

2024 ANNUAL REPORT



MAKATI FINANCE
CORPORATION

MORE THAN JUST FINANCING

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LETTER TO STAKEHOLDERS

As we close 2024, we are pleased to share Makati Finance Corporation's (MFIN) performance highlights and our outlook for 2025. The Philippine economy grew by 5.7% this year, supported by stable domestic consumption, easing inflation, and a gradual recovery in both public and private investment. While global uncertainties and geopolitical tensions persisted, the local business climate showed signs of stabilization, contributing to a cautiously optimistic environment for business.

Amid this backdrop, MFIN delivered strong financial results, driven by steady growth in our core lending portfolio and improvements in operational efficiency. We maintained healthy loan quality, preserved capital strength, and sustained profitability through prudent risk management and disciplined execution.

Our continued focus on the SME market yielded positive outcomes. With the support of enhanced digital marketing, a broader agent network, and participation in key trade events, we successfully expanded our reach. We also invested in our salesforce through targeted incentives and performance-based programs to drive productivity and maintain service quality.

Operationally, we made progress in digital adoption and process improvements, resulting in faster turnaround times, better customer service, and improved portfolio monitoring—steps aligned with our goal of becoming a more agile and customer-focused organization.

Looking ahead, we remain cautiously optimistic. The Philippine economy is projected to grow between 5.3% and 6.2% in 2025, reflecting a more measured outlook due to ongoing global risks, including geopolitical conflicts and tighter financial conditions. Nonetheless, we see opportunities for continued growth, supported by improving investor confidence, resilient domestic demand, and fiscal headroom.

In 2025, MFIN will continue to invest in digital transformation, expand its SME lending footprint, and uphold our commitment to responsible lending and financial inclusion. We remain vigilant to evolving challenges such as interest rate volatility, regulatory changes, and shifting customer expectations, and we are prepared to respond with flexibility, sound governance, and strategic focus.

On behalf of the Board of Directors and Management, we thank our shareholders, clients, funding partners, employees, and business partners for your continued trust and support. Your confidence drives us to deliver greater value, foster innovation, and build a stronger future. We look forward to continued progress and shared success in 2025.



MAXCY FRANCISCO JOSE R. BORROMEO

President



ROBERT CHARLES M. LEHMANN

Chairman



FINANCIAL SERVICES

MOTORCYCLE and BIG BIKES FINANCING

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



RX 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 loan designed to help your business get quick cash for covering expenses, purchasing equipment, or funding expansion.



FINANCIAL HIGHLIGHTS

(In thousand Pesos)

INCOME STATEMENT

	FOR 2024	FOR 2023	FOR 2022
NET INTEREST INCOME	₱ 145,537	₱ 140,521	₱ 125,854
OTHER INCOME	54,182	39,651	39,441
OPERATING INCOME (LOSS)	₱ 199,720	₱ 180,172	₱ 165,295
OPERATING EXPENSES	(175,401)	(162,910)	(141,889)
NET INCOME BEFORE TAX	₱ 24,319	₱ 17,262	₱ 23,406
INCOME TAX BENEFIT (EXPENSE)	(9,856)	(4,338)	(5,552)
NET INCOME AFTER TAX	₱ 14,462	₱ 12,924	₱ 17,853

(In thousand Pesos)

BALANCE SHEET

	2024	2023	2022
TOTAL ASSETS	₱ 1,143,575	₱ 1,155,883	₱ 1,114,148
RECEIVABLES	₱ 858,003	₱ 810,852	₱ 815,300
BORROWINGS	₱ 510,317	₱ 510,874	₱ 461,548
TOTAL LIABILITIES	₱ 556,770	₱ 584,807	₱ 551,049
SHAREHOLDERS' EQUITY	₱ 586,805	₱ 571,076	₱ 563,099



STATEMENT OF CASH FLOWS

(In thousand Pesos)

	FOR 2024	THE 2023	YEARS 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
INCOME BEFORE INCOME TAX	₱ 24,319	₱ 17,262	₱ 23,406
ADD (DEDUCT) ADJUSTMENTS FOR NON OPERATING ITEM	30,513	40,155	7,912
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	₱ 54, 832	₱ 57,417	₱ 31,318
DECREASE (INCREASE) IN WORKING CAPITAL	(95,174)	(97,520)	46,837
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	₱ (40,342)	₱ (40,103)	₱ 78,155
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	54,141	(2,455)	(3,867)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(17,823)	31,609	(113,352)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	₱ (4,024)	₱ (10,949)	₱ (39,064)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,102	34,052	73,116
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱ 19,078	₱ 23,102	₱ 34,052

FINANCIAL REVIEW AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS – YEAR 2024

In 2024, Makati Finance Corporation (MFC) delivered solid financial results marked by growth across key income streams. Net interest income increased to ₱145.54 million, up 3.6% from ₱140.52 million in 2023, driven by expanded interest-earning assets and favorable yields. Other income rose sharply by 36.6% to ₱54.18 million, contributing to total operating income of ₱199.72 million, a 10.8% increase from ₱180.17 million the previous year. Operating expenses increased by 7.7% to ₱175.40 million, reflecting investments in workforce and professional services. Despite higher expenses and increased income tax costs, net income after tax improved by 11.9% to ₱14.46 million, compared to ₱12.92 million in 2023. These results underscore MFC's resilient performance and effective cost management as it continues to strengthen its financial foundation.

Financial Condition and Capital Resources

As of December 31, 2024, Makati Finance Corporation (MFC) demonstrated a strong and balanced financial position. Total assets stood at ₱1.14 billion, maintaining stability compared to ₱1.16 billion in 2023. The company successfully expanded its receivables portfolio to ₱858.00 million, reflecting continued growth in lending activities. Borrowings remained stable at approximately ₱510 million, supporting ongoing operations without additional leverage. Importantly, MFC reduced total liabilities by nearly 5% to ₱556.77 million, strengthening its financial resilience. This improvement contributed to a notable increase in shareholders' equity, which rose 2.8% to ₱586.81 million. These milestones underscore MFC's prudent capital management and commitment to building a solid foundation for sustainable growth and long-term value creation.

Income before Income Tax

The Company's income before income tax increased by 40.9% in 2024, rising to ₱24.32 million from ₱17.26 million in 2023. This growth was mainly due to higher total operating income, which grew by ₱19.55 million or 10.8%, driven by both a better net interest margin and a boost in other income. A key factor was a ₱21.57 million gain from selling investment property, showing effective use of non-core assets. Additionally, the provision for credit losses dropped by ₱12.83 million, indicating an improved loan portfolio. While operating expenses went up by ₱12.49 million, the increase was more than offset by higher revenue and lower credit losses. Overall, the increase in pre-tax income reflects the Company's strong performance, better asset management, and improved credit risk management.



RESULTS OF OPERATIONS – YEAR 2023

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

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

Financial Condition and Capital Resources

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

Income Before Income Tax

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

RESULTS OF OPERATIONS – YEAR 2022

The Company has achieved impressive financial results, with an 84% increase in net income compared to the previous year. This increase was mainly due to the valuation of its Real and Other Properties Owned and Acquired, which contributed to a 41% increase in other income.

Total comprehensive income for 2022 was ₱22.06 million, a 33% increase compared to ₱12.85 million in 2021.

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

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

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



Financial Condition and Capital Resources

The Company's total assets as of December 31, 2022, were ₱1,114.14 million, and total liabilities declined by 18% or ₱118.76 million, from ₱669.81 million in 2021 to ₱551.05 million in 2022. This decline was mainly due to net loan payments from excess cash of the Company.

Interest Income

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

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

RESULTS OF OPERATIONS – YEAR 2021

The Company released a total loans of ₱732 million in 2021, 23% lower or about ₱224 million versus ₱956 million in 2020, this is mainly due to the impact of COVID 19 pandemic as the Company became more stricter in credit evaluation especially on new accounts, while we continue to support in servicing our existing good customers. On the other hand, total collections in 2021 amounted to ₱981 million, a decrease of 11% or about ₱118 million versus ₱1.1 billion in 2020. The Company's income before tax amounted to ₱25 million, or about 42% higher versus ₱17.5 million in 2020, driven by increase in miscellaneous income. However, the net income of the Company amounted to ₱9.7 million only, or about 8% lower versus ₱10.8 million in 2020, mainly due to the impact of CREATE law, correcting prior years deferred tax assets in the amount of ₱9.54 million. Without the income tax correction, the Company's Net income for FY2021 should have been ₱19.24 million, or about 78% higher versus FY2020.

