978,822**	783,723
Accrued management and professional fees		**721,328**	953,740
Others		**9,068,512**	8,754,330
		₱31,397,530	₱25,873,348

Others include accrual on utilities, commission and premium.

13. Maturity analysis of assets and liabilities

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

	2019			2018		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**₱62,726,271**	**₱–**	**₱62,726,271**	₱60,727,435	₱–	₱60,727,435
Loans and other receivables gross	**910,803,014**	**666,232,783**	**1,577,035,797**	663,157,807	496,092,664	1,159,250,471
Security deposits, and other investments	**–**	**1,186,512**	**1,186,512**	–	4,777,361	4,777,361
	973,529,285	**667,419,295**	**1,640,948,580**	723,885,242	500,870,025	1,224,755,267
Nonfinancial Assets						
Property and equipment - net	**–**	**9,226,046**	**9,226,046**	–	7,089,171	7,089,171
Investment properties - net	**–**	**62,964,857**	**62,964,857**	–	61,640,377	61,640,377
Deferred tax assets - net	**–**	**61,209,971**	**61,209,971**	–	69,401,876	69,401,876
Retirement plan assets - net	**–**	**–**	**–**	–	244,127	244,127
Right-of-use assets	**14,247,219**	**9,635,436**	**23,882,655**	–	–	–
Other assets*	**5,824,509**	**77,406,802**	**83,231,311**	5,271,318	70,699,496	75,970,814
	20,071,728	**220,443,112**	**240,514,840**	5,271,318	209,075,047	214,346,365
Less: Allowance for credit losses	**(71,426,324)**	**(52,246,818)**	**(123,673,142)**	(61,884,815)	(46,294,565)	(108,179,380)
Unearned interest income	**(228,617,781)**	**(167,228,981)**	**(395,846,762)**	(161,911,840)	(121,122,417)	(283,034,257)
Client's equity	**(37,314,186)**	**–**	**(37,314,186)**	(29,443,885)	–	(29,443,885)
	(337,358,291)	**(219,475,799)**	**(556,834,090)**	(253,240,540)	(167,416,982)	(420,657,522)
	₱656,242,722	**₱668,386,608**	**₱1,324,629,330**	₱475,916,020	₱542,528,090	₱1,018,444,110
Financial Liabilities						
Notes payable	**₱571,879,756**	**₱137,429,292**	**₱709,309,048**	₱464,742,883	₱–	₱464,742,883
Accounts payable	**29,715,348**	**–**	**29,715,348**	17,918,996	–	17,918,996
Accrued expenses**	**24,377,413**	**–**	**24,377,413**	20,846,276	–	20,846,276
	625,972,517	**137,429,292**	**763,401,809**	503,508,155	–	503,508,155
Nonfinancial Liabilities						
Accrued expenses	**7,020,117**	**–**	**7,020,117**	5,027,072	–	5,027,072
Retirement benefits liability	**–**	**3,974,808**	**3,974,808**	–	–	–
Lease liabilities	**13,773,527**	**14,321,462**	**28,094,989**	–	–	–
Income tax payable	**726,531**	**–**	**726,531**	611,610	–	611,610
	21,520,175	**18,296,270**	**39,816,445**	5,638,682	–	5,638,682
	₱647,492,692	**₱155,725,562**	**₱803,218,254**	₱509,146,837	₱–	₱509,146,837

**excluding security deposit, other investments which are presented under financial assets*
***excluding payable to government which is presented under nonfinancial liabilities*

14. **Equity**

On July 25, 2019, the BOD and stockholders approved the declaration of 13.55% stock dividends in the amount of ₱31.38million to stockholders of record as of August 22, 2019 with distribution date not later than September 18, 2019. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1.38 million.

On July 26, 2018, the BOD and stockholders approved the declaration of 3.65% stock dividends in the amount of ₱8.16 million to stockholders of record as of August 23, 2018 with distribution date not later than September 18, 2018. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱8.16 million.

On July 27, 2017, the BOD and stockholders approved the declaration of 3.21% stock dividends in the amount of ₱6.95 million to stockholders of record as of August 24, 2017 with distribution date not later than September 19, 2017. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6.95 million.

As at December 31, 2019, the Company has 262,948,243 common shares issued and outstanding which are owned by 109 shareholders.

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

	2019		2018		2017	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000shares;₱1 par value						
At January 1	**231,572,111**	**₱231,572,111**	223,412,301	₱223,412,301	216,462,556	₱216,462,556
Stock dividends	**31,376,132**	**31,376,132**	8,159,810	8,159,810	6,949,745	6,949,745
At December 31	**262,948,243**	**₱262,948,243**	231,572,111	₱231,572,111	223,412,301	₱223,412,301

Adjustment on retained earnings

In 2018, the Company adjusted its January 1, 2018 retained earnings amounting to ₱905,181 to reflect the appropriate remeasurement gain on retirement.

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit liability. No changes were made in the objectives, policies or processes in 2019.

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

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

For the years ended December 31, 2019, 2018 and 2017, the Companyis compliant with the minimum paid-up capital.

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

15. RetirementPlan

The Company has a funded, tax-qualified 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 (income) is included in the Company's profit or loss under 'Salaries and employee benefits'. The amounts of retirement benefit reserve recognized in the statements of comprehensive income follow:

	2019	2018
Components of retirement benefit liability recorded in profit or loss as retirement benefit (income) expense		
Current service cost	**₱1,315,564**	₱1,817,148
Net interest expense:		
Interest expense on defined benefit obligation (DBO)	**429,842**	378,651
Interest expense on effect of asset ceiling	**1,384**	–
Interest income on plan assets	**(449,609)**	(353,754)
	1,297,181	1,842,045
Components of retirement benefit liability recorded in OCI		
Remeasurement loss (gain) on defined benefits obligation	**3,185,498**	(3,130,409)
Adjustment remeasurement gain on defined benefits obligation	**–**	(905,181)
Remeasurementloss (gain) on plan assets	**(243,977)**	589,064
Effect of asset ceiling	**(19,767)**	18,383
	2,921,754	(3,428,143)
Total components of retirement liability	**₱4,218,935**	(₱1,586,098)

