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TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION

(incorporated with limited liability in the Republic of the Philippines)

₱20,000,000,000

Bond Programme

Under this **₱20,000,000,000** Bond Programme (the “**Programme**”), Toyota Financial Services Philippines Corporation (“**TFSPH**”, the “**Company**” or the “**Issuer**”) may offer from time to time, in one or more series of tranches, Bonds, pursuant to Bangko Sentral ng Pilipinas (“**BSP**”) Circular No. 1010 (Series of 2018), BSP Circular 1062 (Series of 2019), and any other circulars and regulations as may be relevant for the transaction, as amended from time to time.

The maximum aggregate nominal amount of all Bonds from time to time outstanding under the Programme will not exceed **₱20,000,000,000**, subject to increase as described herein.

The Bonds may be issued by the Issuer on a continuing basis through one or more of the Joint Lead Arrangers and Bookrunners and Selling Agents specified under “Summary of the Offering” and any additional Joint Lead Arranger and Bookrunners (each a “**Joint Lead Arranger and Bookrunner**” and together the “**Joint Lead Arrangers and Bookrunners**”) or Selling Agents (each a “**Selling Agent**” and together the “**Selling Agents**”) appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Joint Lead Arranger and Bookrunner**, or the **relevant Selling Agent** shall, in the case of an issue of Bonds being (or intended to be) issued through more than one Joint Lead Arrangers and Bookrunners and/or Selling Agent, be to all Joint Lead Arrangers and Bookrunners and/or Selling Agents agreeing to subscribe to such Bonds.

The Bonds will constitute direct, unconditional, unsecured, and unsubordinated obligations of the Issuer. The Bonds shall, at all times, rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Company, except for any obligation enjoying a statutory preference or priority established under Philippine laws. See “*General Terms and Conditions*”.

The Bonds will not be rated. However, as of August 14, 2025, the Company has a PRS Aaa (Corp.) with a Stable Outlook issuer rating from Philippine Rating Services Corporation (“**PhilRatings**”). A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

See “Investment Considerations” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds will be issued in scripless form. The Bonds will be represented by a Master Certificate of Indebtedness which will be deposited with the Trustee. It is intended that, upon issuance, the Bonds will be immobilized and lodged with the Registrar. A Registry Confirmation will be issued by the Registrar in favor of the holders of the Bonds in accordance with the regulations of the BSP. Once lodged, the Bonds will be eligible for electronic book-entry transfers in the Registry Book without the issuance of other evidence of certificates, and any sale, transfer, or conveyance of the Bonds shall be coursed through an accredited exchange.

The Bonds will be listed in the trading platform of the Philippine Dealing & Exchange Corp. (“**PDEX**”) for secondary market trading pursuant to BSP rules. Upon listing of the Bonds in the PDEX, investors shall course their secondary market trades through the trading participants of the PDEX for execution in the PDEX Trading Platform in accordance with the PDEX Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and shall settle such trades on a Delivery versus Payment (“**DvP**”) basis in accordance with PDEX Settlement Rules and Guidelines.

THE BONDS BEING OFFERED OR SOLD HEREIN ARE SECURITIES EXEMPT FROM REGISTRATION UNDER SECTION 9.1.2.1 OF THE IMPLEMENTING RULES AND REGULATIONS OF THE SECURITIES REGULATION CODE AND ACCORDINGLY WILL NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.

Joint Lead Arrangers and Bookrunners and Selling Agents



Selling Agents



The Bonds will be issued pursuant to BSP Circular No. 1010 (Series of 2018), and other related circulars and issuances of the BSP (the "**BSP Rules**"). The issuance of the Bonds is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1.2.1 of the 2015 Implementing Rules and Regulations of the said law.

No offer or invitation or solicitation shall be made or received, and no agreement shall be made, on the basis of this document, to purchase or subscribe for any of the Bonds.

The Issuer confirms that this document contains all information with respect to the Issuer and the Bonds which is material in the context of the issue and offering of the Bonds, that the information contained herein is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Bonds, make this document as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect and that all reasonable enquiries have been made by the Issuer to verify the accuracy of such information. The Issuer accepts responsibility accordingly.

In making an investment decision, you must rely on your own examination of the Issuer and the terms of the offering of Bonds, including the merits and risks involved. By receiving this Offering Circular (the "**Offering Circular**"), you acknowledge that (i) you have not relied on First Metro Investment Corporation ("**First Metro**") and ING Bank N.V., Manila Branch ("**ING**", and together with First Metro, the "**Joint Lead Arrangers and Bookrunners**"), or any person affiliated with the Joint Lead Arrangers and Bookrunners in connection with your investigation of the accuracy of any information in this Offering Circular or your investment decision, and (ii) no person has been authorized to give any information or to make any representation concerning the Issuer or the Bonds other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Joint Lead Arrangers and Bookrunners or the Selling Agents.

To the fullest extent permitted by law, none of the Joint Lead Arrangers and Bookrunners and Selling Agents accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Lead Arrangers and Bookrunners and Selling Agents or on its behalf in connection with the Issuer, or the issue and offering of the Bonds. The Joint Lead Arrangers and Bookrunners and Selling Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No representation or warranty, express or implied, is made by the Joint Lead Arrangers and Bookrunners and Selling Agents as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular nor the offer of Bonds shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date of this Offering Circular or that any information contained herein is correct as at any date subsequent to the date hereof.

None of the Issuer, the Joint Lead Arrangers and Bookrunners and Selling Agents or any of its respective affiliates or representatives is making any representation to any purchaser of Bonds regarding the legality of an investment by such purchaser under applicable laws. In addition, you should not construe the contents of this Offering Circular as legal, business or tax advice. You should be aware that you may be required to bear the financial risks of an investment in the Bonds for an indefinite period. You should consult with your own advisers as to the legal, tax, business, financial and related aspects of a purchase of Bonds.

The Joint Lead Arrangers and Bookrunners and Selling Agents and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Joint Lead Arrangers and Bookrunners and Selling Agents and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Issuer.

The Joint Lead Arrangers and Bookrunners and Selling Agents and/or their affiliates may purchase Bonds for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its respective subsidiaries or associates at the same time as the offer and sale of the Bonds, or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

This document does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make any such offer or solicitation. Each investor in the Bonds must comply with all applicable laws and BSP rules in force in the jurisdiction in which it purchases or offers to purchase such Bonds, and must obtain the necessary consent, approval, or permission for its purchase, or offer to purchase such Bonds under the laws and BSP rules in force in any jurisdiction to which it is subject or in which it makes such purchase or offer, and neither the Issuer nor the Joint Lead Arrangers and Bookrunners and Selling Agents shall have any responsibility thereof. Interested investors should inform themselves as to the applicable legal requirements under the laws and BSP rules of the countries of their nationality, residence, or domicile and as to any relevant tax or foreign exchange control laws and BSP rules that may affect them. See "*Distribution and Sale*".

CONVENTIONS WHICH APPLY TO THIS OFFERING CIRCULAR

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “Philippines” are references to the Republic of the Philippines. All references to the “Government” herein are references to the Government of the Philippines. All references to “United States” or “U.S.” herein are to the United States of America. All references to “Peso” and “₱” herein are to the lawful currency of the Philippines and all references to “U.S. dollars” or “US\$” herein are to the lawful currency of the United States.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular constitute “forward-looking statements”, including statements regarding the Issuer’s expectations and projections for future operating performance and business prospects. The words “believe”, “expect”, “anticipate”, “estimate”, “project”, “will”, “aim”, “will likely result”, “will continue”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “should”, “will pursue” and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Issuer’s financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Issuer’s products and services, are forward-looking statements.

Such forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or any third party) involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Issuer’s present and future business strategies and the environment in which the Issuer will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Issuer’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things, the Issuer’s ability to successfully implement its business strategy, the condition of and changes in the Philippine, Asian or global economies, future levels of non-performing loans, the Issuer’s growth and expansion, including whether the Issuer succeeds in its business strategy, changes in interest rates and changes in government regulation and licensing of its businesses in the Philippines and in other jurisdictions where the Issuer may operate, and competition in the banking and financial services industry. Additional factors that could cause the Issuer’s actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Investment Considerations”.

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Each of the Issuer, the Joint Lead Arrangers and Bookrunners, and the Selling Agents expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer’s expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, all industry and market data with respect to the Philippine banking and financial services industries was derived from information compiled and made available by the BSP or other public sources. While the Issuer has ensured that such information has been extracted accurately and is believed by the Issuer to be reasonable and presented in its proper context, the Issuer has not independently verified any of the data from third-party sources or ascertained the correctness of the underlying economic assumptions relied upon therein.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents, published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the most recently published audited non-consolidated and (if produced) consolidated annual financial statements and, if published later, the most recently published unaudited interim non-consolidated and (if produced) consolidated financial results of the Issuer; and
- (b) all supplements or amendments to this Offering Circular prepared by the Issuer from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, without charge, with each person to whom a copy of this Offering Circular has been delivered, upon the request of such a person, a copy of any or all the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Programme, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer, subject to compliance with all relevant laws, regulations, and directives, may from time-to-time issue Bonds, subject to conditions as set out herein. A summary of the terms and conditions of the Bonds appears below. The applicable terms of any Bond will be agreed between the Issuer and the relevant Joint Lead Arrangers and Bookrunners prior to the issuance and will be set out in the Terms and Conditions of the Bonds endorsed on, attached to, or incorporated by reference into, the Bonds, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Bonds.