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

Net Operating Expenses in 2021 ended at ₱136.69 million, higher versus ₱124.16 million in 2020. Interest income in 2021 amounted to ₱174.7 million; major breakdown



of which is ₱22 million from Rx Cashline, ₱67.89 million from MFC Factors and Business Loans and ₱77.1 million from Motor Vehicle (MC/Car/Leisure Bikes) Financing.

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

Financial Condition and Capital Resources

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

Interest Income

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

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

MANAGEMENT'S DISCUSSION ON PLAN OF OPERATIONS

Plans and Prospects for 2025

The company demonstrated robust operational growth in 2024, with increases in both revenue and net income. While expenses rose, particularly in salaries and professional fees, effective cost management in areas such as credit losses and depreciation helped sustain profitability. The reduction in credit loss provisions signals an improvement in asset quality, while a positive turnaround in other comprehensive income further enhanced the company's overall financial performance, providing a strong outlook for future period.

Looking ahead to 2025, the company's strategy will focus on enhancing profitability and operational efficiency. The discontinuation of motorcycle financing operations is expected to lead to significant reductions in operating expenses, further aligning with the goal of optimizing resource allocation and positioning the company for sustainable growth.

The key strategies for 2025 include leveraging digital marketing platforms to attract and engage potential borrowers, as well as recruiting and motivating agents through quarterly initiatives to ensure a consistent pipeline for loan product promotion and sales. The company also plans to attend key industry events, such as Doctor's Conventions and the SME Business Expo, to strengthen relationships with target groups like healthcare professionals and SMEs, ultimately generating more leads and boosting brand authority. Additionally, the company will enhance its data analytics capabilities to gain deeper insights into customer behavior, market trends, and competitor strategies, enabling more tailored product offerings. Lastly, a focus on continuous training and employee incentives will foster a culture of growth, innovation, and productivity, ensuring improved job satisfaction. With these initiatives, MFC is well-positioned for continued financial growth and expansion within the SME sector. The company's clear strategy, commitment to responsible lending, and strong management practices will help create lasting value for its stakeholders and customers, ensuring sustained success in the years ahead.

FUNDS GENERATION

We currently have a P350 million facility with Amalgamated Investment Bancorporation (AIB) and P550 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 2025.

Currently, fund requirements are being met by loans, collections, and acceptance of private placements under the 19 lenders 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 IPO. On November 6, 2007, the BOD 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.

According to the Philippine Stock Exchange Website, latest available price information on MFC's stock price is ₱2.50 per share as of December 31, 2021. The Company has not gone into a business combination nor any reorganization for the year 2021.

Share Prices:

The latest available price information on Makati Finance's stock price is ₱ 1.65 per share as of June 03, 2025.

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

Quarter Ending	Market Prices	
	High	Low
June 2025	1.65	1.65
March 2025	1.63	1.63
December 2024	1.69	1.69
September 2024	1.81	1.40
June 2024	1.40	1.40
March 2024	1.72	1.60
December 2023	1.90	1.90
September 2023	2.00	2.00
June 2023	1.48	1.48
March 2023	2.10	2.10
December 2022	2.35	2.35
September 2022	3.12	3.12
June 2022	2.16	2.15
March 2022	2.20	2.20
December 2021	2.50	2.50
September 2021	2.40	2.40
June 2021	2.72	2.72
March 2021	2.53	2.53

HOLDERS OF COMMON STOCK

TOP 20 Stockholders As of May 31, 2025

There are a total of 113 stockholders as of May 31, 2025

Name	Nat	Class	No. of Shares	Percentage
*AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	77,841,803	28.42%
PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	72,403,597	26.43%
*MOTOR ACE PHILIPPINES, INC.	FIL	A	57,601,615	21.03%
BORROMEO BROS. ESTATE, INC.	FIL	A	10,188,103	3.72%
MF PIKEVILLE HOLDINGS, INC.	FIL	A	9,685,633	3.54%
GRACEFIELD CAPITAL HOLDINGS, INC.	FIL	A	9,062,868	3.31%
ERIC B. BENITEZ	FIL	A	7,638,705	2.79%
MELLISSA B. LIMCAOCO	FIL	A	6,855,756	2.50%
GLENN B. BENITEZ	FIL	A	6,527,404	2.38%
RENE B. BENITEZ	FIL	A	6,266,601	2.29%
JOEL FERRER	FIL	A	2,759,174	1.01%
MICHAEL WEE	FOR	A	1,042,954	0.38%
MARY GRACE V. REYES	FIL	A	813,302	0.30%
SALUD BORROMEO FOUNDATION, INC.	FIL	A	553,755	0.20%
TERESITA B. BENITEZ	FIL	A	532,714	0.19%
MERG REALTY DEVELOPMENT	FIL	A	473,276	0.17%
LIMCAOCO, MELLISSA B. IT	FIL	A	326,331	0.12%
BENITEZ, GLENN, ITF ANDRE	FIL	A	326,331	0.12%
BENITEZ, GLENN, ITF ALFON	FIL	A	326,331	0.12%
BENITEZ, GLENN, ITF ALESS	FIL	A	326,331	0.12%
SUB-TOTAL			271,552,584	99.14%
OTHER STOCKHOLDERS (93)			2,347,538	0.86%
GRAND TOTAL (113 stockholders)			273,900,122	100.00%

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

Currently the Company is compliant in the PSE continuing listing requirement rule on minimum public ownership. The rule requires a 20% minimum public float. MFC has 27.17% 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 ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signed under oath by the following:



CHARITO S. ESPIRITU
Chief Finance Officer



MAXCY FRANCISCO JOSE R. BORROMEO
President



ROBERT CHARLES M. LEHMANN
Chairman of the Board





Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Makati Finance Corporation (the "Company") as at December 31, 2024 and 2023, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

What we have audited

The financial statements of the Company comprise:

- The statements of financial position as of December 31, 2024 and 2023;
- The statements of comprehensive income for each of the three years in the period ended December 31, 2024;
- The statements of changes in equity for each of the three years in the period ended December 31, 2024;
- The statements of cash flows for each of the three years in the period ended December 31, 2024; and
- The notes to the financial statements, comprising material accounting policies and other explanatory information.

Basis for Opinion

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

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

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

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

Our Audit Approach

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

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

Key Audit Matter

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Expected credit losses (ECL) on loans and other receivables</p> <p>We focused on this account because of the complexity involved in the estimation process, and the significant judgments that management makes in ascertaining the expected credit loss on loans and other receivables.</p> <p>The calculation of expected credit loss is inherently judgmental for any financing company. Key areas of judgment include defining default, identifying exposures with significant deterioration in credit quality, identification of credit impaired loans, and estimation of expected realizable value of any collateral held supporting the calculation of individually assessed provisions; and the application of appropriate impairment models for the collectively assessed accounts. This includes the use of key assumptions in the impairment models (i.e., staging of accounts, forward-looking information), the exposure at default (EAD), the probability of default (PD) and the loss given default (LGD).</p> <p>As at December 31, 2024, the total ECL allowance on loans and other receivables amounted to P141.33 million while the provision for credit losses recognized in profit or loss for the year amounted to P19.35 million.</p>	<p>Our work over the impairment losses of loans and other receivables included:</p> <ul style="list-style-type: none"> ▫ assessment of the methodology applied by the Company in the development of its expected credit loss (ECL) model vis-à-vis the requirements of PFRS 9, <i>Financial Instruments</i>; ▫ assessment of the reasonableness of key judgements made by management in calculating the ECL; ▫ testing the accuracy of the loan aging schedule to determine appropriateness of staging of loan accounts including those identified as default accounts by recalculating from the last date of payment to the reporting date; ▫ testing of key assumptions in the ECL models such as PD, LGD, EAD built from historical data through validation of the accuracy and completeness of data inputs in the ECL model and in the ECL calculation by comparing them with the information obtained from the current and historical loan portfolio (i.e. aging schedule) which provides information about the classification of credit exposures, age of the receivables, and existence of collateral, among others; and ▫ assessment of reasonableness of macroeconomic variables used as the forward-looking information as basis of calculation of ECL and independent comparison to available macro-economic data; ▫ for a sample of individually assessed loans identified as default (i.e. credit-impaired), examined relevant supporting documents such as valuation of collateral used as a basis in estimating the recoverable amount and measuring the loan loss allowance; and



To the Board of Directors and Shareholders of
 Makati Finance Corporation
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Key Audit Matter

<p>(cont'd.)</p> <p>Refer to Note 3, Note 17 and Note 18 in the financial statements.</p>	<ul style="list-style-type: none"> ▮ recalculation of the expected credit loss for selected accounts and portfolios for collective assessment at reporting date using the ECL methodology adopted by the Company. ▮ Review the financial statement disclosures related to the required information in accordance with the requirements of PFRS 9, <i>'Financial Instruments'</i>
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Other Information

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

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

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

Report on the Bureau of Internal Revenue Requirement

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

Isla Lipana & Co.