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

	2019	2018
Present value of retirement benefits obligation	**₱10,639,300**	₱5,708,396
Fair value of plan assets	**(6,664,492)**	(5,970,906)
Funded status - deficit (surplus)	**3,974,808**	(262,510)
Effect of asset ceiling	**–**	18,383
Net retirement benefit liability (asset)	**₱3,974,808**	(₱244,127)

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

	2019	2018
Balance at beginning of year	**₱5,708,396**	₱6,643,006
Current service cost	**1,315,564**	1,817,148
Interest expense	**429,842**	378,651
Remeasurementlosses (gains) on obligation arising from:		
Changes in financial assumptions	**3,383,456**	(2,094,951)
Experience adjustment	**(197,958)**	(1,035,458)
Balance at end of year	**₱10,639,300**	₱5,708,396

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

	2019	2018
Balance at beginning of year	**₱5,970,906**	₱6,206,216
Interest income	**449,609**	353,754
Remeasurement gain (loss)on plan assets	**243,977**	(589,064)
Balance at end of year	**₱6,664,492**	₱5,970,906

Changes in the retirement benefit liability (asset) follow:

	2019	2018
Balance at beginning of year	**(₱244,127)**	₱436,790
Current service cost	**1,315,564**	1,817,148
Net interest cost (income) on the retirement liability	**(18,383)**	24,897
Remeasurement loss (gain) on plan assets	**(243,977)**	589,064
Effect of asset ceiling	**(19,767)**	18,383
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	**3,383,456**	(1,035,458)
Changes in financial assumptions	**(197,958)**	(2,094,951)
Balance at end of year	**₱3,974,808**	(₱244,127)

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

	2019	2018
Cash and cash equivalents	**₱1,443,928**	₱1,240,949
Financial assets at FVPL	**5,194,760**	4,685,499
Accrued and other receivables	**25,804**	44,458
	₱6,664,492	₱5,970,906

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

The cost of defined benefit plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	January 1	
	2019	2018
Discount rate	**5.22%**	7.53%
Future salary increases	**5.00%**	5.00%
Average remaining working life (in years)	**27.7**	26.9

Assumptions for mortality and disability rate are based on the 2001 CSO Table- Generational and The Disability Study both published by the Society of Actuaries adjusted to suit local experience.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The sensitivity analysis below has been determined based on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Change in Basis Points	Increase (decrease) in defined benefit obligation
Discount rate	**+100 basis point**	**(₱1,669,541)**
	-100 basis point	**2,080,748**
Future salary increases	**+100 basis point**	**2,063,656**
	-100 basis point	**(1,687,075)**

Deferred tax asset recognized for the actuarial loss amounted to ₱876,526.

The Company has no contributions to the defined benefit plan in 2019 and 2018.

The average duration of the defined benefit plan as at the reporting date is 17.6 years and 16.5 years for year 2019 and 2018, respectively.

The plan's Board of Trustees has no specific matching strategy between plan assets and plan liabilities.

16. **Miscellaneous**

Miscellaneous income consists of the following items:

	2019	2018	2017
Penalties	**₱8,564,212**	₱8,988,019	₱10,140,631
Recoveries	**1,923,112**	3,413,331	4,807,162
Others	**284,796**	110,238	71,629
	₱10,772,120	₱12,511,588	₱15,019,422

Miscellaneous expense consists of the following items:

	2019	2018	2017
Communication	**₱2,557,004**	₱2,049,463	₱2,289,744
Stationeries and supplies	**2,535,973**	1,443,904	1,852,574
Insurance	**1,580,127**	1,655,406	2,425,303
Repairs and maintenance	**1,467,754**	1,921,282	1,147,845
Training and development	**322,898**	166,133	141,108
Meetings and conferences	**158,630**	220,200	300,172
Others	**3,104,887**	1,659,975	2,189,503
	₱11,727,273	₱9,116,363	₱10,346,249

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

17. Income taxes

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

The components of the Company's income tax expense (benefit) for the years ended December 31, 2019, 2018 and 2017.

	2019	2018	2017
Current:			
MCIT	**₱2,571,237**	₱2,078,273	₱1,897,303
RCIT	–	–	–
Deferred	**10,135,549**	7,395,680	(19,796,734)
	₱12,706,786	₱9,473,953	(₱17,899,431)

The components of deferred tax assets- net follow:

	2019	2018
Deferred tax assets on:		
Allowance for credit losses	**₱37,031,683**	₱32,453,814
Allowance of repossessed assets write-down	**13,396,625**	14,132,609
NOLCO	**8,782,779**	23,027,054
Accrued expenses	**2,022,466**	2,022,466
Effect of PFRS 16	**1,263,700**	–
Past service costs	**48,352**	48,352
Remeasurementloss on defined benefit obligation	**(1,335,634)**	(2,282,419)
	₱61,209,971	₱69,401,876

The Company did not recognize deferred tax asset on the MCIT amounting to ₱6.29million and ₱6.81 million as at December 31, 2019 and 2018, respectively.

Details of the Company's NOLCO and MCIT which could be carried over as a deduction from the Company's future taxable income for the two taxable years as follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2019	₱–	₱–	₱–	2022
2018	14,527,909	–	14,527,909	2021
2017	25,110,093	10,362,073	14,748,020	2020
2016	37,118,846	37,118,846	–	2019
	₱76,756,848	**₱47,480,919**	**₱29,275,929**	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2019	₱2,315,132	₱–	₱2,315,132	2022
2018	2,078,273	–	2,078,273	2021
2017	1,897,303	–	1,897,303	2020
2016	2,833,371	(2,833,371)	–	2019
	₱9,124,079	**(₱2,833,371)**	**₱6,290,708**	

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

	2019	2018
Income before income tax	**₱34,412,435**	₱18,648,449
Income tax computed at statutory rate (30%)	**₱10,323,731**	₱5,594,535
Additions to (reduction in) income tax resulting from the tax effects of:		
Unrecognized DTA	**2,315,132**	2,077,913
Interest income subjected to final tax	**(546,776)**	(959,855)
Nondeductible expense	**389,154**	552,973
Non-deductible interest expense	**225,545**	395,940
Gain on repossessed assets	**–**	(1,296,184)
Adjustment on the beginning DTA	**–**	3,108,631
Effective income tax expense	**₱12,706,786**	₱9,473,953

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

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to ₱1.05 million,₱0.75 million and ₱0.73 in 2019, 2018 and 2017, respectively.