This Offering Circular and any supplement will only be valid for listing Bonds on PDS in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Bonds previously or simultaneously issued under the Programme, does not exceed ₱20,000,000,000.

SUMMARY OF THE OFFERING

This summary highlights information contained elsewhere in this Offering Circular. This summary is qualified in its entirety by more detailed information and financial statements, including notes thereto, appearing elsewhere in this Offering Circular. For a discussion of certain matters that should be considered in evaluating an investment in the Bonds, see “Investment Considerations.” Investors are advised to read this entire Offering Circular carefully, including the Company’s financial statements and related notes contained herein.

Overview

Toyota Financial Services Philippines Corporation (“**TFSPH**” or the “**Company**” or the “**Issuer**”) is a domestic financial services institution organized and existing under Philippine law, established in August 2002. The Company is engaged in the provision of a broad range of automotive-related financial services, including retail financing, finance and operating lease products, and wholesale financing facilities for its accredited dealers. Since 2009, the Company has operated as a quasi-bank, duly licensed by the Bangko Sentral ng Pilipinas (“**BSP**”), thereby enabling it to expand its product offerings and enhance its contribution to the financing ecosystem supporting the automotive industry in the Philippines.

TFSPH forms part of the global network of financial subsidiaries of Toyota Financial Services Corporation (“**TFSC**”), a wholly owned subsidiary of Toyota Motor Corporation (“**TMC**”). TFSPH is the 25th sales finance company established by TFSC, which currently operates in 37 countries and regions worldwide. The Company supports the sales of Toyota vehicles in the Philippines, in alignment with TMC’s global objectives and strategic priorities.

The Company is a joint venture between TFSC, which holds 60% of its outstanding capital stock, and GT Capital Holdings, Inc. (“**GT Capital**”), which holds the remaining 40%. GT Capital is a publicly listed Philippine conglomerate with interests across several key sectors of the economy, including banking, automotive assembly and distribution, financial services, real estate development, insurance, and infrastructure.

TFSC was incorporated in July 2000 as the holding company for TMC’s global financial services business, with the purpose of integrating management functions, enhancing planning and risk management capabilities, and strengthening the professional expertise and competitiveness of Toyota’s financial operations. Together with its affiliated sales finance companies in Japan and abroad, TFSC comprises the Toyota Financial Services Group (“**TFS Group**”), which oversees and coordinates the financial services activities of Toyota entities worldwide.

For the three months ended June 30, 2025, TFSPH posted a ₱0.22 billion net income. This resulted in a Return on Equity (ROE) of 1.08%. ROE is computed by dividing net income for the period by the average shareholder’s equity over the reporting period (sum of total shareholders’ equity as of the beginning of the period and as of the current period divided by 2) and serves as a key indicator of financial performance and capital efficiency. During the same period, net earning assets defined as the outstanding balance of the receivables financed and finance lease receivables less unearned finance and lease income, rose by 1.95% to ₱159.37 billion from ₱156.33 billion in March 2025. This is driven primarily by the growth in finance lease receivables and retail finance receivables, which reached ₱142.88 billion from ₱140.07 billion and ₱16.49 billion from ₱16.26 billion, respectively. Interest income from loans and receivables grew by 10.92% to ₱3.97 billion from ₱3.58 billion year-on-year, indicating continued expansion in core lending activities.

Competitive Strengths

The Company believes that its key strengths include the following:

Established Track Record. TFSPH has over two decades of experience in the Philippine automotive financing industry. Its long-standing presence demonstrates operational stability, strong market understanding, and resilience through various economic cycles.

Strong and Reputable Shareholders. The Company is a joint venture between TFSC (60%) and GT Capital (40%). These shareholders provide strategic support, financial strength, and access to the best global practices.

Sustained Revenue and Portfolio Growth. TFSPH has consistently expanded its loan and lease portfolio, supported stable revenue growth and enhanced its ability to generate cash flows necessary for debt servicing and business expansion.

Superior Asset Quality and Prudent Risk Management. The Company maintains strong asset quality indicators, including a non-performing loan (“**NPL**”) ratio that remains below industry averages. This reflects disciplined credit policies, robust underwriting standards, and effective portfolio monitoring.

Strategic Alignment with the Distributor and Dealer Network. The Company maintains close collaboration with TMP and its dealer partners, enabling integrated sales programs, joint promotions, and seamless financing offerings that strengthen customer acquisition and retention.

Robust Governance and Risk Framework. TFSPH operates under a strong corporate governance structure and complies with regulatory standards set by the BSP. Its risk management framework is further aligned with Toyota Financial Services’ global policies and internal controls.

Support from Toyota Financial Services Global Network. As part of the TFS Group operating in over 37 countries, TFSPH benefits from best practice sharing, risk management capabilities, and potential access to technical support if needed.

Strategy

TFSPH aims to expand its market presence by increasing financing penetration, growing its fleet and used car businesses, and launching targeted programs for MSMEs, EVs, and commercial models like the Tamaraw. The Company is also enhancing its digital capabilities – particularly through myTOYOTA Wallet – and streamlining customer services such as ownership transfers and certificate requests. To support long-term growth, TFSPH has commenced the organization of its own insurance agency, targeted for launch within FY2026, subject to the completion of regulatory approvals, complementing existing credit life and motor insurance offerings. These initiatives are supported by strategic partnerships with TMP and dealers, enabling TFSPH to deliver flexible, customer-focused solutions backed by global expertise and operational strength.

Recent Developments

As of the end of the first quarter of FY2025, TFSPH sustained a strong financing penetration rate of 30.37%, reflecting continued alignment with Toyota vehicle sales. Asset quality further improved, with the Company's delinquency ratio (total count of active accounts with 31 and over days past due divided by total number of active accounts) decreasing to 2.52% and NPL ratio at 1.19%, demonstrating prudent credit risk management.

The Tamaraw model has emerged as a key growth driver, achieving a 35% financing penetration rate as of June 2025. TFSPH intensified its marketing and sales support for this segment through enhanced promotional campaigns, alongside similar efforts for hybrid electric vehicles (HEVs) and used car financing. These developments underscore TFSPH's focused execution of its strategic initiatives to drive portfolio diversification, market relevance, and credit quality improvement.

Risks of Investing

Prospective investors should consider the current and immediate political and economic factors in the Philippines as a principal risk for investing. Political instability and threats to local and regional currencies may also influence the operations, growth, and profitability of the Company. Of equal importance are the investment considerations regarding the Company's operations. See *"Investment Considerations"*.

SUMMARY OF FINANCIAL INFORMATION

The following tables provide selected financial information of the Company which has been derived from its audited financial statements as of and for the years ended March 31, 2023, 2024, and 2025 prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards and unaudited interim condensed financial statements of the Company as of June 30, 2025 and for the three months ended June 30, 2025 and 2024 prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting.

Statements of Comprehensive Income

	For the fiscal years ended March 31 (Audited)			For the three months ended June 30 (Unaudited)	
(In actual ₱)	2023	2024	2025	2024	2025
INTEREST INCOME					
Loans and receivables	₱11,227,113,491	₱12,899,220,633	₱15,209,680,230	₱3,581,281,968	₱3,972,459,571
Due from Bangko Sentral ng Pilipinas	121,514,908	80,603,579	60,759,708	19,202,917	24,736,837
Securities purchased under resale agreement	35,206,322	99,233,932	76,808,508	28,390,419	14,385,373
Cash in Banks	978,537	1,171,603	1,392,147	178,310	212,068
TOTAL INTEREST INCOME	11,384,813,258	13,080,229,747	15,348,640,593	3,629,053,614	4,011,793,849
INTEREST EXPENSE					
Loans payable and derivatives	5,213,349,695	6,785,638,699	8,638,872,782	2,027,173,245	2,325,761,188
Lease liabilities	4,727,362	6,826,378	6,088,602	1,561,367	849,999
TOTAL INTEREST EXPENSE	5,218,077,057	6,792,465,077	8,644,961,384	2,028,734,612	2,326,611,187
NET INTEREST INCOME	6,166,736,201	6,287,764,670	6,703,679,209	1,600,319,002	1,685,182,662
SERVICE FEES AND OTHER INCOME	296,354,280	608,266,538	815,065,368	217,226,739	94,915,793
OPERATING EXPENSES					
Provision for credit and impairment losses	1,268,383,822	1,193,045,977	1,653,978,407	408,892,392	551,230,884
Taxes and licenses	716,016,498	797,818,858	938,787,904	209,812,841	241,863,451
Compensation and fringe benefits	432,718,096	493,109,627	575,532,001	133,540,007	156,579,725
Sales and marketing	345,904,109	433,225,052	348,009,635	91,870,393	65,886,499
Litigation and collection	491,223,401	423,534,917	401,841,368	113,408,127	119,533,787
Depreciation and amortization	220,334,432	351,513,326	444,447,839	104,378,545	118,974,498
Occupancy	182,530,709	215,740,913	255,992,076	60,888,356	82,199,486
Computer hardware and software expenses	162,048,025	182,811,697	199,300,635	45,169,644	59,925,404
Credit investigation	92,151,128	84,744,660	87,442,679	21,560,728	27,560,128
Supervision fees	43,925,971	49,318,040	56,233,999	13,491,645	14,016,049
Contractual services	23,251,569	38,013,942	46,711,533	10,878,584	12,135,483
Postage, cable and telegram	15,371,288	20,042,197	14,337,030	5,555,994	8,038,193
Management and professional fees	12,246,249	19,607,457	20,510,191	4,403,232	3,784,830
Transportation and travel	20,382,288	18,966,608	21,457,452	4,701,944	3,612,936
Entertainment, amusement and recreation	1,785,114	3,054,295	3,935,182	221,483	239,110
Others	27,344,018	43,243,152	53,585,719	15,634,624	18,817,076
TOTAL OPERATING EXPENSES	4,055,616,717	4,367,790,718	5,122,103,650	1,244,408,539	1,484,397,539
INCOME BEFORE INCOME TAX	2,407,473,764	2,528,240,490	2,396,640,927	573,137,202	295,700,916
PROVISION FOR INCOME TAX	615,272,551	678,844,671	696,568,862	166,998,768	75,328,428
NET INCOME	1,792,201,213	1,849,395,819	1,700,072,065	406,138,434	220,372,488
OTHER COMPREHENSIVE INCOME					
Other comprehensive income (loss), net of tax, to be reclassified to profit or loss in subsequent periods:					
Net movement in cash flow hedge reserve	(128,861,365)	184,245,620	716,353,841	222,626,611	(213,303,046)