Zaldy D. Aguirre

Partner

CPA Cert No. 0105660

P.T.R. No. 0024447, issued on January 3, 2025, Makati City

TIN 221-755-698

BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City
April 15, 2025



Makati Finance Corporation

Statements of Financial Position As at December 31, 2024 and 2023 (All amounts in Philippine Peso)

	Notes	2024	2023
Assets			
Current assets			
Cash	2	19,078,143	23,102,110
Loans and other receivables, net	3,18	535,274,139	441,452,515
Other current assets, net	4	118,802,559	104,855,751
Total current assets		673,154,841	569,410,376
Non-current assets			
Loans and other receivables, net	3,18	322,729,101	369,399,529
Property and equipment, net	5	7,042,381	5,669,637
Investment properties	6	98,664,010	153,312,587
Right-of use asset, net	16	4,546,617	16,531,808
Deferred tax assets, net	13	37,437,621	41,559,313
Total non-current assets		470,419,730	586,472,874
Total assets		1,143,574,571	1,155,883,250
Liabilities and equity			
Current liabilities			
Current portion of notes payable	9,18	510,316,500	484,652,041
Accounts payable		11,890,538	22,964,740
Accrued expenses	8	15,956,255	17,909,501
Lease liabilities	16,18	3,960,368	9,527,935
Income tax payable	13	3,499,018	3,417,997
Total current liabilities		545,622,679	538,472,214
Non-current liabilities			
Notes payable	9,18	-	26,222,222
Lease liabilities	16,18	1,033,684	9,887,494
Retirement benefit obligation, net	14	10,113,152	10,225,288
Total non-current liabilities		11,146,836	46,335,004
Total liabilities		556,769,515	584,807,218
Equity			
Capital stock	10	273,900,122	271,961,630
Additional paid-in capital		5,803,922	5,803,922
Retained earnings		295,912,879	285,327,520
Remeasurement gain on retirement benefit obligation	14	11,188,133	7,982,960
Total equity		586,805,056	571,076,032
Total liabilities and equity		1,143,574,571	1,155,883,250

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



Makati Finance Corporation

Statements of Comprehensive Income For the years ended December 31, 2024, 2023 and 2022 (All amounts in Philippine Peso)

	Notes	2024	2023	2022
Interest income	2,3,7	183,657,793	175,174,176	158,979,539
Interest expense	7,9,16	(38,120,468)	(34,653,048)	(33,125,884)
Net interest margin		145,537,325	140,521,128	125,853,655
Other income				
Service charges	11	9,031,628	8,428,924	4,681,392
Fair value adjustment on investment properties	6, 12	4,447,700	4,817,734	24,602,534
Gain on sale of investment property	6, 12	21,568,169	-	-
Miscellaneous	12	19,134,849	26,403,922	10,157,904
Total other income		54,182,346	39,650,580	39,441,830
Total operating income		199,719,671	180,171,708	165,295,485
Operating expenses				
Salaries and employee benefits		64,274,365	56,752,510	60,608,488
Provision for credit losses	3	19,349,940	32,176,691	18,840,356
Taxes and licenses		17,929,494	14,992,634	13,696,781
Depreciation and amortization	4,5,16	16,603,690	16,879,761	12,310,518
Management and professional fees		10,895,941	7,152,343	9,473,494
Travel and transportation		5,038,518	5,138,614	7,664,302
Commission		4,943,426	3,267,254	7,037,544
Occupancy costs		3,188,214	4,451,052	1,097,649
Provision for impairment loss of repossessed assets	4	1,937,134	7,495,767	377,146
Entertainment, amusement and recreation		1,180,090	558,787	375,368
Miscellaneous	12	30,059,715	14,044,270	10,407,838
Total operating expenses		175,400,527	162,909,683	141,889,484
Income before income tax		24,319,144	17,262,025	23,406,001
Income tax expense	13	9,856,723	4,338,476	5,552,903
Net income		14,462,421	12,923,549	17,853,098
Other comprehensive income (loss)		3,205,173	(2,268,741)	4,210,913
Total comprehensive income for the year		17,667,594	10,654,808	22,064,011
Basic and diluted earnings per share	10	0.05	0.05	0.07

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

Makati Finance Corporation

Statements of Changes in Equity For the years ended December 31, 2024, 2023 and 2022 (All amounts in Philippine Peso)

	Capital stock (Note 10)	Additional paid-in capital	Retained earnings	Remeasurement gain (loss) on retirement benefit obligation	Total equity
Balances at January 1, 2022	267,828,098	5,803,922	262,818,124	6,040,788	542,490,935
Transactions with owners					
Stock dividends	1,455,611	-	(1,455,611)	-	-
Cash dividends	-	-	(1,455,711)	-	(1,455,711)
Total transactions with owners	1,455,611	-	(2,911,322)	-	(1,455,711)
Comprehensive income					
Net income for the year	-	-	17,853,095	-	17,853,098
Other comprehensive income	-	-	-	4,210,913	4,210,913
Total comprehensive income	-	-	17,853,101	4,210,913	22,064,011
Balances at December 31, 2022	269,283,709	5,803,922	277,759,903	10,251,701	563,099,235
Transactions with owners					
Stock dividends	2,677,921	-	(2,677,921)	-	-
Cash dividends	-	-	(2,678,008)	-	(2,678,008)
Total transactions with owners	2,677,921	-	(5,355,929)	-	(2,678,008)
Comprehensive income					
Net income for the year	-	-	12,923,549	-	12,923,549
Other comprehensive loss	-	-	-	(2,268,741)	(2,268,741)
Total comprehensive income (loss)	-	-	12,923,549	(2,268,741)	10,654,808
Balances at December 31, 2023	271,961,630	5,803,922	285,327,523	7,982,960	571,076,035
Transactions with owners					
Stock dividends	1,938,492	-	(1,938,492)	-	-
Cash dividends	-	-	(1,938,573)	-	(1,938,573)
Total transactions with owners	1,938,492	-	(3,877,065)	-	(1,938,573)
Comprehensive income					
Net income for the year	-	-	14,462,421	-	14,462,421
Other comprehensive loss	-	-	-	3,205,173	3,205,173
Total comprehensive income	-	-	14,462,421	3,205,173	17,667,594
Balances at December 31, 2024	273,900,122	5,803,922	295,912,879	11,188,133	586,805,056

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

Makati Finance Corporation

Statements of Cash Flows For the years ended December 31, 2024, 2023 and 2022 (All amounts in Philippine Peso)