18. Related party transactions

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

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

The following transactions have been entered into with related parties:

		2019			2018			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	**Ref**	**Amount of Transaction**	**Due from related parties**	**Due to related parties**	Amount of transactions	Due from relatedparties	Due to relatedparties	**Nature, Terms and Condition**
Parent Company								
Miscellaneous receivables	a		**₱80,514**	**₱–**	₱–	₱80,514	₱–	Non-interest bearing, unsecured; No impairment
Notes payable	b		**–**	**385,000,000**			245,100,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		**222,900,000**	**–**	**–**	177,000,000	–	–	
Settlements		**83,000,000**	**–**	**–**	93,800,000	–	–	
Interest expense		**10,916,628**	**–**	**2,599,108**	9,250,114	–	2,599,083	
Entities under common control								
Motor Ace Philippines, Inc.								
Miscellaneous receivables	a		**156,894**	**–**	–	–	–	Non-interest bearing, unsecured; No impairment
Availments		**220,522**	**–**	**–**	320,477	–	–	
Settlements		**63,628**	**–**	**–**	2,430,775	–	–	

forward

		2019			2018			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	Ref	Amount of Transaction	Due from related parties	Due to relatedparties	Amount of transactions	Due from related parties	Due to relatedparties	Nature, Terms and Condition
Accounts payable	d		**₱–**	**₱12,177,800**	₱–	₱–	₱12,451,141	30 day unsecured, non-interest bearing
Availments		**145,524,243**	**–**	**–**	87,171,559	–	–	
Settlements		**145,797,584**	**–**	**–**	79,083,847	–	–	
Short term placements	c		**–**	**–**	–	–	–	Short-term interest bearing placements at 10.5% annual interest rate
Availments		**8,000,000**	**–**	**–**	–	–	–	
Settlements		**8,000,000**	**–**	**–**	–	–	–	
Interest income		**101,150**	**–**	**–**	–	–	–	
MAPI Lending Investors, Inc.								
Miscellaneous receivables	a		**2,936,329**	**–**		1,494,807	–	30 day unsecured, non-interest bearing
Availments		**1,441,521**	**–**	**–**	1,077,320	–	–	
Settlements		**–**	**–**	**–**	334,673	–	–	
Accounts payable	d		**–**	**52,181**		–	–	Non-interest bearing, unsecured
Availments		**112,371**	**–**	**–**	108,240	–	–	
Settlements		**60,190**	**–**	**–**	4,976,642	–	–	
Short term placements	c		**23,570,385**	**–**		23,836,952	–	Short-term interest bearing placements at 10.5% annual interest rate
Availments		**2,069,988**	**–**	**–**	1,894,802	–	–	
Settlements		**2,182,426**	**–**	**–**	1,287,493	–	–	
Interest income		**1,769,900**	**824,840**	**–**	1,828,156	950,840	–	
HMW Lending Investors, Inc.								
Short term placements	c		**–**	**–**	40,000,000	–	–	Short-term interest bearing placements at 8.5% annual interest rate
Interest income		**83,111**	**–**	**–**	3,418,489	83,111	–	
Honda Motor World, Inc.								
Miscellaneous receivables	a		**44,542**	**–**		–	–	Non-interest bearing, unsecured; No Impairment
Availments		**117,042**	**–**	**–**	86,406	–	–	
Settlements		**72,500**	**–**	**–**	2,485,737	–	–	
Accounts payable	d		**–**	**2,227,484**		–	1,266,646	Unsecured, interest bearing placement at 10.0% annual interest rate
Availments		**65,330,486**	**–**	**–**	30,839,616	–	–	
Settlements		**64,369,648**	**–**	**–**	31,062,473	–	–	
Pikeville Bancshares								
Professional fees		**1,193,920**	**–**	**468,384**	1,193,920	–	390,320	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous receivables	a		**18,057**	**–**		236,631	–	Non-interest bearing; No impairment
Availments		**–**	**–**	**–**	–	–	–	
Settlements		**218,574**	**–**	**–**	–	–	–	

forward

		2019			2018			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	**Ref**	**Amount of Transaction**	**Due from related parties**	**Due to related parties**	**Amount of transactions**	**Due from related parties**	**Due to related parties**	**Nature, Terms and Condition**
Notes payable	b		–	**₱28,558,641**		₱–	₱47,358,487	Unsecured interest bearing placements
Availments		**21,200,154**	–	–	10,007,418	–	–	at 5.5% annual interest rate;
Settlements		**40,000,000**	–	–	7,055,202	–	–	no impairment
Interest expense		**2,125,192**	–	–	2,522,469	–	–	
Directors and other stockholders								
Notes payable	b		–	**29,668,733**		–	28,407,908	Unsecured interest bearing placements
Availments		**8,882,825**	–	–	9,097,897	–	–	at 5.5% annual interest rate;
Settlements		**7,622,000**	–	–	9,996,000	–	–	no impairment
Interest expense		**1,450,912**	–	**16,780**	1,564,572	–	16,780	
Professional and other management fees		**3,142,397**	–	–	4,158,291	–	–	Payment of professional fees
TOTAL			**₱27,631,561**	**₱460,769,111**		₱26,682,855	₱337,590,365	

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 7).

b. As at December 31, 2019 and 2018, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱443.23 million and ₱320.87 million, respectively and ₱2.62 million in both years. Interest expense from these borrowings amounted to ₱14.49 million and ₱13.34 million in 2019 and 2018, respectively (Note 11).