Other comprehensive loss, net of tax, not to be reclassified to profit or loss in subsequent periods:					
Actuarial loss on retirement plan	(7,857,424)	(1,024,028)	(9,053,400)	-	-
Change in fair value reserves on financial assets at FVOCI	(950,000)	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME	(137,668,789)	183,221,592	707,300,441	222,626,611	(213,303,046)
TOTAL COMPREHENSIVE INCOME	₱1,654,532,424	₱2,032,617,411	₱2,407,372,506	₱628,765,045	₱7,069,442

Statements of Financial Position (Assets)

	As of March 31 (Audited)			As of June 30 (Unaudited)
(In actual ₱)	2023	2024	2025	2025
Cash on Hand and in Banks	₱1,507,322,197	₱2,304,294,847	₱2,537,042,253	₱2,433,729,282
Due from Bangko Sentral ng Pilipinas	5,187,676,595	5,777,954,719	2,689,111,050	4,075,006,653
Securities Purchased under resale agreement	1,034,162,082	-	715,000,000	-
Loans and Receivables	122,859,763,860	140,154,111,878	154,437,967,433	157,638,949,702
Assets Held for Sale	311,775,407	579,558,223	1,429,767,387	1,471,964,155
Property and Equipment	679,892,724	1,275,939,613	1,133,504,079	1,050,774,432
Software Costs	416,824,571	594,007,480	669,537,349	647,341,373
Deferred tax Assets	794,909,198	646,636,071	407,196,435	506,354,226
Derivative Assets	1,976,750,691	1,961,305,601	1,255,109,073	362,711,099
Other Assets	121,438,311	129,728,660	201,008,481	252,113,521
TOTAL ASSETS	₱134,890,515,636	₱153,423,537,092	₱165,475,243,540	₱168,438,944,443

Statements of Financial Position (Liabilities and Equity)

	As of March 31 (Audited)			As of June 30 (Unaudited)
(In actual ₱)	2023	2024	2025	2025
Loans Payable	₱114,589,134,537	₱129,951,038,159	₱140,646,779,711	₱141,837,389,780
Derivative Liability	542,583,875	538,362,959	119,912,975	193,759,063
Income Tax Payable	127,868,863	66,496,531	150,885,066	246,403,414
Lease Liabilities	77,826,859	154,605,255	104,614,070	78,456,034
Deposits on Lease Contracts	37,003,786	73,710,920	78,902,506	78,735,996
Accounts Payable and Other Liabilities	3,549,199,849	4,639,807,990	3,967,261,428	5,590,242,930
TOTAL LIABILITIES	₱118,923,617,769	₱135,424,021,814	₱145,068,355,756	₱148,024,987,217
Capital Stock	₱8,700,000,000	₱8,700,000,000	₱8,700,000,000	₱8,700,000,000
Retained Earnings	8,070,611,649	9,920,007,468	11,620,079,533	11,840,452,021
Cash Flow Hedge Reserve	(775,794,888)	(591,549,268)	124,804,573	(88,498,473)
Actuarial Loss on Retirement Plan	(27,918,894)	(28,942,922)	(37,996,322)	(37,996,322)
TOTAL EQUITY	₱15,966,897,867	₱17,999,515,278	₱20,406,887,784	₱20,413,957,226

Selected Financial Ratios

	As of March 31 (Audited)			As of June 30 (Unaudited)	As of June 30 (Unaudited)
(In %)	2023	2024	2025	2024	2025
Return on Equity	11.84%	10.89%	8.85%	2.22%	1.08%
Return on Assets	1.40%	1.28%	1.07%	0.26%	0.53%
CET 1 Capital Ratio	12.88%	11.33%	11.85%	11.41%	11.86%
Capital Adequacy Ratio	13.05%	12.13%	12.77%	12.28%	12.76%

ROE is computed by dividing net income for the period by the average shareholder's equity over the reporting period. Average is equal to the sum of total shareholders' equity as of the beginning of the period and as of the current period divided by 2.

ROA is computed by dividing net income for the period by the average total assets over the reporting period. Average is equal to the sum of total assets as of the beginning of the period and as of the current period divided by 2.

Source: TFSPH

Discussion of Operations

June 30, 2025 (Unaudited) and June 30, 2024 (Unaudited)

Interest Income for the three-month period ended June 30, 2025, was ₱4.01 billion, increasing by 10.55% from last year's Interest Income of ₱3.63 billion. Loans and Receivables, which contributed 99.02% to the Total Interest Income for the period, increased by 10.92% to ₱3.97 billion from ₱3.58 billion during the same period last year.

Service Fees and Other Income decreased by 56.31%, from last year's ₱217.23 million to ₱94.92 million. This stark decrease was mainly due to increase in losses from assets acquired, from ₱39.05 million to ₱188.66 million.

Operating Expenses in the period June 30, 2025 were ₱1.48 billion, a 19.29% increase from last year's ₱1.24 billion. This was mainly driven by the following items:

Provision for Credit and Impairment Losses, totaling ₱551.23 million or 37.13% of the Operating Expenses, increased from last year's ₱408.89 million. This account mainly covers losses on loans and receivables, receivables financed, and assets held for sale. Sales and Marketing decreased by 28.28% or to ₱65.89 million in June 2025 compared to last year's ₱91.87 million.

Taxes and licenses increased to ₱241.86 million from ₱209.81 million in June 2024. Litigation and Collection increased from last year's ₱113.41 million to ₱119.53 million; while Depreciation and Amortization rose to ₱118.97 million from ₱104.38 million, which mainly comes from the computer equipment and software. Compensation and Fringe benefits increased to ₱156.58 million from ₱133.54 million, mainly covering employee salaries and benefits.

March 31, 2025 (Audited) and March 31, 2024 (Audited)

Interest Income for the year ended March 31, 2025, was ₱15.35 billion, increasing by 17.34% from last year's Interest Income of ₱13.08 billion. Loans and Receivables, which contributed 99.09% to the Total Interest Income for the year 2025, increased by 17.91% to ₱15.21 billion from ₱12.90 billion during the same period last year.

Service Fees and Other Income increased by 34.00%, from last year's ₱608.27 million to ₱815.07 million in 2025. This stark increase was mainly due to service charges which increase from ₱100.07 million to ₱154.56 million and operating rental income from ₱178.66 million to ₱316.30 million as a result of higher number of booked contracts in FY2025.

Operating Expenses in the year 2025 were ₱5.12 billion, a 17.27% increase from last year's ₱4.37 billion. This was mainly driven by the following items:

Provision for Credit and Impairment Losses, totaling ₱1.65 billion or 32.29% of the Operating Expenses, slightly increased from last year's ₱1.19 billion. This account mainly covers losses on loans and receivables, receivables financed, and assets held for sale. Sales and Marketing decreased 19.67% or ₱348.01 million in 2025 compared to last year's ₱433.23 million.

Taxes and licenses increased to ₱938.79 million from ₱797.82 million in 2024. Litigation and Collection decreased from last year's ₱423.53 million to ₱401.84 million; while Depreciation and Amortization rose to ₱444.45 million from 2024's ₱351.51 million, which mainly comes from the vehicles and lease contracts in warehouses and business centers. Compensation and Fringe benefits increased to ₱575.53 million from ₱493.11 million, mainly covering employee retirement plans and related party transactions.

March 31, 2024 (Audited) and March 31, 2023 (Audited)

Interest Income for the year ended March 31, 2024 was ₱13.08 billion, increasing by 14.89% from the previous year's Interest Income of ₱11.38 billion. Loans and Receivables, which contributed 98.62% to the Total Interest Income for the year 2024, increased by 14.89% to ₱12.90 billion from ₱11.23 billion during the same period for the year 2023.

Service Fees and Other Income increased by 105.25%, from the previous year's ₱296.35 million to ₱608.27 million in 2024. This stark increase was mainly due to operating lease rental revenue increase from ₱57.89 million to ₱178.66 million.

Operating Expenses in the year 2024 was ₱4.37 billion, a 7.70% increase from the previous year's ₱4.06 billion. This was mainly driven by the following items:

Provision for Credit and Impairment Losses, totaling ₱1.19 billion or 27.31% from the Operating Expenses, slightly decreased from the previous year's ₱1.27 billion. This account mainly covers losses on loans and receivables, receivables financed, and assets held for sale. Sales and Marketing grew 25.24% or ₱433.23 million in 2024 compared to the previous year's ₱345.90 million.