	Notes	2024	2023	2022
Cash flows from operating activities				
Income before income tax		24,319,144	17,262,025	23,406,001
Adjustments for:				
Provision for credit losses on loans and other receivables	3	15,554,612	16,377,948	18,840,356
Depreciation and amortization	4,5,16	16,603,690	16,879,761	9,417,435
Fair value change in investment properties	6	(4,447,700)	(4,817,734)	(24,602,534)
Retirement benefits expense	14	3,093,037	2,477,820	3,180,335
Interest expense from lease liabilities	16	905,309	1,169,810	1,249,467
Provision for (reversal of) impairment loss of repossessed assets	4	1,937,134	7,495,767	377,146
Gain from sale of repossessed assets	4	(99,021)	567,701	(463,451)
Gain from sale of property and equipment		(1,153,360)	-	-
Gain on lease termination		(1,880,589)	-	-
Lease additions, net of modification		-	3,451	(86,387)
Operating income before working capital changes		54,832,256	57,416,549	31,318,368
Decrease (increase) in:				
Loans and other receivables		(62,349,661)	(69,623,207)	37,655,324
Other assets		(13,946,808)	(4,312,634)	10,612,253
Increase (decrease) in:				
Accounts payable		(11,074,202)	(17,427,757)	4,669,740
Accrued expenses		(5,567,567)	(2,678,097)	(2,243,613)
Cash (used in) generated from operations		(38,105,982)	(36,625,146)	82,010,072
Income taxes paid		(2,236,014)	(3,478,159)	(3,857,517)
Net cash flows (used in) by operating activities		(40,341,995)	(40,103,305)	78,154,555
Cash flows from investing activities				
Purchases of property and equipment	5	(4,278,985)	(2,079,327)	(683,956)
Additions to software	4	(676,242)	(375,799)	(113,116)
Additions to investment properties	6	59,096,277	-	(3,070,225)
Net cash provided (used in) by investing activities		54,141,050	(2,455,126)	(3,867,297)
Cash flows from financing activities				
Availment of notes payable		126,793,767	229,332,325	219,516,745
Settlement of notes payable		(127,351,531)	(180,006,792)	(322,674,571)
Payment of lease liabilities	16	(15,326,685)	(15,038,490)	(8,737,993)
Cash dividends paid	10	(1,938,573)	(2,678,008)	(1,455,711)
Net cash from (used in) provided by financing activities		(17,823,022)	31,609,035	(113,351,530)
Net decrease in cash and cash equivalents		(4,023,967)	(10,949,396)	(39,064,272)
Cash and cash equivalents				
January 1		23,102,110	34,051,506	73,115,778
December 31		19,078,143	23,102,110	34,051,506

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

Makati Finance Corporation

Notes to the Financial Statements

As at and for the years ended December 31, 2024 and 2023

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

1 General information

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

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

On March 11, 2002, the Board of Directors (BOD) and shareholders approved the offer of up to 19,560,000 shares from the Company’s unissued common shares through initial common public offering (IPO). The application for the IPO of the Company was approved by the SEC and the Philippine Stock Exchange (PSE) on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of P1.38 per share. No subsequent listings were conducted.

As at December 31, 2024, the Company’s closing price at the PSE amounts to P1.99 per share (2023 - P1.90 per share).

Amalgamated Investment Bancorporation (AIB) (the “Parent Company”) owns 43.59% and 43.41% of the Company as at December 31, 2024 and 2023.

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

The Company has 147 employees as at December 31, 2024 (2023 - 146).

Approval of the financial statements

These financial statements have been approved and authorized for issuance by the Company’s BOD on April 11, 2025. There are no material events that occurred from April 11 to April 15, 2025.

2 Cash

This account consists of:

	2024	2023
Cash on hand	457,478	907,412
Cash in banks	18,620,665	22,194,698
	19,078,143	23,102,110

Cash in banks earn interest at the prevailing bank deposit rates which range from 0.05% to 0.093% (2023 - 0.05% to 0.25%). In 2024, interest income on cash in banks amount to P18,990 (2023 - P14,033; 2022 - P31,283)

3 Loans and other receivables, net

The account as at December 31 consist of:

	2024	2023
Consumer	759,459,046	708,725,305
Services	222,446,422	247,349,179
Other receivables	17,432,096	11,666,496
	999,337,564	967,740,980
Allowance for expected credit loss (ECL)	(141,334,324)	(156,888,936)
	858,003,240	810,852,044

Interest rates on loans and other receivables for the year ended December 31, 2024 range from 0.42% to 5% (2023 - 0.42% to 3.00%) per month plus gross receipts tax. For the year ended December 31, 2024, interest income earned on loans receivables amounts to P183.66 million (2023 - P175.16 million; 2022 - P158.95 million).

Certain motorcycle financing receivables (included in Consumer category above) amounting to P100.90 million (2023 - P109.73 million) were used as collateral for notes payable to banks (see Note 9).

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

	2024	2023
Secured loans		
Chattel mortgage	384,585,981	400,823,972
Real estate mortgage	3,823,482	127,728,010
Other collaterals	45,563,421	69,320,406
Total secured	433,972,884	597,872,388
Unsecured	565,364,680	369,868,592
	999,337,564	967,740,980

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

Movements in allowance for ECL follow:

December 31, 2024				
Receivable from Customers				
	Consumer	Services	Others	Total
At January 1	126,386,860	26,036,361	4,465,715	156,888,936
Provision during the year	4,833,459	14,516,481	-	19,349,940
Write-off during the year	(23,976,408)	(10,928,144)	-	(34,904,552)
At December 31	107,243,911	29,624,698	4,465,715	141,334,324
December 31, 2023				
Receivable from Customers				
	Consumer	Services	Others	Total
At January 1	116,168,180	19,877,093	4,465,715	140,510,988
Provision during the year	21,079,112	11,097,579	-	32,176,691
Write-off during the year	(10,860,432)	(4,938,311)	-	(15,798,743)
At December 31	126,386,860	26,036,361	4,465,715	156,888,936



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

4 Other current assets, net

This account consists of:

	Note	2024	2023
Repossessed assets, net		107,790,036	95,192,990
Prepaid expenses		4,992,004	4,290,984
Security deposits	16	4,733,792	4,761,292
Software costs		1,206,727	530,485
Financial asset at fair value through other comprehensive income (FVOCI)		80,000	80,000
		118,802,559	104,855,751

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

Prepaid expenses consist of includes supplies, insurance and rent.

Software costs are paid licenses for use of software related to loan management system and general ledger.

The investments in FVOCI pertains to the club shares held by the Company as of December 31, 2024 and 2023.

The movement in repossessed assets follow:

	2024	2023
Cost		
At January 1	140,623,906	141,497,292
Additions	77,481,667	59,019,279
Disposals	(62,947,487)	(59,892,665)
At December 31	155,158,086	140,623,906
Allowance for impairment losses		
At January 1	45,430,916	41,804,778
Allowance for impairment during the year	1,937,134	7,495,767
Write-off	-	(3,869,629)
At December 31	47,368,050	45,430,916
Carrying amount	107,790,036	95,192,990

Included in the statement of comprehensive income under miscellaneous income are gains from sale of repossessed assets amounting to P 99,021 in 2024 (2023 - P567,701). Aggregate proceeds from sale amounted to P63.05 million in 2024 (2023 - P60.46 million).

5 Property and equipment, net

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

2024				
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	20,701,416	11,331,636	10,643,838	42,676,890
Additions	2,627,509	223,216	1,428,259	4,278,984
Disposals	-	-	(5,808,800)	(5,808,800)
At December 31	23,328,925	11,554,852	6,263,297	41,147,074
Accumulated depreciation				
At January 1	19,460,537	9,069,735	8,476,981	37,007,253
Depreciation	957,362	766,025	1,182,851	2,906,238
Disposals	-	-	(5,808,798)	(5,808,798)
At December 31	20,417,899	9,835,760	3,851,034	34,104,693
Carrying amount	2,911,026	1,719,092	2,412,263	7,042,381
2023				
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	19,869,472	10,861,636	10,408,455	41,139,563
Additions	831,944	470,000	777,383	2,079,327
Disposals	-	-	(542,000)	(542,000)
At December 31	20,701,416	11,331,636	10,643,838	42,676,890
Accumulated depreciation				
At January 1	18,801,529	8,370,692	7,690,850	34,863,071
Depreciation	659,008	699,043	1,328,131	2,686,182
Disposals	-	-	(542,000)	(542,000)
At December 31	19,460,537	9,069,735	8,476,981	37,007,253
Carrying amount	1,240,879	2,261,901	2,166,857	5,669,637

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

In 2024, disposals of fully depreciated transportation equipment resulted in a gain of P1.15 million which is recorded under miscellaneous income (Note 12).

Management believes that there are no indicators that the Company's property and equipment are impaired as at December 31, 2024 and 2023.

6 Investment properties, net

Investment properties consist of land and building amounting to P11,353,376 and P87,310,634, respectively (2023 - P87,021,301 and P66,291,286, respectively).