   Borrowings availed from related parties amounted to ₱252.98 and ₱196.11 million in 2019 and 2018, respectively. Settlement from borrowings amounted to ₱130.62 and ₱110.85 million in 2019 and 2018, respectively. Interest rates from borrowings range from 5.0% to 6.00% and 5.0% to 5.70% in 2019 and 2018 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. The Company had short-term placements with related parties amounting to nil and ₱40.00 million in 2019 and 2018, respectively. As at December 31, 2019 and 2018, ₱23.57 million and ₱23.84 million of these placements remain outstanding. Interest income from these placements amounted to ₱1.77 million ₱1.83 million in 2019 and 2018, respectively (Note 6).

d. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

e. This pertains to the commission payable to other related parties as referral fees for successful loan bookings.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to ₱14.40 million, ₱18.69 million and₱17.80 million in 2019,2018 and 2017 respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

19. EarningsPerShare(EPS)

	2019	2018	2017
a. Net Income	**₱21,705,649**	₱9,174,496	₱54,399,143
b. Weighted average number of outstanding common shares	**239,416,144**	226,132,258	223,412,301
c. Basic/diluted earnings per share (a/b)	**₱0.09**	₱0.04	₱0.24

The weighted average number of outstanding common shares in 2019 and 2018 was recomputed after giving retroactive effect to stock dividends declared on July 25, 2019, July 26, 2018 and July 27, 2017.

20. Leases

The Company entered into a new lease contract for a period of five (5) years starting from February 1, 2016 to January 31, 2021. Total rent expense for short term leases included under 'Occupancy cost' account in the statements of comprehensive income incurred in 2019, 2018, and 2017 amounted to₱1.21million, ₱16.35 million and₱16.44 million, respectively.

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

	2019	2018	2017
Less than one year	**₱15,477,556**	₱13,102,722	₱9,863,666
Between one and five years	**20,533,217**	18,647,091	18,643,031
	₱36,010,773	₱31,749,813	₱28,506,697

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

As at January 1, 2019, restated	**₱41,686,931**
Accretion of interest	**2,455,808**
Payments	**(16,047,750)**
As at December 31, 2019	**₱28,094,989**
Current	**₱13,773,527**
Non-current	**14,321,462**
	₱28,094,989

Right-of-use assets

Balance at January 1, 2019, as restated	**₱38,129,874**
Depreciation of right-of-use assets	**(14,247,219)**
Balance at December 31, 2019	**₱23,882,655**

21. Notes to Statements of Cash Flows

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for the year ended December 31, 2019:

Notes Payable, December 31, 2017	₱427,338,890
Cash flows during the year	
Proceeds from loans payable	267,152,586
Payment of loans payable	(229,748,593)
	37,403,993
Notes Payable, December 31, 2018	464,742,883
Cash flows during the year	
Proceeds from loans payable	502,958,988
Payment of loans payable	(258,392,823)
	244,566,165
Notes Payable, December 31, 2019	**₱709,309,048**

22. FinancialRisk Management Objectives and Policies

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

Credit Risk

Credit Risk Management and Collateral and Other Credit Enhancements

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

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

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

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

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

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

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

	2019			2018		
	Gross Maximum Exposures	**Fair value of Collateral Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposures	Fair value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Financial Assets at Amortized Cost						
Cash and cash equivalents*	**₱60,159,080**	**₱–**	**₱60,159,080**	₱58,744,735	₱–	₱58,744,735
Receivable from Customers:						
Consumer	**883,321,451**	**618,834,377**	**264,487,074**	654,600,487	421,009,611	233,590,876
Services	**247,088,916**	**29,376,454**	**217,712,462**	179,240,789	25,946,313	153,294,476
Other Receivables	**13,464,482**	**–**	**13,464,482**	12,931,054	–	12,931,054
Security deposits**	**134,784**	**–**	**134,784**	3,900,651	–	3,900,651
	₱1,204,168,713	**₱648,210,831**	**₱555,957,882**	₱909,417,716	₱446,955,924	₱462,461,792

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

	2019					
	Stage 1			State 2	Stage 3	
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Financial Assets at Amortized Cost						
Cash and cash equivalents*	**₱60,159,080**	**₱–**	**₱–**	**₱–**	**₱–**	**₱60,159,080**
Receivable from Customers:		**–**				
Consumer	**522,814,613**	**–**	**154,264,928**	**107,633,273**	**98,608,637**	**883,321,451**
Services	**29,376,454**	**–**	**204,348,025**	**7,520,837**	**5,843,600**	**247,088,916**
Other Receivables	**–**	**–**	**13,464,482**	**–**	**–**	**13,464,482**
Security deposits	**–**	**–**	**134,784**	**–**	**–**	**134,784**
Financial assets at FVOCI**	**–**	**–**	**80,000**	**–**	**–**	**80,000**
	₱612,350,147	**₱–**	**₱372,292,219**	**₱115,154,110**	**₱104,452,237**	**₱1,204,248,713**

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

	2018					
	Stage 1			State 2	Stage 3	
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Financial Assets at Amortized Cost						
Cash and cash equivalents*	₱58,744,735	₱–	₱–	₱–	₱–	₱58,744,735
Receivable from Customers:						
Consumer	253,544,871	–	157,279,464	141,437,797	102,338,356	654,600,488
Services	17,132,200	–	127,761,968	24,806,437	9,540,184	179,240,789
Other Receivables	–	–	12,931,054	–	–	12,931,054
Security deposits	–	–	3,900,651	–	–	3,900,651
Financial assets at FVOCI**	–	–	876,710	–	–	876,710
	₱329,421,806	₱–	₱302,749,847	₱166,244,234	₱111,878,540	₱910,294,427

Interest income was computed based on the carrying value (after allowance) for loans and receivables categorized under stage 3.