Taxes and licenses increased to ₱797.82 million from ₱716.02 million in 2023. Litigation and Collection decreased from the previous year's ₱491.22 million to ₱423.53 million; while Depreciation and Amortization rose to ₱351.51 million from ₱220.33 million in 2023, which mainly comes from the vehicles and lease contracts in warehouses and business centers. Compensation and Fringe benefits increased to ₱493.11 million from ₱432.72 million, mainly covering employee retirement plans and related party transactions.

Analysis of Statement of Financial Position

June 30, 2025 (Unaudited) and March 31, 2025 (Audited)

Total Assets increased to ₱168.44 billion as of June 30, 2025 from ₱165.48 billion as of March 31, 2025. This was mainly due to increases in the following:

Loans and Receivables, which account for 93.59% of the Company's Assets, grew to ₱157.64 billion or 2.07% from ₱154.44 billion. In addition, Cash on Hand and in Banks decreased to ₱2.43 billion from ₱2.54 billion as of March 31, 2025. Derivative Assets decreased from March 31, 2025's ₱1.26 billion to ₱0.36 billion, primarily due to a decline in net fair value which dropped to ₱571.62 million. This was due to reducing the total notional amount hedged by reducing or settling portions of the Company's Swap Agreements with Manila Bank Branches such as Mizuho and HSBC to name a few. Property and Equipment decreased to ₱1.05 billion from ₱1.13 billion, marking a 7.30% decrease.

Total Liabilities increased by 2.04%, growing to ₱148.02 billion from the ₱145.07 billion in March 2025. This was due to Loans Payable increasing to ₱141.84 billion from ₱140.65 billion as of March 31, 2025. Loans Payable, composed of domestic and foreign bank loans, fixed rate notes and bonds payable from Japan Bank Branches, accounts for 95.82% of Total Liabilities. Derivative Liability increased from ₱119.91 million to ₱193.76 million in March 2025. Lease Liabilities went down to ₱78.46 million, a 25.00% decrease from ₱104.61 million.

Stockholders' equity increased by 0.03%, which was largely attributed by higher retained earnings by the company, reaching ₱11.84 billion in June 2025 from March 2025's ₱11.62 billion. This growth was also due to a declined cash flow hedge reserve shifted from a gain of ₱124.80 million to loss of ₱88.50 million mainly due to movements in derivative swaps. The company did not issue new stocks, remaining at 87 million shares with a par value of ₱100.

March 31, 2025 (Audited) and March 31, 2024 (Audited)

Total Assets increased to ₱165.48 billion in 2025 from ₱153.42 billion last year. This was mainly due to increases in the following:

Loans and Receivables, which accounts for 93.33% of the Company's Assets, grew to ₱154.44 billion or 10.19% from last year's ₱140.15 billion. In addition, Cash on Hand and in Banks saw a gain, growing to ₱2.54 billion from 2024's ₱2.30 billion. Derivative Assets slightly decreased from last year's ₱1.96 billion to ₱1.26 billion, despite net fair value increasing to ₱955.14 million. This was due to reducing the total notional amount hedged by reducing or settling portions of the Company's Swap Agreements with Manila Bank Branches such as Mizuho and HSBC to name a few. Property and Equipment to ₱1.13 billion from last year's ₱1.28 billion, marking a 11.16% decrease.

Total Liabilities increased by 7.12%, growing to ₱145.07 billion from the ₱135.42 billion in 2024. This was due to Loans Payable increasing to ₱140.65 billion from last year's ₱129.95 billion. Loans Payable, composed of domestic and foreign bank loans, fixed rate notes and bonds payable from Japan Bank Branches, accounts for 96.95% of Total Liabilities. Derivative Liability decreased from last year's ₱538.36 million to ₱119.91 million in 2025. Lease Liabilities went down to ₱104.61 million, a 32.33% decrease from last year's ₱154.61 million. Accounts Payable and Other Liabilities such as retirement liabilities, accrued expenses and interest payable decreased to ₱3.97 billion from 2024's ₱4.64 billion.

Stockholders' equity increased by 13.37%, which was largely attributed by higher retained earnings by the company, reaching ₱11.62 billion from last year's ₱9.92 billion. This growth was also due to an improved cash flow hedge reserve from a loss of ₱591.55 million to gain of ₱124.80 million mainly from derivative swaps. The company did not issue new stocks, remaining at 87 million shares with a par value of ₱100.

March 31, 2024 (Audited) and March 31, 2023 (Audited)

Total Assets increased to ₱153.42 billion in 2024 from ₱134.89 billion the year prior. This was mainly due to increases in the following:

Loans and Receivables, which accounts for 91.35% of the Company's Assets, grew to ₱140.15 billion or 14.08% from the previous year's ₱122.86 billion. In addition, Cash on Hand and in Banks saw a gain, growing to ₱2.30 billion from 2023's ₱1.51 billion. Derivative Assets slightly decreased from the previous year's ₱1.98 billion to ₱1.96 billion, despite net fair value increasing by ₱245.66 million. This was due to reducing the total notional amount hedged by reducing or settling portions of the Company's Swap Agreements with Manila Bank Branches such as Citibank and HSBC to name a few. Property and Equipment grew to ₱1.28 billion from the previous year's ₱679.89 million, marking a 87.67% increase.

Total Liabilities increased by 13.87%, growing to ₱135.42 billion from the ₱118.92 billion in 2023. This was due to Loans Payable increasing from ₱129.95 billion from the previous year's ₱114.59 billion. Loans Payable, composed of domestic and foreign bank loans, fixed rate notes and bonds payable from Japan Bank Branches, accounts for 95.96% of Total Liabilities. Derivative Liability slightly decreased from the previous year's ₱542.58 million to ₱538.36 million in 2024. Lease Liabilities went up to ₱154.61 million, a 98.65% increase from ₱77.83 million in 2023. Accounts Payable and Other Liabilities such as retirement liabilities, accrued expenses and interest payable increased to ₱4.64 billion from 2023's ₱3.55 billion.

Stockholder's equity increased by 12.73%, which was largely attributed by higher retained earnings by the company, reaching ₱9.92 billion from ₱8.07 billion the year prior. This growth was also due to an improved cash flow hedge reserve from a loss of ₱775.79 million to ₱591.55 million mainly from derivative swaps. The company did not issue new stocks, remaining at 87 million shares with a par value of ₱100.

FORM OF PRICING SUPPLEMENT



PRICING SUPPLEMENT DATED [●] OFFER OF SERIES [●] [TRANCHE [●] BOND BY TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION OF UP TO ₱[●]

Under its ₱20 Billion Bond Programme

This document constitutes the Pricing Supplement relating to the Series [●] [Tranche [●] Bonds being offered and described herein (the “Offer”). Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “General Terms and Conditions”) set forth in the Trust Indenture and the Offering Circular dated [●] 2025 (the “Offering Circular”). This Pricing Supplement contains the final terms of this Offer and the [●] Tranche Bonds and must be read in conjunction with the Offering Circular. Full information on the Company and the Offer is contained in the Offering Circular and in this Pricing Supplement. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement.

Issuer	Toyota Financial Services Philippines Corporation (“TFSPH” or the “Company”)
Issue	Bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Company
Issuer Credit Rating	[●] from Philippine Rating Services Corporation (“PhilRatings”)
Specified Currency or Currencies	Philippine Peso
The Offer Size	₱[●]
Issue Price	At par (or 100% of face value)
Form and Denomination of the Bonds	The [●] Tranche Bonds shall be issued in scripless form in minimum denominations of ₱[●] each, and in multiples of ₱[●] thereafter, and traded in denominations of ₱[●] in the secondary market
Offer Period	The offer of the Bonds shall commence at [●] a.m. on [●] and end at [●] p.m. on [●], or such other date as may be determined by the Company and the Joint Lead Arrangers and Bookrunners
Issue Date	[●]
INTEREST	
Interest Commencement Date	[●]
Interest Payment Date(s)	[●], [●], [●] and [●] of each year
Interest Rate	[●]% per annum
Day Count Fraction	30/360 day count basis
Maturity Date	[●]

Payment Account Name [•]

Listing The Series [•] [Tranche [•] Bonds will be listed on the Philippine Dealing & Exchange Corp.

Governing Law Philippine Law

PROVISIONS RELATING TO REDEMPTION

Issuer Redemption Option [•]

Final Redemption Amount [•]

Early Redemption Date [•]

Early Redemption Amount [•]

PARTIES

Trustee [•]

Registrar & Paying Agent Philippine Depository & Trust Corp.

Joint Lead Arrangers and Bookrunners [•]

Selling Agents [•]

Market Maker(s) [•]

ADDITIONAL INFORMATION **Amendment or Supplement to the Offering Circular** [Changes or updates to the Offering Circular]

The Company confirms the information contained in this Pricing Supplement and accepts responsibility thereof.

TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION

Issuer and Selling Agent

By:

Name:
Position:

INVESTMENT CONSIDERATIONS

An investment in the Bonds involves several investment considerations. You should carefully consider all the information contained in this Offering Circular including without limitation to the investment considerations described below, before any decision is made to invest in the Bonds. The Company's business, financial condition and results of operations could be adversely affected materially by any of these investment considerations. The market price of the Bonds could decline due to any one of these risks, and all or part of an investment in the Bonds could be lost.

Considerations Relating to the Philippines

Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Company's businesses.