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

	2024	2023
Beginning of the year	153,312,587	90,801,000
Additions	111,575	57,693,853
Disposals	(59,207,852)	-
Fair value adjustment	4,447,700	4,817,734
	98,664,010	153,312,587

In 2023, the Company has acquired a property through a Dacion En Pago arrangement, with a fair market value of P77.27 million. However, the property has been booked at a value of P57.69 million, net of the share of another lender, reflecting the Company's portion of ownership.

The property was sold in 2024. The Company's shares in the sales proceeds and the resulting gain amounted to P76.68 million and P21.9 57million, respectively.

The Company measures its investment properties at fair value. Changes in the fair values are recognized in profit or loss. The fair value was determined by an independent and professionally qualified appraiser during the year.

The fair values were assessed using the Market Approach (Level 2), which involves comparing sales of similar or substitute properties and market data. In this method, a subject property is valued is based on recent market transactions of comparable properties.

Direct operating expenses with regard to investment properties pertain to local property taxes amounting to P92, 221 in 2024 (2023 - P76,043).

7 Segment information

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

(a) Rx Cashline Group

The Rx Cashline Group grants loans tailored to medical professionals.

(b) Business loans

This group grants loans to finance business owners who wishes to expand its business or for the purpose of starting capital.

(c) *Motor Vehicles Financing Group*

The MC Financing Group grants loans to motorcycle and car buyers.

(d) *Car loans*

Beginning 2024, the Company has discontinued its car loan financing program due to competitive interest rates offered by local banks.

(e) *Other segments*

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

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

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

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

Financial information about operating segments follows:

	2024				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	100,634,833	409,168,801	313,764,781	34,434,824	858,003,240
Results of operation					
Revenue					
Interest income	20,212,532	69,843,615	92,034,495	1,567,151	183,657,793
Other income	2,313,486	34,821,726	5,859,360	11,187,773	54,182,345
Total	22,526,018	104,665,341	97,893,855	12,754,924	237,840,138
Expenses					
Interest expense	4,195,363	14,496,914	19,102,909	325,282	38,120,468
Provision for expected credit losses	(2,358,405)	15,421,928	2,477,934	3,808,483	19,349,940
Operating expenses	14,384,267	57,756,584	79,106,730	4,803,005	156,050,586
Total	16,221,225	87,675,426	100,687,572	8,936,770	213,520,994
Net operating income (loss)	6,304,793	16,989,915	(2,793,717)	3,818,154	24,319,145
Income tax expense (benefit)	1,565,584	4,190,109	(764,313)	1,974,756	6,966,136
Net Income (loss)	4,739,209	12,799,806	(2,029,404)	1,843,398	17,353,008
Total Assets	107,789,514	539,129,940	454,572,313	42,461,458	1,143,953,225
Total Liabilities	42,107,041	228,587,784	261,364,700	23,198,060	554,257,585
Other segment information					
Capital expenditures	325,075	1,757,026	2,017,790	179,094	4,278,985
Depreciation and amortization	1,261,385	6,817,763	7,829,606	694,936	16,603,690



2023					
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	84,655,159	383,056,833	326,812,153	16,327,900	810,852,044
Results of operation					
Revenue					
Interest income	26,280,234	69,572,943	71,300,955	8,020,044	175,174,176
Other income	2,057,488	27,316,004	3,320,421	6,956,667	39,650,580
Total	28,337,722	96,888,947	74,621,376	14,976,711	214,824,756
Expenses					
Interest expense	5,198,770	13,762,957	14,104,793	1,586,528	34,653,048
Provision for expected credit losses	5,953,023	13,775,932	16,988,116	2,955,387	39,672,458
Operating expenses	12,843,642	45,027,374	58,180,031	7,186,178	123,237,225
	23,995,435	72,566,263	89,272,940	11,728,093	197,562,731
Net operating income (loss)	4,342,287	24,322,684	(14,651,564)	3,248,618	17,262,025
Income tax expense (benefit)	2,573,828	9,524,655	(10,026,992)	2,266,985	4,338,476
Net Income (loss)	1,768,459	14,798,029	(4,624,572)	981,633	12,923,549
Total Assets	96,292,720	572,121,950	460,272,420	27,196,160	1,155,883,250
Total Liabilities	77,142,436	263,756,179	203,138,223	40,770,380	584,807,218
Other segment information					
Capital expenditures	274,286	937,805	722,273	144,962	2,079,326
Depreciation and amortization	2,226,624	7,613,007	5,863,342	1,176,788	16,879,761
2022					
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	92,081,355	375,575,917	307,852,105	39,791,261	815,300,638
Results of operation					
Revenue					
Interest income	22,946,252	57,393,493	65,433,531	13,206,263	158,979,539
Other income	2,269,873	28,025,287	5,587,068	3,559,602	39,441,830
	25,216,125	85,418,780	71,020,599	16,765,865	198,421,369
Expenses					
Interest expense	4,524,267	13,364,316	13,417,973	1,819,328	33,125,884
Provision for expected credit losses	3,667,710	9,576,412	1,663,782	4,309,598	19,217,502
Operating expenses	10,650,563	38,673,084	66,792,325	6,556,010	122,671,982
	18,842,540	61,613,812	81,874,080	12,684,936	175,015,368
Net operating income (loss)	6,373,585	23,804,968	(10,853,481)	4,080,929	23,406,001
Income tax expense (benefit)	1,773,788	6,503,111	(4,397,730)	1,673,733	5,552,902
Net Income (loss)	4,599,797	17,301,857	(6,455,751)	2,407,196	17,853,099
Total Assets	103,295,406	510,795,835	459,248,231	40,809,092	1,114,148,564
Total Liabilities	62,264,341	253,960,063	212,168,236	22,656,692	551,049,332
Other segment information					
Capital expenditures	578,303	1,446,460	1,649,089	332,830	4,006,682
Depreciation and amortization	1,392,032	3,481,771	3,969,519	801,158	9,644,480

8 Accrued expenses

This account consists of:

	2024	2023
Accrued taxes	6,000,395	4,537,682
Accrued rent	2,140,941	4,532,800
Accrued interest	2,028,930	1,524,719
Insurance payable	1,744,848	4,205,346
Accrued administrative expenses	1,265,532	853,779
Accrued management and professional fees	821,168	875,480
Commissions and outside services	455,033	441,197
Others	1,499,408	938,498
	15,956,255	17,909,501

Accrued taxes pertains to expanded withholding tax, withholding tax, documentary stamp tax, and gross receipt tax.

Accrued interest pertain to interest expenses on notes payable

Insurance payables pertain to mortgage redemption insurance, SSS and PhilHealth contributions.

Commission and outside services encompass accruals on commissions related to referral incentives for agents of the Company.

Others mainly include accrual on utilities and travel and transportation.

9 Notes payable

The account as at December 31 consists of:

	2024	2023
Notes payable to:		
Related parties	354,178,002	382,583,587
Banks	100,898,355	109,733,333
Individuals/corporate	55,240,143	18,557,343
	510,316,500	510,874,263

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

	2024	2023
Current	510,316,500	484,652,041
Non-current	-	26,222,222
	510,316,500	510,874,263

Interest rates on notes payable range from 5.65% to 8.75% in 2024 (2023 - 5.50% to 9.00%). Interest expense on these notes payable amount to P37.22 million in 2024 (2023 - P33.48 million; 2022 - P31.47 million).

As at December 31, 2024 and 2023, the notes payable to banks are secured by certain motorcycle financing receivables and other various type of receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivables, with 50% to 85% loanable value), on a per availment basis.

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

	2024		2023	
	Carrying amount	Secured notes	Carrying amount	Secured notes
Motorcycle financing receivables	122,679,404	98,653,911	135,180,496	107,292,358
Other various type of receivables	18,702,887	2,244,444	20,608,720	2,440,975
	141,382,291	100,898,355	155,789,216	109,733,333

10 Equity

On July 25, 2024, the BOD and stockholders approved the declaration of 0.71% stock dividends in the amount of P1.94 million to stockholders of record as at August 22, 2024 with distribution date not later than, September 18, 2024. Fractional shares of 40.35 shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P1.94 million.