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

Cash in Banks

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

Cash Equivalents

High grade pertains to short term placements with AIB and other related parties, which have high probability of collection, as evidenced by AIB's and other related parties' ability to satisfy its obligations.

Loans and Other Receivables

- High grade pertains to receivables with no default in payment and fully secured with collateral.
- Medium grade pertains to receivables with no default in payment and partially secured with collateral.
- Low grade pertains to receivables with no default in payment and without security.
- Past due but not impaired receivables represent transactions with third parties where no significant credit risk exposure is anticipated considering that there was no historical default rate.

- Impaired pertains to past due receivables the Company believes that impairment is appropriate based on the cash flows of the available collateral or status of collection of the amounts due to the Company.

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

	2019					
	1-30 days	**30-60 days**	**61-90 Days**	**91-120 Days**	**More than 120 Days**	**Total**
Consumer	**₱34,785,641**	**₱11,441,845**	**₱5,169,233**	**₱7,395,761**	**₱48,840,794**	**₱107,633,274**
Services			**493,026**	**867,031**	**6,160,780**	**7,520,837**
	₱34,785,641	**₱11,441,845**	**₱5,662,259**	**₱8,262,792**	**₱55,001,574**	**₱115,154,111**

	2018					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	₱46,450,039	₱14,175,202	₱41,700,858	₱7,472,683	₱31,639,015	₱141,437,797
Services	14,874,292	2,781,405	6,466,580	6,626	677,534	24,806,437
	₱61,324,331	₱16,956,607	₱48,167,438	₱7,479,309	₱32,316,549	₱166,244,234

Liquidity Risk

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

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

	2019						
		Contractual Maturities					
	Carrying Amount	**Up to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 Years**	**More than 3 Years**	**Total**
Financial assets							
Cash and cash equivalents	**₱60,159,080**	**₱60,159,080**	**₱–**	**₱–**	**₱–**	**₱**	**₱60,159,080**
Loans and other receivables							
Receivable from customers:							
Consumer	**883,321,451**	**332,556,303**	**127,263,631**	**192,633,051**	**468,093,333**	**69,265,560**	**1,189,811,878**
Services	**247,088,916**	**169,845,752**	**28,848,290**	**47,559,705**	**92,556,530**	**34,949,160**	**373,759,437**
Other receivables	**13,464,482**	**12,096,282**				**1,368,200**	**13,464,482**
Security deposits	**134,784**	–	–	–	**134,784**	–	**134,784**
Financial assets at FVOCI*	**80,000**	–	–	–	–	**80,000**	**80,000**
	1,204,248,713	**574,657,417**	**156,111,921**	**240,192,756**	**560,784,647**	**105,662,920**	**1,637,409,661**
Financial Liabilities							
Notes payable	**709,309,048**	**24,500,000**	**133,500,000**	**365,546,819**	**185,762,229**	–	**709,309,048**
Accounts payable	**29,715,348**	**29,715,348**	–	–	–	–	**29,715,348**
Accrued expenses**	**24,377,413**	**24,377,413**	–	–	–	–	**24,377,413**
	763,401,809	**78,592,761**	**133,500,000**	**365,546,819**	**185,762,229**	–	**763,401,809**
Net liquidity gap	**₱440,846,904**	**₱496,064,656**	**₱22,611,921**	**(₱125,354,063)**	**₱375,022,418**	**₱105,662,920**	**₱874,007,852**

includes investments in golf shares which is presented under 'Other assets-net'
*****excluding government payable***

	2018						
		Contractual Maturities					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial assets							
Cash and cash equivalents	₱60,727,435	₱60,727,435	₱–	₱–	₱–	₱–	₱60,727,435
Loans and other receivables							
Receivable from customers:							
Consumer	654,600,487	198,862,650	122,702,881	151,755,490	328,453,297	70,785,806	872,560,124
Services	179,240,789	136,485,304	17,887,248	28,219,991	62,533,000	28,591,018	273,716,561
Other receivables	12,931,053	1,684,901	1,059,586	4,499,756	5,729,543	–	12,973,786
Security deposits	3,900,651	–	–	–	–	3,900,651	3,900,651
Financial assets at FVOCI*	876,710	–	–	–	–	876,710	876,710
	₱912,277,125	₱397,760,290	₱141,649,715	₱184,475,237	₱396,715,840	₱104,154,185	₱1,224,755,267
Financial Liabilities							
Notes payable	464,742,883	44,500,418	107,087,181	313,155,284	–	–	464,742,883
Accounts payable	17,918,996	17,918,996	–	–	–	–	17,918,996
Accrued expenses**	20,846,276	20,846,276	–	–	–	–	20,846,276
	503,508,155	83,265,690	107,087,181	313,155,284	–	–	503,508,155
Net liquidity gap	₱408,768,970	₱314,494,600	₱34,562,534	(₱128,680,047)	₱396,715,840	₱104,154,185	₱721,247,112

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (current risk), market interest rates (interest rate risk) and equity price (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risks arise from open position in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company has no exposure to currency and price risks.

Interest Rate Risk

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

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

Sensitivity of Net Interest Income

A principal part of the Company's management of market risk in non-trading portfolios is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Company aims, through its management of market risk in non-trading portfolios, to mitigate the effect of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such activities on the current net revenue stream.