The Philippine economy has experienced volatility in the value of the Peso and limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004, and the Peso declined from approximately ₱29.00 to U.S.\$1.00 in July 1997 to ₱56.18 to U.S.\$1.00 by December 2004.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from perceived riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. According to BSP data, the Peso averaged at ₱49.6241 per U.S.\$1.00 in 2020 and appreciated slightly in 2021, averaging at ₱49.2546 per U.S.\$1.00. In 2023, the Peso averaged at ₱55.6304 per U.S.\$1.00 compared to an average of ₱54.4778 per U.S.\$1.00 in 2022. In 2024, the Peso averaged at ₱57.2907 per U.S.\$1.00, posting a decline from the 2023 average. As of June 30, 2025, the exchange rate quoted on the BSP Reference Exchange Rate Bulletin was ₱56.5810 per U.S.\$1.00.

Substantially all the Company's operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines could materially and adversely affect the Company's business, financial position and results of operations.

Substantially all of the Company's business activities and assets are based in the Philippines, which exposes the Company to risks associated with the country, including the performance of the Philippine economy. Historically, the Company has derived substantially all of its revenues and operating profits from the Philippines and, as such, its businesses are highly dependent on the state of the Philippine economy. Factors that may adversely affect the Philippine economy include:

- Decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- Scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- Exchange rate fluctuations and foreign exchange controls;
- Rising inflation or increases in interest rates;
- Levels of employment, consumer confidence and income;
- Changes in the Government's fiscal and regulatory policies;
- Government budget deficits;
- Adverse trends in the current accounts and balance of payments of the Philippine economy;
- Public health epidemics or outbreaks of diseases, such as COVID-19, monkeypox, re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), or H1N1, or the emergence of another similar disease in the Philippines or in other countries in Southeast Asia;
- Natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- Political instability, terrorism or military conflict in the Philippines, other countries in the region or globally;
- Geopolitical tensions between the Philippines and other claimant countries concerning disputed territories in the West Philippine Sea; and
- Other regulatory, social, political or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition and results of operations.

Political instability in the Philippines could destabilize the country and may have a negative effect on the Company's businesses.

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there were instances of political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations.

On May 9, 2022, the Philippine general elections for national and local officials took place with Ferdinand Marcos, Jr. being proclaimed president and Sara Duterte being proclaimed vice-president. Since the 2022 Philippine general elections, there have been public disagreements between the incumbent president and the vice-president. The latter resigned as Secretary of Education in June 2024, a post she held following her appointment by the president. The vice-president has since alleged that threats have been made against her life, attributing them to the present government.

On February 5, 2025, the House of Representatives of the Philippines approved and forwarded to the senate the articles of impeachment of the vice president of the Philippines on multiple charges, including conspiring to kill President Ferdinand R. Marcos, Jr., bribery, corruption, and involvement in extrajudicial killings. Following the transmittal of the articles of impeachment to the Senate of the Philippines, the impeachment trial for the vice-president of the Philippines was expected to commence in accordance with applicable laws and regulations. However, on June 10, 2025, the Senate of the Philippines moved to remand the articles of impeachment to the House of Representatives of the Philippines. On June 11, 2025, the House of Representatives of the Philippines adopted House Resolution No. 2346 to certify that the impeachment proceedings initiated by it adhered to the 1987 Philippine Constitution. Additionally, the House of Representatives deferred accepting the articles of impeachment pending further clarification from the Senate of the Philippines about its decision to remand the same. On July 25, 2025, the Supreme Court, in a unanimous decision, ruled that the articles of impeachment against the vice-president were unconstitutional, noting that it is barred by the one-year rule under Article XI, Section 3(5) of the 1987 Philippine Constitution and that it violates the right to due process enshrined in the Bill of Rights. Therefore, the Senate could not acquire jurisdiction over the impeachment proceedings. The Supreme Court clarified that any subsequent impeachment complaint may only be filed beginning February 6, 2026. Following the decision of the Supreme Court, on August 6, 2025, the Senate voted to archive the complaint against Vice President Sara Z. Duterte.

In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. On March 11, 2025, the Philippine National Police implemented the arrest warrant issued by the International Criminal Court (ICC) and arrested Former President Rodrigo Duterte in connection with the ICC charge against him for crimes against humanity in relation to killings in the war on drugs. After his arrest, the Philippine government turned over custody of Duterte to the ICC in the Hague. As of the date of this Offering Circular, the Former President Duterte awaits trial in the Hague.

There can be no assurance that there will not be any future political events, as well as acts of election-related or other political violence, that could destabilize the Philippines resulting in a negative effect on the general economic conditions of the country. There can also be no guarantee that the current or any future government will adopt economic policies that are conducive to sustained economic growth, or which do not materially and adversely impact the current regulatory environment. A major deviation from the policies of the immediate past administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any such event could have a material impact on the Company's business, financial position, and results of operations.

Acts of terrorism could destabilize the country and could have a material adverse effect on the Company's business, financial position and results of operations.

Historically, the Philippines has been subject to a number of terrorist attacks, and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines.

For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists which were inspired by pledged allegiance to the Islamic State of Iraq and Syria (ISIS). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. Martial law in Mindanao was extended three times until it expired on December 31, 2019, after two and a half years. On August 24, 2020, twin explosions in Jolo, Sulu Province in Mindanao were carried out by suicide bombers linked to the Abu Sayyaf group, killing 14 people and wounding 75 others. On May 8, 2021, over a hundred members of the ISIS-linked Bangsamoro Islamic Freedom Fighters (BIFF) occupied a town market in Maguindanao for several hours and forced families to flee their homes. A clash between the Philippine military and the BIFF members ensued on May 11, 2021, where five BIFF members were killed. On December 3, 2023, a bombing occurred in the middle of a Catholic mass service at the Mindanao State University in Marawi City, which killed four individuals and injured dozens more. An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine

economy. Any such destabilization could cause interruption to the Company's business and materially and adversely affect the Company's financial conditions, results of operations and prospects.

Further, continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilize parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Public health crises or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Company's business, financial condition and results of operations.

In December 2019, an outbreak of the disease COVID-19, caused by a novel coronavirus (SARS-CoV-2) was first reported to have surfaced in Wuhan, the People's Republic of China, later resulting in millions of confirmed cases and hundreds of thousands of fatalities globally, with thousands of confirmed cases and more than a thousand fatalities in the Philippines. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. While the WHO has declared the COVID-19 pandemic to be over in May 2023, there are still active and recurring cases globally, including in the Philippines. In July 2023, the President of the Philippines issued Presidential Proclamation No. 297, effectively lifting the state of public health emergency caused by the COVID-19 pandemic throughout the Philippines.

The disruption and uncertainty caused by COVID-19 has severely and adversely affected the Philippine economy, resulted in higher unemployment rates, closure of small businesses and significantly dampened outlook for large enterprises or conglomerates. These, together with the adverse effects on industries such as global airline, retail, tourism, real estate and logistics, and supply chains, led to slower deposit and loan growth in the banking industry and increased exposure of banks to greater credit risk, which led to higher NPLs particularly in the retail and tourism industries, SMEs, and unsecured borrowers. Further, Government stimulus policies such as interest rate cuts, the BSP moratorium on loan and interest repayments, waiver of late fees, and deferral of credit card payments, led to decreased margins for the banking industry and caused a decline in profitability. In addition, the measures implemented by the Philippine government to mitigate the negative impact of COVID-19 in the Philippine economy have caused disruption to businesses and economic activities. The Company's business has been adversely affected by the COVID-19 pandemic and consequential economic downturn.

The Philippines has also experienced other public health epidemics or outbreaks of diseases, such as avian influenza or bird flu, African Swine Fever, Ebola virus, MERS-CoV, Zika virus, dengue and polio, among others, which have adversely affected the local economy. For example, in 2019, the Department of Health declared a national dengue outbreak with 437,089 cases recorded for the year with 2,620 deaths. Furthermore, in September 2019, the Department of Health declared a polio epidemic after a case of the disease was recorded in Lanao del Sur after 19 years recording no cases in the country.

On August 14, 2024, the WHO declared the mpox (formerly known as monkeypox) outbreak as a public health emergency of international concern. A few days after the WHO declaration or on August 19, 2024, the Philippine government announced that it detected the first case of mpox virus in the country. In response, the Philippine government ordered the close contacts of the patient to undergo mandatory quarantine. In addition, the Philippine government continues to undertake close surveillance of any potential spread of mpox. Since 2024, the Philippines has recorded a total number of 911 cases of mpox.

Any government restrictions and regulations to curb any public health crises or outbreak or resurgence of infectious diseases, including the imposition of community quarantine, may adversely affect business operations and lead to further contraction of the Philippine economy, inevitable closure of business operations, and exponential rise in unemployment rates. There can be no assurance that any current or future outbreak of contagious diseases will not have a material adverse effect on the Company's business, financial condition, and results of operations.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts.