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

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

As at December 31, 2024, the Company has 273,900,122 (2023 - 271,961,630) common shares issued and outstanding which are owned by 113 (2023 - 112) shareholders.

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

	2024		2023		2022	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
<i>Authorized - 300,000,000 shares; P1 par value</i>						
At January 1	271,961,630	271,961,630	269,283,709	269,283,709	267,828,098	267,828,098
Stock dividends	1,938,492	1,938,492	2,677,921	2,677,921	1,455,611	1,455,611
At December 31	273,900,122	273,900,122	271,961,630	271,961,630	269,283,709	269,283,709

Earnings per share

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

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

	2024	2023	2022
Net income for the year	14,497,294	12,923,549	17,853,098
Weighted average number of outstanding common shares (after impact of stock dividend)	273,900,122	271,961,630	269,283,709
Basic and diluted earnings per share	0.05	0.05	0.07

11 Service charges

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

	2024	2023
Processing fees	7,818,023	7,261,796
Late payment charges	1,204,660	1,158,691
Others	8,945	8,437
	9,031,628	8,428,924

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

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

Others pertain to the convenience fee charged by the Company.

12 Miscellaneous income and expenses

12.1 Miscellaneous income

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

	2024	2023
Gain on investment properties (Note 6)	21,568,169	-
Penalties	6,977,880	7,978,395
Unrealized gain on investment properties (Note 6)	4,447,700	13,549,615
Others	12,156,969	4,875,912
	45,150,718	26,403,922

Others mainly consist of reversal of MRI payable, gain on sale of property plant and equipment (Note 5) and gain on pre-termination of lease contracts (Note 16). Penalties pertain to charges of returned checks.

12.2 Miscellaneous expenses

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

	2024	2023
Repairs and maintenance	13,598,277	1,762,612
Communication	2,539,117	2,415,785
Stationaries and supplies	2,504,148	2,711,297
Others	11,418,173	7,154,576
	30,059,715	14,044,270

Repairs and maintenance expenses are related to restoration and reconditioning of the investment property that was sold during the year (Note 6).

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

13 Income taxes

The following are the components of income tax expense for the years ended December 31:

	2024	2023
Current	14,438,929	5,367,115
Deferred	(4,582,206)	(1,028,639)
	9,856,723	4,338,476

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

	2024	2023
Income before tax	24,319,144	17,262,025
Income tax benefit at statutory income tax rate (25%)	6,079,786	4,315,506
Adjustments for:		
Interest income subjected to final tax	(4,748)	(3,508)
Impact of PFRS 16	3,780,385	25,382
Non-deductible interest expense	1,300	1,096
Change in unrecognized DTA	-	-
Effective income tax expense	9,856,723	4,338,476

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

	2024	2023
Deferred tax assets		
Allowance for credit losses	35,333,581	39,163,685
Allowance of repossessed assets write-down	9,268,326	11,357,729
Accrued expenses	3,989,064	1,685,388
Retirement expense	2,528,288	3,020,042
Impairment loss on investment properties	484,284	228,988
Past service costs	-	40,293
PFRS 16	1,248,513	1,216,006
	52,852,056	56,712,131
Deferred tax liabilities		
Remeasurement gain on defined benefit obligation	2,797,033	3,137,635
Fair value increase in investment properties	12,617,401	12,015,183
	15,414,434	15,152,818
Deferred tax assets, net	37,437,621	41,559,313

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

	2024	2023
Beginning of the year	41,559,313	40,530,674
Amounts charged to profit or loss	(4,582,206)	1,028,639
Amounts charged to other comprehensive income	460,514	-
End of the year	37,437,621	41,559,313

14 Retirement benefits

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

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

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

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

	2024	2023
Present value of benefit obligation	17,326,085	17,524,485
Fair value of plan assets	(7,212,933)	(7,299,197)
Retirement benefit obligation	10,113,152	10,225,288

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

	2024	2023
Current service cost	2,454,463	2,067,594
Net interest cost	638,574	410,226
	3,093,037	2,477,820

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

	2024	2023
At beginning of year	17,524,485	12,587,051
Current service cost	2,454,463	2,067,594
Interest cost	1,079,508	926,407
Remeasurements		
Loss (Gain) from changes in financial assumptions	189,968	2,763,316
Gain from experience adjustments	(3,639,985)	(629,883)
Benefits paid from Plan Assets - excluding settlements	(282,354)	(190,000)
At end of year	17,326,085	17,524,485

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

	2024	2023
At beginning of year	7,299,197	7,108,324
Interest income	440,934	516,181
Benefits paid	(282,354)	(190,000)
Remeasurements - Plan Assets	(244,844)	(135,308)
At end of year	7,212,933	7,299,197

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

	2024	2023
Cash and cash equivalents	677,481	2,014,219
Financial assets at fair value through profit or loss - fixed income	6,507,591	5,273,978
Accrued other receivables	31,392	11,000
Withholding Tax Payable	(3,531)	-
	7,212,933	7,299,197

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

	2024	2023
Discount rate	6.08%	6.16%
Future salary increases	5.00%	5.00%
Average remaining working life (in years)	23	24

Discount rate sensitivity

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

	Impact on retirement benefit obligation		
	Change in basis points	Increase in assumption	Decrease in assumption
December 31, 2024			
Discount rate	100 basis points	(2,179,753)	2,641,030
Salary growth rate	100 basis points	2,643,215	(2,219,319)
December 31, 2023			
Discount rate	100 basis points	(2,345,453)	2,850,482
Salary growth rate	100 basis points	2,855,229	(2,389,579)

There are no expected contributions to the plan for the year ending December 31, 2025.

15 Related party transaction

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

Category/Transaction	Ref	2024			2023		
		Amount of transaction	Outstanding Balances		Amount of transaction	Outstanding Balances	
			Due from related parties	Due to related parties		Due from related parties	Due to related parties
<i>Parent Company</i>							
Miscellaneous receivables	A	-	181,521	-	-	181,521	-
Notes payable	B	-	-	292,100,175	-	-	303,600,000
Availments		-	-	-	158,600,000	-	-
Settlements		11,499,825	-	-	46,100,000	-	-
Accrued Interest Payable	B	-	-	1,363,864	1,018,666	-	-
Interest expense		20,915,252	-	-	18,506,868	-	-
<i>Entities under common control</i>							
<i>Motor Ace Philippines, Inc.</i>							
Loans Receivable	F	3,245,294	-	-	9,773,940	-	-
Availments		-	-	-	-	-	-
Settlements		6,528,646	-	-	-	-	-
Miscellaneous receivables	A	-	328,078	-	-	320,703	-
Availments		7,375	-	-	22,599	-	-
Settlements		-	-	-	44,150	-	-
Accounts payable -Supplier	C	-	-	8,661,616	-	-	14,851,810
Availments		96,667,399	-	-	130,991,997	-	-
Settlements		102,857,593	-	-	130,596,637	-	-
Accounts payable	E	-	-	245,825	-	-	279,459
Availments		926,781	-	-	2,715,188	-	-
Settlements		960,414	-	-	2,479,191	-	-
<i>MAPI Lending Investors, Inc.</i>							
Miscellaneous receivables	A	-	1,477,772	-	-	1,477,772	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-
<i>forward</i>							

Category/Transaction	Ref	Amount of transaction	2024		2023		
			Outstanding Balances		Outstanding Balances		
			Due from related parties	Due to related parties	Amount of transaction	Due from related parties	Due to related parties
Accounts payable	E	-	-	86,543	-	-	78,479
Availments		11,284,043	-	-	26,206	-	-
Settlements		11,275,979	-	-	26,367	-	-
Short term placements	C	-	-	-	-	-	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-
Interest income		-	-	-	-	-	-
<i>HMW Lending Investors, Inc.</i>							
Loans Receivable	F	-	1,033,272	-	-	1,722,120	-
Availments		-	-	-	-	-	-
Settlements		688,848	-	-	-	-	-
<i>Honda Motor World, Inc.</i>							
Loans Receivable	A	-	-	-	-	-	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-
Miscellaneous receivables	A	-	180,714	-	-	180,714	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-
Accounts payable-Supplier	C	-	-	843,290	-	-	7,586,792
Availments		30,895,718	-	-	52,222,866	-	-
Settlements		37,639,220	-	-	47,599,533	-	-
Accounts payable	E	-	-	590,670	-	-	168,200
Availments		1,479,031	-	-	1,642,581	-	-
Settlements		1,056,562	-	-	1,592,324	-	-
<i>Pikeville Bancshares</i>							
Accounts payable	D	-	-	156,128	390,320	-	-
Professional fees	D	1,102,080	-	-	1,102,080	-	-
<i>Cebu Maxi Management Corp.</i>							
Professional fees	D	500,000	-	-	500,000	-	-
<i>MERG Realty Development Corp.</i>							
Miscellaneous receivables	A	-	18,057	-	-	18,057	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-
<i>forward</i>							