Presented below are the interest-bearing financial instruments:

	Note	**2019**	2018
Cash in banks and cash equivalents	*6*	**₱60,159,080**	₱58,744,735
Loans and receivable, net	*7*	**1,008,738,023**	730,120,068
Notes payable	*11*	**(709,309,048)**	(464,742,883)
Net exposure		**₱359,588,055**	₱324,121,920

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Company's interest-bearing financial instruments, with all other variables held constant, on the Company's statements of total comprehensive income before income and final tax for the years ended December 31:

	Increase/Decrease in Interest Rate (in basis points)	Effect to Total Comprehensive Income before Income and Final Tax
2019	**+100bps**	**₱6,267,164**
	-100bps	**(6,267,164)**
2018	+100bps	₱3,368,064
	-100bps	(3,368,064)

23. Subsequent Events

On March 11, 2020, the World Health Organization assessed that the COVID-19 has become a pandemic. In an effort to contain the spread of COVID-19 in the Philippines, the Government issued Presidential Proclamation No. 929 on March 16, 2020. The Proclamation declared a State of Calamity throughout the Philippines for a period of six months and imposed enhanced community quarantine, among others. These measures affected economic activities and business operations in an unprecedented manner as the effects continue to evolve.

In response to the pandemic, the Company recognized additional provision for ECL on loans and other receivables amounting to ₱4.50 million (Note 7). The management continuously assesses the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial position, results of operations, and cash flows onwards. Management believes that the Company will continue as a going concern despite the effects of the pandemic.

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

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

The following are the tax information required for the taxable year ended December 31, 2019 based on Revenue Regulation No. 15-2010:

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under 'Taxes and Licenses' account in the Company's statement of comprehensive income. Details for year 2019 consist of the following:

Gross Receipts Tax (GRT)	₱9,987,476
Documentary Stamp Tax (DST) on loan instruments	5,746,015
Capital gains taxes on sale of capital assets	1,324,740
License and Permit Fees	448,603
	₱17,506,834

As at December 31, 2019, accrued GRT and DST amounted to ₱3,290,198 and ₱774,572, respectively.

B. Withholding taxes

Details of the withholding taxes at December 31, 2019 follow:

Expanded withholding taxes	₱5,176,881
Withholding taxes on compensation and benefits	3,369,969
	₱8,546,850

C. Tax Cases

As at December 31, 2019, the Company has no pending tax court cases.

D. Tax Assessment

As at December 31, 2019, the Company has no pending tax assessment.

BOA/PRC Reg. No. 0005,
December 13, 2018, valid until July 20, 2021
SEC Accreditation No. 0007-FR-5,
July 5, 2018, valid until July 4, 2021

2nd Floor Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
www.bdo-roxascruztagle.ph
Tel: + (632) 8844 2016
Fax: + (632) 8844 2045

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Shareholders
Makati Finance Corporation
(A Subsidiary of Amalgamated Investment Bancorporation)
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 as at December 31, 2019 included in this Audited Financial Statements (AFS) and have issued our report thereon dated May 6, 2020.Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules in this AFS are presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68, and the Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. Such schedules are the responsibility of management. The schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROXAS CRUZ TAGLE AND CO.

Aljuver R. Gamao
Partner
CPA Certificate No. 0126931
Tax Identification No. 944-910-315
SEC Accreditation No. 1776-A, issued on September 10, 2019,
effective until September 09, 2022
BIR Accreditation No. 08-001682-015-2019, issued on February 08, 2019,
effective until February 07, 2022
PTR No. 8138977, issued on January 21, 2020, Cebu City

May 6, 2020
Makati City

EXHIBIT I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2019

Unappropriated Retained Earnings, available for dividends distribution - beginning as previously presented		₱84,845,472
Add: Net incomeactually earned/realized during the year		
Net income during the period	21,705,649	
Deferred tax expense during the year	10,135,549	
Unrealized gain on foreclosure of investment properties	–	31,841,198
Less: Dividends declared during the year		(32,752,348)
RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DISTRIBUTION		₱83,934,322

EXHIBIT II
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

	2019	2018
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	**162.65%**	156.99%
Debt to equity ratio	**154.05%**	99.97%
Quick ratio	**95.55%**	92.44%
PROFITABILITY RATIOS		
Return on assets	**1.64%**	0.90%
Return on equity	**4.16%**	1.80%
Net profit margin	**12.35%**	6.78%
ASSET TO EQUITY RATIO	**254.05%**	199.97%
INTEREST RATE COVERAGE RATIO	**2.33**	1.87

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, 2019

	2019	2018
Ratio or percentage of total real estate investments to total assets	**4.75%**	6.05%
Total receivables to total assets	**77.02%**	72.45%
Total DOSRI receivables to net worth	**4.54%**	4.71%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	**0.02%**	0.00%
Honda Motor World, Inc.	**0.00%**	0.00%
Amalgamated Investment Bancorporation	**0.01%**	0.01%
MAPI Lending Investors, Inc.	**0.29%**	0.20%

EXHIBIT II
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
PURSUANT TO SRC RULE 68, AS AMENDED
December 31, 2019

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
Other investments:			
Trust fund	N/A	₱971,728	–
Orchard golf club shares	1	80,000	–

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Honda Motor World, Inc	₱–	₱117,042	₱72,500	₱–	₱44,542	₱–	₱44,542
Motor Ace Phils, Inc.	–	220,522	63,628	–	156,894	–	156,894
MAPI Lending Investors, Inc.	25,331,760	3,511,509	2,182,426	–	26,660,843	–	26,660,843

Schedule C. Amounts Receivable from Related parties which are eliminated during the consolidation of financial statement

Name and designation of debtor	Balance of beginning period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
NONE	₱–	₱–	₱–	₱–	₱–	₱–	₱–

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
Windows 7 Prof OEM License	₱1	₱–	₱–	₱–	₱–	₱1
Other Software Cost	68,097	–	68,096	–	–	1
Web hosting domain Dot.Ph	4,001	–	4,000	–	–	1
DOTPH Services/2-years	–	–	–	–	–	-
HRIS Support	1	–	–	–	–	1
Sophos router/3-years Firewall License	14,912	–	14,911	–	–	1
Access point 55C 34900	6,786	–	6,785	–	–	1
Email domain payment (makatifinance.com.ph)	1,255	–	1,254	–	–	1
Renewal of web hosting (07/28/2018 - 07/27/2020)	8,334	–	8,334	–	–	–