China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea (UNCLOS). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the nine-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

Recent years have seen increased frequency of incidents as well as heightened intensity of confrontations between Chinese Coast Guard and Philippine personnel in the West Philippine Sea. These have resulted in public accusations and diplomatic protests from both countries. In early August 2023, a Chinese Coast Guard ship used a water cannon against Philippine supply boats to prevent them from approaching the contested Second Thomas Shoal (Ayungin Shoal to the Philippines and Ren' ai Reef to China) in the Spratly Islands, where Filipino military personnel are stationed. The move, which was caught on video, outraged President Marcos, Jr. and prompted the Department of

Foreign Affairs in Manila to summon the Chinese ambassador to convey a strongly worded protest. In September 2023, the Philippine Coast Guard removed a floating barrier that was deployed by China at a disputed reef that was deployed by China to block Filipinos from the traditional fishing ground within the exclusive economic zone of the Philippines. In November 2023, a Chinese ship fired water cannons at M/L Kalayaan while the latter was on a resupply mission to troops stationed at BRP Sierra Madre in the Second Thomas Shoal, a former US Navy ship that has been grounded in the Second Thomas Shoal since 1999. The Philippines also claimed that ships belonging to a Chinese maritime militia were involved in the harassment and that inflatable boats belonging to the Chinese Coast Guard were similarly involved. The Philippine Embassy in Beijing has protested the latest incidents to the Chinese Foreign Ministry. In several instances, Chinese Coast Guard ships used water cannons against Philippine-registered vessels, including a smaller military-contracted vessel during a resupply mission to the Ayungin Shoal, and Philippine-government vessels distributing fuel and food to the fisherfolk in the Scarborough Shoal. Subsequently, the Chinese coast guard boarded a Philippine vessel. The Philippine government lodged another diplomatic protest against China and is engaging in discussions with the US regarding escalating tensions in the West Philippine Sea. As of January 13, 2025, the Philippines has filed a total of 199 diplomatic protests against China during President Marcos, Jr.'s tenure. Despite these protests, confrontations between the Chinese Coast Guard and the Philippine Coast Guard and civilian vessels continued throughout 2024, confrontations which included the use of grey-zone tactics by the Chinese Coast Guard such as water cannons, the ramming of vessels, and most recently, the use of acoustic devices and high-powered lasers.

In July 2024, the Philippines and China held their first formal dialogue since the incident, convening the 9th Meeting of their Bilateral Consultation Mechanism on the South China Sea in Manila. Discussions focused on their respective positions on Ayungin Shoal and affirmed their commitment to de-escalating tensions. While the Philippines was able to complete a resupply mission to its troops without incident under a new provisional agreement with China aimed at mitigating tensions, another incident occurred in August 2024 whereby the Philippine military reported that the Chinese Air Force executed "dangerous and provocative actions" over the South China Sea. Two People's Liberation Army aircraft dropped flares and performed hazardous maneuvers while a Philippine Air Force patrol was over Scarborough Shoal. No Philippine crew was harmed. Tensions further escalated when the Philippines and China accused each other of ramming vessels and performing dangerous maneuvers in the West Philippine Sea shortly after the incident in August 2024. On 11 August 2025, a People's Liberation Army Navy vessel and a Chinese Coast Guard vessel accidentally collided while in pursuit of a Philippine Coast Guard vessel. Following the collision, on 24 August 2025, the Philippine Navy reportedly repelled an attempt by the People's Liberation Army Navy to board the BRP Sierra Madre, a beached naval vessel manned by a personnel from the Philippine Marine Corps serving as the outpost of the Armed Forces of the Philippines in Second Thomas Shoal.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Philippine peso or increase in interest rate, may adversely affect consumer sentiment and lead to a reduction in consumer spending generally. This, in turn, could materially and adversely affect the Company's financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

Corporate governance and disclosure standards in the Philippines have made substantial progress over the past years, especially with the introduction of the Revised Corporation Code of 2019 and the issuance of BSP Circular no. 956 on Amendments to the Guidelines on the Submission of Annual Reports and the Sanctions to be imposed for Non-Disclosure of Relevant information. These initiatives show the country's intent to align with international standards and increase investor confidence.

While Philippine corporate governance and disclosure frameworks are converging with international standards, disparities remain due to enforcement gaps and evolving disclosure practices. Notwithstanding these differences, highly regulated entities such as quasi-banks observe board independence, investor protection, and disclosure based on existing laws, rules and regulations. In the case of TFSPPH, it maintains three independent directors or one-third of the members of the Board of Directors. Additionally, the Annual Report includes all required disclosures under relevant BSP rules and regulations.

Natural or other catastrophes, including severe weather conditions, may adversely affect the Company's business materially, disrupt the Company's operations and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, droughts, volcanic eruptions and earthquakes. For example, in January 2020, Taal Volcano, which is located approximately 50 kilometers south of Manila, erupted in mid-January 2020, spewing ashes across several towns and cities in Cavite, Laguna, Batangas, Rizal and Quezon, Metro Manila and even some parts of Central Luzon. The phreatic eruption caused the evacuation of nearby areas, and interrupted business operations as well as electricity and internet connectivity. In July 2022, a magnitude 7.0 earthquake struck Abra province in Northern Luzon, causing multiple casualties, cutting off power and fresh water in some areas and causing damage estimated at about ₱316.00 million. In October 2022, Typhoon Nalgae, locally known as Typhoon Paeng, led to severe flooding and storm damage and displaced thousands in the areas affected. In July 2023, the National Disaster Risk Reduction and Management Council reported that around 5,882,288 people had been affected by tropical storm Egay. Its heavy rainfall and strong winds caused damage to infrastructure in Regions I, II, V, VI, XI, XII, and MIMAROPA, amounting to an estimate of over ₱1.00 billion in damages, and damage to agriculture amounting to an estimated ₱800.00 million. In August 2023, another super typhoon, Goring, caused damage amounting to an estimated ₱442.00 million in the Cordillera, Ilocos, Cagayan Valley, and MIMAROPA regions. In December 2023, a magnitude 7.4 earthquake and magnitude 6.8 earthquake hit the province of Surigao del Sur in the span of three days, resulting in at least three casualties and leaving 79 people injured. In November 2024,

Typhoon Pepito/Man-yi caused widespread destruction, severe flooding and landslides and displaced thousands of people, prompting several provinces in Luzon to declare a state of calamity.

Natural catastrophes will continue to affect the Philippines. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's branches and operations. While the Company carries insurance for certain catastrophic events, of types, in amounts and with deductibles that the Company believes are in line with general industry practices in the Philippines, there are losses for which the Company cannot obtain insurance at a reasonable cost or at all. The Company also does not carry any business interruption insurance. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Bank's business, financial condition and results of operations.

Considerations Relating to the Automotive Industry, Automotive Financing Industry and Leasing Industry

Philippine Automotive Market

The Philippine automotive market has been subject to considerable volatility in demand and is highly sensitive to sales volume. Demand for vehicles depends largely on general, social, political, and economic conditions in the Philippines. Demand may also be affected by factors directly impacting vehicle prices or the cost of purchasing and operating vehicles such as sales and financing incentives, prices of raw materials and parts and components, and the cost of fuel, exchange rates, and governmental regulations (including tariffs, import regulations and other taxes). Volatility in demand may lead to lower vehicle unit sales and increased inventory, which may result in higher selling expenses per vehicle and could materially and adversely affect the financial condition and results of operations of participating companies.

The country's automotive market is also highly competitive. Factors affecting competition include product quality and features, innovation and development time, production capacity, pricing, reliability, safety, fuel economy, customer service and financing terms. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in higher selling expenses. Competition has a direct effect on selling prices of vehicles. In general, vehicle price setting is based on specification differences. However, upward or downward price adjustments may be made to respond to competitors' pricing strategy and the target market's purchasing behavior.

Moreover, the industry is subject to various stringent laws and government regulations. These regulations include environmental protection and conservation rules that regulate the levels of air, water, noise, and solid waste pollution produced by automotive manufacturing activities, and vehicle performance. The Government also imposes tariffs, taxes, and levies.

Impact on the Automotive Market of the Philippine-U.S. Trade Negotiations

In July 2025, the United States imposed a 19% tariff on Philippine exports as part of a broader trade strategy under the second Trump administration. While the tariff itself does not directly affect vehicles, it triggered a significant shift in Philippine trade policy. In response, the Philippines negotiated a bilateral agreement that included the elimination of import tariffs on U.S.-made automobiles—particularly SUVs, pickup trucks, and electric vehicles. This move removed the previous 30% import duty on these vehicles, giving American brands such as Ford, Chevrolet, and Jeep a more competitive edge in the local market. The policy change is part of a strategic effort to balance the trade relationship while mitigating the impact of the U.S. tariff on Philippine exporters.

This development has broad implications for the local automotive sector. Consumers in the Philippines now have greater access to U.S.-made SUVs at potentially lower prices, increasing variety in the mid to high-end vehicle market. However, local assemblers and regional brands—especially Japanese automakers like Toyota—could face heightened competition, particularly in the popular SUV segment. While locally produced models still benefit from government incentives and regional trade deals, the entry of more affordable American SUVs may pressure pricing strategies and market share. Overall, the 19% U.S. tariff indirectly reshaped the SUV landscape in the Philippines by prompting a policy shift that opened the door to duty-free American vehicle imports.

Performance of Toyota Motor Philippines

TMP and TFSPH are both operating companies under GT Capital, working in close synergy within the automotive value chain: TMP focuses on the assembly, importation, and distribution of Toyota vehicles in the Philippines, while TFSPH, backed by Toyota Financial Services Corporation (Japan) and wholly owned by Toyota Motor Corporation, provides financing solutions that support the purchase and leasing of these vehicles, making ownership more accessible and directly supporting TMP's sales and distribution efforts.

TFSPH faces significant risks related to the business performance of TMP due to their operational interdependence. TFSPH's core business is to provide financing solutions for the purchase and leasing of Toyota vehicles distributed by TMP, making its financial performance closely tied to TMP's vehicle sales and market success. A downturn in TMP's sales—whether due to macroeconomic headwinds, increased competition, supply chain disruptions, or regulatory changes—would likely result in reduced demand for TFSPH's financing products, negatively impacting its loan volumes, revenue, and overall profitability. This risk is inherent in the vertically integrated automotive value chain, where the financing arm's growth potential and resilience are directly reliant on the sales and performance of the automotive distributor.