Category/Transaction	Ref	2024			2023		
		Amount of transaction	Due from related parties	Due to related parties	Amount of transaction	Due from related parties	Due to related parties
Notes payable	B			36,454,216	-	-	34,374,826
Availments		2,079,391	-	-	1,555,608	-	-
Settlements		-	-	-	-	-	-
Interest expense	B	2,446,342	--	-	1,830,127	-	-
<i>Felibon Realty, Inc.</i>							
Miscellaneous receivables	A	-	-	-	-	-	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-
<i>Directors and other stockholders</i>							
Notes payable	B	-	-	18,914,495	-	-	21,808,761
Availments		4,122,461	-	-	12,276,328	-	-
Settlements		7,016,728	-	-	11,322,724	-	-
Interest expense	B	1,246,559	-	-	829,150	-	-
Professional and other management fees		-	-	-	-	-	-
TOTAL			3,219,414	359,416,822		3,900,887	382,748,327

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

- A. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 3). These related party receivables have a term of less than one year and include 7% interest per annum.
- B. As at December 31, 2024 and 2023, notes payable and accrued interest payable arising from borrowings from directors/stockholders amounted to P348.83 million and P360.80 million. Interest expense from these borrowings amounted to P24.61million and P21.17 million in 2024 and 2023, respectively (Note 9).
- C. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

- D. Professional Fees of management consultancy as at December 31, 2024 and 2023, amounted to P1.60 million and P1.60 million. Accrued Management Fee from consultancy amounted to P156 thousand and P390 thousand in 2024 and 2023, respectively (Note 9).
- E. Various Accounts Payable from the trading partner represent the purchase of repossessed motorcycle spare parts and the switching of collections.
- F. The Company has released car loan financing and business loan to its trading partner.

16 Leases

The Company as Lessee

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

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

Total rent expense for short term leases included under 'Occupancy cost' account in the statement of total comprehensive income incurred in 2024 and 2023 amounts to P2.83 million and P0.78 million, respectively.

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

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

	2024	2023
Less than one year	3,960,368	9,527,935
Between one and five years	1,033,684	9,887,494
	4,994,052	19,415,429

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

	2024	2023
As at January 1	19,415,429	21,512,739
Additions	-	10,017,940
Lease termination	(6,323,431)	-
Lease modification	-	1,753,430
Interest expense	905,309	1,169,810
Payments	(9,003,255)	(15,038,490)
As at December 31	4,994,052	19,415,429

Right-of-use assets

	2024	2023
Balance at January 1	16,531,808	18,730,644
Additions	-	10,017,940
Lease modification	1,465,006	1,749,979
Depreciation of right-of-use assets	(13,450,197)	(13,966,755)
Balance at December 31	4,546,617	16,531,808

In 2024, certain lease contracts related to branches were pre-terminated by management as part of its cost savings efforts. The lease termination resulted to a gain of P1.88 million which is recorded in the statement of comprehensive income (Note 12).

17 Critical accounting estimates and judgements

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

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

Critical accounting estimates

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

The Company reviews its loan portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in profit or loss.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- ▮ Defining default and identifying exposures with significant deterioration in credit quality;
- ▮ identification of credit impaired loans and estimation of expected realizable value of any collateral held supporting the calculation of individually assessed provisions; and
- ▮ the application of appropriate impairment models for the collectively assessed accounts

the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. On the basis of existing knowledge, it is reasonably possible that outcomes within the next financial year, which are different from the assumptions used, may amount to a material difference compared to this year's impairment loss. It is, however, impracticable to estimate the impact of such difference in outcomes.

Based on the Company's assessment, provision for impairment losses is required as at December 31, 2024 amounting to P19.35 million (2023 - P32.18 million). Allowance for impairment written off in 2024 amounted to P34.90 million (2023 - P15.80 million) after the Company exhausted all efforts and means to collect the amount due.

Estimation of retirement benefit obligation (Note 14)

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

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

Determining the incremental borrowing rates (Note 16)

The Company's weighted average incremental borrowing rate applied to measure its lease liabilities arising from the lease contracts in 2024 was 4.37%. The rate was determined in reference to the prevailing bank lending rates that are reflective of the Company's own credit risk taking into consideration the nature of the leased asset and other terms and conditions of the lease contracts.

Critical accounting judgments

Impairment of investment properties (Note 6)

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

As at December 31, 2024, the Company did not recognize any additional impairment loss on its investment properties in the absence of any indicators of impairment.

Recoverability of DIT assets (Note 13)

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

Based on management's assessment, the amount of DIT assets recognized as at December 31, 2024 and 2023 is fully recoverable and realizable.

Determining the lease term (Note 16)

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

18 Financial risk and capital management

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

18.1 Liquidity risk

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



The amounts disclosed in the table below are the expected undiscounted cash flows of financial instruments, including future interest as applicable, which the Company uses to manage the inherent liquidity risk as at December 31, 2024 and 2023.

	2024		Total
	Up to one year	Over one year	
Financial assets			
Cash	19,078,143	-	19,078,143
Loans and other receivables	535,274,139	322,729,101	858,003,240
Security deposits	4,733,792	-	4,733,792
Financial assets at FVOCI	80,000	-	80,000
Total financial assets	559,166,074	322,729,101	881,895,175
Financial liabilities			
Notes payable	510,316,500	-	510,316,500
Accounts payable	11,890,538	-	11,890,538
Accrued expenses*	15,956,255	-	15,956,255
Lease liabilities	3,960,368	1,033,684	4,994,052
Total financial liabilities	542,123,661	1,033,684	543,157,345
Total maturity gap	17,042,413	321,695,417	338,737,830

*Excluding government payables

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

*Excluding government payables

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

18.2 Market risk

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

Foreign exchange risk

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



Interest rate risk

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

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

Price risk

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

18.3 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Significant changes in the economy, or financial condition of its counterparty, could result in losses that are different from those provided for at the reporting date. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers, and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

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

	2024	2023
Cash	18,620,665	22,194,698
Loans and other receivables (net, ECL allowance)	858,003,240	810,852,044
Security deposits	4,733,792	4,761,292
	881,357,697	837,808,034

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

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

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

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



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

	2024		2023
	Amount	Loss Rate	
Stage 1 - Neither past due nor impaired	728,350,372	3%	527,201,316
Stage 2 - Past due but not impaired	179,380,243	32%	350,964,928
Stage 3 - Impaired	91,606,950	65%	89,574,736
	999,337,565	100%	967,740,980

The movement in the allowance for credit losses is disclosed in Note 3.

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

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

18.4 Fair value determination

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

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	19,078,143	19,078,143	23,102,110	23,102,110
Loans and other receivables, net	858,003,240	858,003,240	810,852,044	810,852,044
Security deposits	4,733,792	4,733,792	4,761,292	4,761,292
Financial assets at FVOCI	80,000	80,000	80,000	80,000
	881,895,175	881,895,175	838,795,446	838,795,446
Financial liabilities				
Notes payable	510,316,500	510,316,500	510,874,263	510,874,263
Accounts payable	11,890,538	11,890,538	22,964,740	22,964,740
Accrued expenses	15,956,255	15,956,255	17,909,501	17,909,501
Lease liabilities	4,994,052	4,994,052	19,415,429	19,415,429
	543,157,345	543,157,345	571,163,933	571,163,933

The Company uses Market approach in determining the fair values of its investment properties which uses observable inputs such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets. Appropriate adjustments are made to the valuations taking into consideration the specific circumstances of the properties. The fair values of the Company's investment properties as disclosed in Note 6 fall under Level 3 of the fair value hierarchy. The main Level 3 inputs used by the Company pertain to marketability and size.