Sophos Central Endpoint Protection - 60Users	–	132,000	29,333	–	–	102,667
Central Endpoint Intercept - 60Users @ 1650.00	–	99,000	22,000	–	–	77,000
Central Intercept and Advanced for Server - 3Servers	–	58,200	12,933	–	–	45,267
Central Device Encryption - 10Users	–	27,800	5,778	–	–	22,022
84pcs. GV 25 Tracking Device	–	210,000	40,833	–	–	169,167
SSophos XG210 Appliance - Upgrade License Renewal	–	388,500	43,167	–	–	345,333
QNE ADJUSTMENT	–	–	60,857	–	–	(60,857)
TOTAL	**₱103,387**	**₱915,500**	**₱318,282**	**–**	**–**	**₱700,606**

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	₱142,000,000	₱36,080,698	₱98,848,595
SECURITY BANK/PN	117,700,000	65,672,080	38,580,697

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
NONE	₱—	₱—

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	₱—	₱—	₱—	₱—

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	74,729,246	74,729,246	–	74,729,246	–	–
COMMON	66,517,910	66,517,910	–	66,517,910	–	–
COMMON	58,286,015	58,286,015	–	37,847,046	–	20,438,969
COMMON	9,780,727	9,780,727	–	–	–	9,780,727
COMMON	9,298,350	9,298,350	–	9,298,350	–	–
COMMON	8,700,484	8,700,484	–	–	8,700,484	–
COMMON	7,333,268	7,333,268	–	–	7,333,268	–
COMMON	6,581,626	6,581,626	–	–	–	6,581,626
COMMON	6,266,403	6,266,403	–	–	–	6,266,403

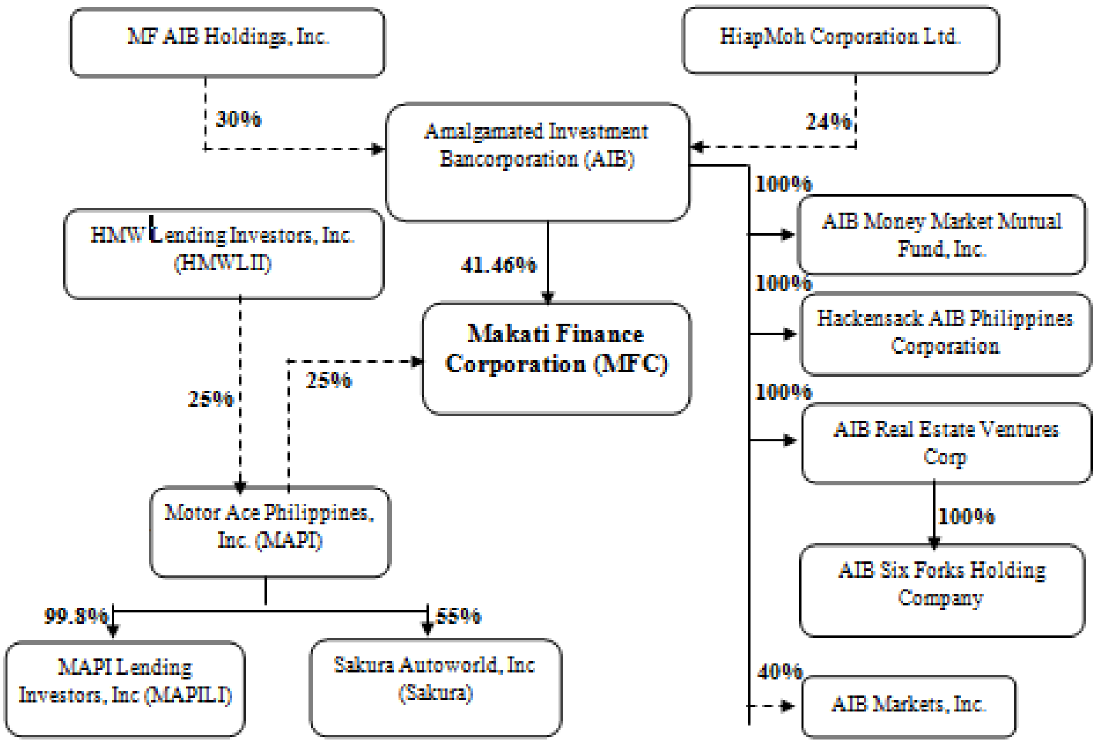
COMMON	6,016,030	6,016,030	–	–	6,016,030	
COMMON	2,648,849	2,648,849	–	–	2,648,849	–
COMMON	1,001,253	1,001,253	–	–	–	1,001,253
COMMON	780,784	780,784	–	–	–	780,784
COMMON	531,615	531,615	–	–	–	531,615
COMMON	511,415	511,415	–	–	–	511,415
COMMON	454,354	454,354	–	–	–	454,354
COMMON	313,285	313,285	–	–	–	313,285
COMMON	313,285	313,285	–	–	–	313,285
COMMON	313,285	313,285	–	–	313,285	–
COMMON	313,285	313,285	–	–	313,285	–
COMMON	313,285	313,285	–	–	–	313,285
COMMON	313,285	313,285	–	–	–	313,285
COMMON	313,285	313,285	–	–	–	313,285
COMMON	300,771	300,771	–	–	300,771	–
COMMON	189,166	189,166	–	–	–	189,166
COMMON	109,930	109,930	–	–	33,644	76,286
COMMON	87,453	87,453	–	–	–	87,453
COMMON	35,544	35,544	–	–	–	35,544
COMMON	34,752	34,752	–	–	–	34,752
COMMON	26,099	26,099	–	–	–	26,099
COMMON	26,099	26,099	–	–	–	26,099
COMMON	26,099	26,099	–	–	–	26,099
COMMON	26,099	26,099	–	–	–	26,099
COMMON	26,099	26,099	–	–	–	26,099
COMMON	26,099	26,099	–	–	–	26,099
COMMON	26,099	26,099	–	–	–	26,099
COMMON	26,099	26,099	–	–	–	26,099
COMMON	26,099	26,099	–	–	–	26,099
COMMON	26,099	26,099	–	–	–	26,099
COMMON	26,098	26,098	–	–	–	26,098
COMMON	24,716	24,716	–	–	8,239	16,477
COMMON	24,304	24,304	–	–	–	24,304