Changes in government regulations, especially on provisions governing financing companies and quasi-banks.

The Company is regulated by the Securities and Exchange Commission (“SEC”) as a financing company and the Bangko Sentral ng Pilipinas (“BSP”) due to its function as a quasi-bank. The company must therefore adhere to specific provisions governing their operations. Any changes in these regulations may affect the business of the Company.

On January 15, 2013, the BSP issued Circular No. 781 for the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for the Philippine banking system in accordance with the Basel III standards. These guidelines apply to all Universal Banks (“UBs”) and Commercial Banks (“KBs”), as well as their subsidiary banks and quasi-banks (“QBs”). The risk-based capital ratio of a bank, expressed as a percentage of a qualifying capital to risk weighted assets, shall not be less than ten percent (10%) for both solo basis (head office plus branches) and consolidated basis (parent bank plus subsidiary financial allied undertakings, but excluding insurance companies). Whenever the capital accounts of a bank are deficient with respect to the prescribed risk-based CAR of 10%, the Monetary Board of the BSP (the “**Monetary Board**”) may impose monetary and non-monetary sanctions on the chief executive officer and/or the board of directors of the bank for non-reporting violations and may limit or prohibit the distribution of the net profits and require that part or all of the net profits be used to increase the capital accounts until the minimum requirement is met. The Monetary Board may also restrict or prohibit the making of new investments of any sort by the bank, except for purchases of readily marketable evidence of indebtedness issued by the government and the BSP until the minimum CAR is restored.

Other minimum capital ratios include Common Equity Tier 1 and Tier 1 capital ratios of 6.00% and 7.50%, respectively. A capital conservation buffer of 2.50%, composed of CET1 capital, shall likewise be imposed. This circular became effective beginning on January 1, 2014.

The Company has taken into consideration the impact of this new circular to ensure compliance with the regulatory requirements and capital ratios.

Any future changes in PFRS may affect the financial reporting of the Company’s business.

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect the future adoption of the said pronouncements will have a significant impact on the Company financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025

- Amendments to PAS 21, Lack of exchangeability

Effective beginning on or after January 1, 2026

- Amendment to PFRS 9 and PFRS 7, Classification and Measurement of Financial Instruments
- Annual Improvements to PFRS Accounting Standards – Volume 11
 - o Amendments to PFRS 1, Hedge Accounting by a First-time Adopter
 - o Amendments to PFRS 7, Gain or Loss on Derecognition
 - o Amendments to PFRS 9, Lessee Derecognition of Lease Liabilities and Transaction Price
 - o Amendments to PFRS 10, Determination of a ‘De Facto Agent’
 - o Amendments to PAS 7, Cost Method

Effective beginning on or after January 1, 2027

- PFRS 17, Insurance Contracts
- PFRS 18, Presentation and Disclosure in Financial Statements
- PFRS 19, Subsidiaries without Public Accountability

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Competition among automotive financing and leasing companies

The Philippine auto-financing industry is highly competitive, with major players coming from major universal banks and other nonbank financial institutions. TFSPH remains a strong player through its financing model, targeting Toyota buyers. As of June 30, 2025, TFSPH reported ₱159.37 billion in total loan receivables (up 1.95% compared to March 31, 2025) and net income of ₱220.37 million for the three-month ended June 30, 2025, primarily coming from interest income from loans and receivables.

To stay competitive, TFSPH is expanding digital services like the myTOYOTA Wallet. It is also strengthening its MSME-focused “Kabuhayan on Wheels” program, which doubled contract volume in FY2024. Operational improvements, including upgraded queue management and mobile-first services, aim to enhance customer experience. Backed by a strong capital position and integrated with the broader Toyota ecosystem, TFSPH is well-positioned to maintain its market presence amid rising competition.

Considerations Relating to the Bonds

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Investors may purchase Bonds as a way to manage risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The Issuer may be unable to redeem the Bonds.

At maturity, the Issuer will be required to redeem all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The failure by the Issuer to repay, repurchase or redeem tendered Bonds would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Issuer. On the other hand, the Issuer has a very strong business franchise in the Philippines. It has a strong recurring cash flow and maintains a low debt-equity ratio and a high level of liquidity in its balance sheet. The Issuer believes that it has sufficient resources which will allow it to service the principal and interest of the Bonds.

Liquidity for the Bonds

The Bonds are a new issue of securities for which there is currently no trading market. Even if the Bonds are listed on the PDEX, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors, which may affect liquidity. Although the Bonds are intended to be listed on PDEX as soon as reasonably practicable, no assurance can be given that an active trading market for the Bonds will develop and, if such a market were to develop, the Joint Lead Arrangers and Bookrunners are under no obligation to maintain such a market. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial position and prospects of the Company and other factors that generally influence the market prices of securities. The Issuer has no control over this risk as active trading of the Bonds is highly dependent on the Bondholders.

The Bondholder may face possible gain or loss if the Bonds are sold at the secondary market.

As with all fixed income securities, the Bonds' market values move (either up or down) depending on the change in interest rates. The Bonds when sold in the secondary market are worth more if interest rates decrease since the Bonds have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Bonds are worth less when sold in the secondary market. Therefore, holders may either make a gain or incur a loss when they decide to sell the Bonds.

The Bonds have no preference under Article 2244(14) of the Civil Code.

No other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds as may be practicable. For clarity, under Philippine law, unsecured debt evidenced by a public instrument (as defined in Article 2244(14) of the Civil Code) ranks ahead of non-evidenced unsecured debt in liquidation. A debt becomes evidenced by a public instrument when acknowledged before a notary or authorized oath administrator, and possibly through a jurat, though this is unclear under Philippine law. Any such evidenced debt may rank ahead of the Bonds in the Issuer's liquidation.

Taxation of the Bonds

The Philippine Tax Code (the National Internal Revenue Code of 1997, as amended) provides that interest on interest-bearing obligations of Philippine residents, such as the Bonds, is Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident alien individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 25% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

For the avoidance of doubt, the foregoing summary is based on the Tax Code (as amended by the CMEPA Law) and applicable regulations as of the date of this Offering Circular, and is subject to any subsequent amendments or changes in law and regulations.

USE OF PROCEEDS

The issuance of the Bond, after deducting fees, commissions, and other related expenses will be used by TFSPH to diversify funding sources and to align with the projected growth in assets. This will also enable the Issuer to tap a wider investor base targeting both institutional and individual investors.

A more definite use of proceeds from a Series or Tranche of Bonds will be included in the applicable Pricing Supplement for such Series or Tranche of Bonds.

CAPITALIZATION OF THE ISSUER

The table sets out the capitalization of the Company and indebtedness of the Company as of June 30, 2025. The following selected financial information should be read together with other portions of this Offering Circular.

Capitalization of the Issuer

<i>(In actual ₱)</i>	As of June 30, 2025 (Unaudited)
LIABILITIES	
Loans Payable	₱141,837,389,780
Derivative liability	193,759,063
Income tax payable	246,403,414
Lease liabilities	78,456,034
Deposits on lease contracts	78,735,996
Accounts payable and other liabilities	5,590,242,930
TOTAL LIABILITIES	148,024,987,217
EQUITY	
Capital stock - ₱100 par value Authorized – 90,000,000 shares issued and outstanding – 87,000,000 shares	8,700,000,000
Retained earnings	11,840,452,021
Cash flow hedge reserve	(88,498,473)
Actuarial loss on retirement plan	(37,996,322)
TOTAL EQUITY	20,413,957,226
TOTAL CAPITALIZATION AND INDEBTEDNESS	₱168,438,944,443

TERMS AND CONDITIONS OF THE BONDS

The following are the General Terms and Conditions of the Bonds to be issued under the Company's ₱20 Billion Bond Programme which will be incorporated by reference into each Series or Tranche of Bonds issued pursuant thereto. The Programme was established on 17 September 2025. The applicable Pricing Supplement in relation to any Series or Tranche of Bonds shall specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following General Terms and Conditions, replace or modify the following General Terms and Conditions for the purpose of such Series or Tranche of Bonds.

The Bonds were authorized pursuant to a resolution of the Board of Directors of Toyota Financial Services Philippines Corporation (the **"Company"**) dated July 2, 2025 and are covered by a Trust Indenture (the **"Trust Indenture"**) dated on or about 17 September 2025, made between the Company and Development Bank of the Philippines – Trust Banking Group (the **"Trustee"** which expression shall wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Indenture). The description of the general terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Indenture and the Offering Circular. A registry and paying agency agreement dated on or about 17 September 2025 (the **"Registry and Paying Agency Agreement"**) has been entered into in relation to the Programme and the issuance of Bonds pursuant thereto between the Company and Philippine Depository & Trust Corp. as paying agent and registrar (hereinafter referred to as **"PDTC"**, or in its capacity as registrar, the **"Registrar"**, or in its capacity as paying agent, the **"Paying Agent"**). References to a **"Condition"** are to conditions as respectively numbered and set forth herein.

Unless otherwise defined herein, capitalized terms used herein shall have the meaning ascribed to such terms in the Trust Indenture.