The Company's financial assets at FVOCI are classified under Level 2 of the fair value hierarchy as at December 31, 2024 and 2023.

18.5 Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit liability. No changes were made in the objectives, policies or procedures in 2024.

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

- (a) minimum paid-up capital of P10.00 million; and
- (b) additional capital requirements for each branch of P1.00 million for branches established in Metro Manila, P0.50 million for branches established in other classes of cities and P0.25 million for branches established in municipalities.

For the years ended December 31, 2024 and 2023, the Company is compliant with the minimum capital requirements.

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

19 Summary of material accounting policies

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

19.1 Basis of preparation

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

The financial statements have been prepared under the fair value modification, as modified by the revaluation of investment properties, which is carried at fair value.

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

These financial statements are presented in Philippine Peso, which is the Company's functional currency. The Company has no transactions denominated in foreign currency as at and for the years ended December 31, 2024 and 2023.

19.2 Changes in accounting policies and disclosures

(a) Amendments to existing standards adopted by the Company

The following amendments to existing standards are not mandatory for December 31, 2024 reporting period and have not been early adopted by the Company:

|| Amendment to PAS 1, 'Presentation of Financial Statements'

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

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

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

● Amendments to PAS 12, 'Income Taxes'

The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

The amendments to PAS 1 were considered by management in the December 31, 2024 and December 31, 2023 financial statements by disclosing material policy information rather than significant accounting policies. All other amendments to the existing standards did not have a material impact on the financial statements of the Company.

There are no other new standards, interpretations and amendments to existing standards effective January 1, 2025 that are considered to be relevant or have a material impact on the Company's financial statements.

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

The following amendments to existing standards are not mandatory for the December 31, 2024 reporting period and have not been early adopted by the Company.

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

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

The adoption of the above amendment is not expected to have a material impact on the financial statements of the Company. There are no other new standards, amendments to existing standards or interpretations that are effective subsequent to September 30, 2024 that are expected to be relevant or expected to have a material impact on the financial statements of the Company.

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

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

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

The terms and conditions of SFAs.

1. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
2. The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.
3. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
4. Non-cash changes in the carrying amounts of financial liabilities in (b).
5. Access to SFA facilities and concentration of liquidity risk with finance providers.

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

There are no other new standards, amendments to existing standard or interpretations effective subsequent to December 31, 2024 that are relevant or expected to have a material impact on the Company's financial statements.

19.3 Property and equipment, net

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

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

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



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

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

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

19.4 Repossessed asset

Repossessed asset primarily consist of foreclosed motor vehicles and considered as asset held for sale which are disposed through a sale transaction rather than continuing use. These are initially measured at the lower of the carrying amount and fair value less cost to sell. The carrying amount of repossessed assets comprises the outstanding balance of the related loan receivable less allowance for impairment at the time of repossession.

On subsequent re-measurement of the repossessed asset, the Company recognizes an impairment loss within other expense in the statement of income for any initial or subsequent write-down to fair value less cost to sell. Repossessed asset are not depreciated while it is classified as held for sale.

Repossessed asset are derecognized upon disposal through a sale transaction. Any gains or losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and recognized as recovery of impairment up to the extent of the previously recognized impairment. Excess gains are recognized as gains from sale of repossessed assets in profit or loss.

The Company ceases to classify an asset as held for sale when the criteria for initial recognition are no longer met and are measured at the lower of its carrying amount that would have been recognized before the asset was classified as held for sale and its recoverable amount at the date of the subsequent decision not to sell.

19.5 Investment properties

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

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

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



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

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

19.6 Financial instruments

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

19.6.1 Financial assets

(a) Classification of financial assets

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

The Company's financial assets as at December 31, 2024 and 2023 include those that are measured at amortized cost.

Financial assets at amortized cost

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

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

(b) Initial recognition and subsequent measurement

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

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

(c) Impairment of financial assets carried at amortized cost

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



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

Definition of default and determination of significant increase in credit risk

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

Staging assessment

For non-credit impaired financial assets:

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

For credit-impaired financial assets:

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

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

Measuring ECL

The ECL is measured on either a 12-month or a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

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

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

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



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

There have been no significant changes in estimation techniques or significant assumptions made in 2024 and 2023.

(d) Impairment of financial assets carried at amortized cost

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

19.6.2 Financial liabilities

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

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

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

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

19.7 Fair value measurement

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

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

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

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

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

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

Financial assets and financial liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price within the bid-ask spread that is most representative of fair value is used. These instruments are included in Level 1.



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

Non-financial assets

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

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

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

19.8 Impairment of non-financial assets

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

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less cost to sell, recent market transactions are taken into account. If no such transaction can be identified, an appropriate valuation model is used. Non-financial assets that are impaired are reviewed for possible reversal of impairment at each reporting date.

19.9 Earnings per share (EPS)

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

19.10 Income recognition

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

Interest income

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

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

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

Other income

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

19.11 Employee benefits and retirement benefit obligation

Short term employee benefits

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

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

Retirement benefit obligation (asset)

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

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

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

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

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

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



19.12 Leases

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

i. Measurement of lease liabilities

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

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

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

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

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

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

ii. Measurement of right-of-use assets

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

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

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

iii. Extension and termination options

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



iv. Pre-termination of lease

For pre-termination of a lease, the lessee must derecognize the right-of-use asset and lease liability related to the terminated portion. Any difference between the carrying amounts of these items is recognized as a gain or loss in profit or loss. If termination involves penalties or compensation payments, these are also accounted for in the financial statements

19.13 Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

DIT

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

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

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

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

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

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



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

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

20.1 Revenue Regulations (RR) No. 15-2010

(a) The Company registered as a percentage taxpayer.

The Company's other taxes and licenses for the year ended December 31, 2024 include the following:

	2024	2023
Gross receipts tax (GRT)	11,644,971	9,720,139
Documentary stamp taxes (DST)	894,553	1,382,451
DST on stock dividends	19,385	26,779
License and permit fees	2,940,624	1,587,657
	15,499,533	12,717,026

The above are lodged under "Taxes and Licenses" account in the Company's statement of total comprehensive income. As at December 31, 2024, accrued GRT and DST amounted to P4,638,957 and P44,625, respectively.

(b) Withholding taxes

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

	2024	2023
Withholding tax on compensation	2,710,330	2,185,102
Final withholding tax	30,225	41,720
Expanded withholding taxes	6,888,989	5,950,398
	9,629,544	8,177,220

No withholding taxes were paid to the BIR for the year ended December 31, 2024.

(c) Tax examinations/Tax cases

There are no tax cases nor litigation and/or prosecution in courts or bodies outside the BIR during the year ended December 31, 2024.

20.2 RR No. 34-2020

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

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





BOARD OF DIRECTORS

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

ROBERT CHARLES M. LEHMANN
Director/Chairman

MAX O. BORROMEO
Director/Vice Chairman

MAXCY FRANCISCO JOSE R. BORROMEO
Director/President

JOEL S. FERRER
Director/Treasurer

JOSE DANIEL R. BORROMEO
Director

IRINEO A. CASES, JR.
Director (Independent)

ASTERIO L. FAVIS, JR.
Director (Independent)

ALAN MICHAEL R. CRUZ
Director (Independent)

CRISTINO L. PANLILIO
Director

VINCENT KHOON ANN EE
Director

CARMEN THERESE L. BENITEZ
Director





Senior Management & Officers

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

MAXCY FRANCISCO JOSE R. BORROMELO
President

JOEL S. FERRER
Treasurer

ATTY. DANILO ENRIQUE O. CO
Corporate Secretary

CHARITO S. ESPIRITU
Chief Finance Officer & Chief Information Officer/Compliance Officer

JONATHAN B. PEÑA
Executive Vice President & Chief Operating Officer

JOSEPH VINCENT N. GUEVARRA
Manager, Operations

KAMILLE ILENE MAE O. CUTCHON
Manager, HR & Admin

WILMA P. FUNDAN
Manager, Accounting

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

JIADY F. FALCUNAYA
Manager, IT

ESIR C. SAAVEDRA
Area Manager – MC Financing





LEGAL COUNSEL

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

EXTERNAL AUDITOR


ISLA LIPANA & CO.


BANKS





LANDBANK

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