COMMON	21,136	21,136	–	–	–	21,136
COMMON	19,973	19,973	–	–	–	19,973
COMMON	18,658	18,658	–	–	–	18,658
COMMON	18,112	18,112	–	–	–	18,112
COMMON	16,977	16,977	–	–	–	16,977
COMMON	10,369	10,369	–	–	–	10,369
COMMON	8,864	8,864	–	–	–	8,864
COMMON	7,560	7,560	–	–	–	7,560
COMMON	7,548	7,548	–	–	–	7,548
COMMON	7,522	7,522	–	–	–	7,522
COMMON	7,439	7,439	–	–	–	7,439
COMMON	5,805	5,805	–	–	–	5,805
COMMON	2,873	2,873	–	–	–	2,873
COMMON	2,467	2,467	–	–	–	2,467
COMMON	2,467	2,467	–	–	–	2,467
COMMON	2,467	2,467	–	–	–	2,467
COMMON	2,467	2,467	–	–	–	2,467
COMMON	2,467	2,467	–	–	–	2,467
COMMON	2,467	2,467	–	–	–	2,467
COMMON	2,467	2,467	–	–	–	2,467
COMMON	2,467	2,467	–	–	2,467	–
COMMON	2,467	2,467	–	–	–	2,467
COMMON	2,467	2,467	–	–	–	2,467
COMMON	2,467	2,467	–	–	–	2,467
COMMON	2,467	2,467	–	–	–	2,467
COMMON	2,466	2,466	–	–	–	2,466
COMMON	2,466	2,466	–	–	–	2,466
COMMON	2,466	2,466	–	–	–	2,466
COMMON	2,466	2,466	–	–	–	2,466

COMMON	2,466	2,466	—	—	—	2,466
COMMON	2,466	2,466	—	—	—	2,466
COMMON	2,466	2,466	—	—	—	2,466
COMMON	2,466	2,466	—	—	—	2,466
COMMON	2,466	2,466	—	—	—	2,466
COMMON	2,466	2,466	—	—	—	2,466
COMMON	2,466	2,466	—	—	—	2,466
COMMON	2,466	2,466	—	—	2,466	—
COMMON	2,466	2,466	—	—	—	2,466
COMMON	1,577	1,577	—	—	—	1,577
COMMON	1,369	1,369	—	—	—	1,369
COMMON	1,176	1,176	—	—	—	1,176
COMMON	1,024	1,024	—	—	—	1,024
COMMON	781	781	—	—	—	781
COMMON	769	769	—	—	—	769
COMMON	531	531	—	—	—	531
COMMON	407	407	—	—	—	407
COMMON	281	281	—	—	—	281
COMMON	113	113	—	—	—	113
COMMON	113	113	—	—	—	113
COMMON	113	113	—	—	—	113
COMMON	113	113	—	—	—	113
COMMON	73	73	—	—	—	73
COMMON	34	34	—	—	—	34
COMMON	34	34	—	—	—	34
COMMON	34	34	—	—	—	34
COMMON	34	34	—	—	—	34
COMMON	34	34	—	—	—	34
COMMON	17	17	—	—	—	17

COMMON	17	17	–	–	–	17
COMMON	17	17	–	–	17	–
COMMON	17	17	–	–	–	17
COMMON	14	14	–	–	–	14
COMMON	1	1	–	–	1	–
COMMON	1	1	–	–	1	–
COMMON	1	1	–	–	1	–
COMMON	1	1	–	–		1
COMMON	1	1	–	–	1	–
TOTAL	**262,948,243**	**262,948,243**	–	**188,392,552**	**25,672,809**	**48,882,882**

EXHIBIT V
MAKATI FINANCE CORPORATION
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018



Legend:

- - - - Associate

——— Subsidiary

BOARD OF DIRECTORS

The following are the incumbent members of the Board of Directors of the Company.

RENE B. BENITEZ
Director/Chairman

MAX O. BORROMEO
Director/Vice Chairman

MAXCY FRANCISCO JOSE R. BORROMEO
Director/President

JOEL S. FERRER
Director/Treasurer

ERIC B. BENITEZ
Director

JOSE DANIEL R. BORROMEO
Director

ROBERT CHARLES M. LEHMANN
Director

ASTERIO L. FAVIS, JR.
Director

FRANCISCO C. EIZMENDI, JR.
Director (Independent)

LAWRENCE LEON HOCK EE
Director (Independent)

ALAN MICHAEL R. CRUZ
Director (Independent)

Senior Management & Officers

The following comprise the Company's officers and management team.

MAXCY FRANCISCO JOSE R. BORROMEO
President

JOEL S. FERRER
Treasurer

ATTY. DANILO ENRIQUE O. CO
Corporate Secretary

MARCOS E. LAROSA
Chief Finance Officer/Compliance Officer

ALDRIN FRANCIS B. PONTANARES
Operations Manager

WILMA P. FUNDAN
Manager, Accounting

NAPOLEON B. MALONG, JR.
Manager, Audit & Documentation

KAMILLE ILENE MAE O. CUTCHON
Manager, HR & Admin

JIADY F. FALCUNAYA
Manager, IT

MANOLITO M. DEGORIO
Area Manager – MC Financing

JERWIN B. CARBONILLA
Area Manager – MC Financing

BANKERS

Banco de Oro
Bank of the Philippine Islands
Land Bank of the Philippines
Metro Bank & Trust Co.
Security Bank
United Coconut Planters Bank
UnionBank of the Philippines

LEGAL COUNSEL

Co Ferrer Ang-Co & Gonzales Law Offices
MC Santos Law Office

EXTERNAL AUDITOR

ROXAS CRUZ TAGLE & CO.

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