Copies of the Trust Indenture and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The holders of the Bonds are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Indenture and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

1. Definition of Terms

In these General Terms and Conditions:

"Anti-Money Laundering Laws Of The Philippines"	means Republic Act No. 9160, as amended by Republic Act Nos. 9194, 10167, 10365, 10927, and 11521, its implementing rules and regulations, and related laws, rules and regulations including: Republic Act No. 10168 or the Terrorism Financing Prevention and Suppression Act of 2012; Republic Act No. 11479 or the Anti-Terrorism Act of 2020, as these may be amended from time to time, and BSP Circular Nos. 251, 253, 279, 527, 564, 608, 612, 706, and 950, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto;
"Auditors"	means SyCip Gorres Velayo & Company, or any other auditor which may be appointed by the Company to audit and review its financial statements;
"Bonds"	means fixed-rate bonds and/or the floating rate bonds to be issued under the Programme with maturities of more than one year;
"Bondholder"	means a person who is not a Prohibited Bondholder and who, at any relevant time, appears in the Registry as the registered owner of the Bonds;
"BSP"	means the Bangko Sentral ng Pilipinas;
"Business Day"	means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in Makati City are not required or authorized to close for business. All other days not otherwise specified in these General Terms and Conditions shall mean calendar days;
"Company"	means Toyota Financial Services Philippines Corporation, the issuer of the Bonds;
"Contracts"	means: (a) the Programme Agreement dated on or about 17 September 2025 between the Company and the Joint Lead Arrangers and Bookrunners and Initial Selling Agents, as supplemented, amended and/or restated from time to time; (b) the Trust Indenture dated on or about 17 September 2025 between the Company and the Trustee, as supplemented, amended and/or restated from time to time; (c) Registry and Paying Agency Agreement dated on or about 17 September 2025 between the Company and the Registrar and Paying Agent, as supplemented, amended and/or restated from time to time; (d) the Master Certificate of Indebtedness; (e) these General Terms and Conditions; and (f) the Pricing Supplement for each Series or Tranche of Bonds; and (g) such other separate letters or agreements covering conditions precedent, fees, expenses and other obligations of the parties, including amendments or accessions thereto;
"Electronic Securities Issue Portal"	means the e-Securities Issue Portal (e-SIP) established and maintained by the Philippine Dealing System Holdings Corp. e-SIP will serve as an electronic channel for submission of documents for listing, enrollment, and registration of bondholders, available to identified stakeholders such as issuers, underwriters or arrangers, selling agents and client investor applicants;
"General Terms and Conditions"	means these General Terms and Conditions of the Bonds as may be supplemented and/or amended from time to time by the applicable Pricing Supplement for each Series or Tranche of Bonds;

“Governing Regulations”	means all the necessary rules and guidelines for the issuance of the Bonds, including, General Banking Law of 2000 (Republic Act No. 8791), the Manual of Regulations for Non-Bank Financial Institutions, BSP Circular No. 975 (Series of 2017), BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), and any other circulars and regulations as may be relevant for the transaction, as these may be amended from time to time;
“Group”	means the Company, its subsidiaries, affiliates and entities controlled by the Company, taken as a whole, and each of them being a member of the Group. For these purposes, a “subsidiary” means, at any particular time, any company controlled, directly or indirectly, by the Company, or more than fifty (50%) of whose voting equity share capital (or its equivalent) is owned, directly or indirectly, by the Company and/or one or more of its subsidiaries or affiliates. An “affiliate” means, at any particular time, any company in which the Company owns, directly or indirectly, at least twenty percent (20%) but not more than fifty percent (50%) of the voting equity share capital;
“Issue Date”	means in respect of any Series or Tranche of Bonds, the date of issue and purchase of such Tranche of Bonds, as indicated in the applicable Pricing Supplement;
“Joint Lead Arrangers and Bookrunners”	means First Metro Investment Corporation and ING Bank N.V., Manila Branch, and such other entities appointed by the Company in respect of each Series or Tranche of the Bonds, and excludes any entity whose appointment has been terminated pursuant to the Programme Agreement;
“Majority Bondholders”	means the holder or holders of more than fifty percent (50%) of the principal amount the Bonds then outstanding at the relevant time under the Programme, provided, that in respect of any matter pertaining to matters relating to the relevant Series or Tranche of Bonds, only the concerned Bondholders of a particular Series or Tranche will be considered for quorum and approval purposes in any meeting in which any such matter is presented for resolution;
“Material Adverse Effect”	means any material and adverse effect on: (a) the ability of the Company to duly perform and observe its obligations and duties under the Bonds and the Contracts; (b) the condition (financial or otherwise), prospects, results of operations or general affairs of the Company or the Group; or (c) the legality, validity and enforceability of the Contracts;
“Offer”	means, in respect of any issue of any Series or Tranche of Bonds, any offer or issuance of Bonds (or a Series or Tranche thereof) at the Issue Price;
“Offering Circular”	means the Offering Circular prepared in connection with the Programme, as revised, supplemented and/or amended from time to time by the Company in accordance with the Programme Agreement, including any documents which are from time to time incorporated in the Offering Circular by reference, provided that: (a) in relation to each Series or Tranche of Bonds only, the applicable Pricing Supplement shall be deemed included in the Offering Circular; (b) in respect of the Agreement Date and the Issue Date, the Offering Circular means the Offering Circular as at the Agreement Date, but without prejudice to (a) above, not including any subsequent revisions, supplement or amendment to it or incorporation of information in it subsequent to the relevant Agreement Date;
“PDEX”	means the Philippine Dealing & Exchange Corp., a domestic corporation duly registered with the SEC to operate an exchange and trading market for fixed income securities and a member of the PDS Group;
“PDEX Rules”	means the PDEX Rules for the Fixed Income Securities Market, as amended, and as the same may be revised from time to time, as well as other related rules, guidelines, and procedures that may be issued by PDEX;
“Pricing Supplement”	means the pricing supplement issued in relation to each Series or Tranche of Bonds, giving details of that Series or Tranche and providing the additional terms and conditions, such as the Tranche Amount, Interest Rate, Interest Payment Dates, Tenor and Maturity Date and such other similar series-specific terms, in relation to any particular Series Tranche of Bonds;
“Programme”	means, as of the date of the Programme Agreement, the ₱20.0 Billion Bond Programme approved by the Company’s Board of Directors on July 2, 2025;
“Prohibited Bondholders”	means the following: (a) persons and entities which are prohibited from purchasing holding any Bonds of the Company pursuant to BSP Circular No. 1010 series of 2018 as amended by BSP Circular No. 1062 series of 2019 and clarified by BSP Memorandum No. M-2020-01 dated January 2020, specifically: (1) the Company; and (2) the Company’s related parties (except for the Company’s trust department or its related trust entities) who are in possession or have access to material and non-public information affecting the pricing and marketability of the Bonds or that which substantially impacts an investor’s decision to buy or sell the Bonds once the same are

disseminated to the public; and (3) such other persons or entities as may be identified by the Company, whether or not in possession or has access to material and non-public information affecting the pricing and marketability of the Bonds or that which substantially impacts an investor's decision to buy or sell the Bonds once the same are disseminated to the public; or

- (b) such persons who are otherwise not qualified under the Governing Regulations including any other person whose acquisition, holding or transfer of the Bonds would violate any applicable law or regulation, including but not limited to the rules of the PDEX, BSP, AMLC, or other government regulation in any relevant jurisdiction; or
- (c) persons classified as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as this may be amended from time to time, which include: (1) a U.S. citizen (including dual citizen who may have another citizenship besides having a U.S. citizenship); (2) a U.S. resident alien for U.S. tax purposes, which includes a person who has substantial presence in the U.S. ("substantial presence" is defined as more than 31 days in the current calendar year or a total of 183 days over the previous three years from the current tax year); (3) a US partnership; a U.S. corporation; (4) any U.S. estate; (5) any U.S. trust if: a court within the United States is able to exercise primary supervision over the administration of the trust or one or more U.S. persons have the authority to control all substantial decisions of the trust; or (6) any other person that is not a non-US person; or
- (d) persons classified as a Restricted Party;

**"Registrar" or
"Paying Agent"**

means Philippine Depository & Trust Corp. ("PDTTC"), or the registrar and paying agent in respect of the Bonds appointed under the Registry and Paying Agency Agreement or an agreement supplemental to it and in accordance with the BSP Rules;

"Registry"

means the electronic registry book of the Registrar containing the official information on the Bondholders and the amount of Bonds they respectively hold, including all transfers or assignments thereof or any liens or encumbrances thereon;

"Restricted Party"

means a person that is: (i) listed on, or owned or controlled by a person listed on, or acting on behalf of a person listed on, any Sanctions List; (ii) located in, organized or resident in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions, including, without limitation, the Crimea Region, Cuba, Iran, North Korea, Sudan and Syria; or (iii) otherwise a target of Sanctions (target of Sanctions signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities);

"SEC"

means the Philippine Securities and Exchange Commission and its successor agency/ies;

"Security Interest"

shall have the meaning ascribed to it in Condition 11;

"Series"

means a Tranche of Bonds, as the case may be, together with any further Tranche or Tranches of Bonds, as the case may be, which are (a) expressed to be consolidated and form a single series, and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions **Bonds of the relevant Series**, **Bondholders of the relevant Series**, and related expressions shall (where appropriate) be construed accordingly;

"Tranche"

means an issuance of Bonds pursuant to the Programme under these General Terms and Conditions and those specified under the Trust Indenture and the Programme Agreement, except for their respective Tranche Amounts, Issue Dates, Interest Rates and Maturity Dates, and such other terms and conditions as may be specifically provided in the Pricing Supplement to be issued for such particular issuance.

2. Form, Denomination and Title

(a) *Form and Denomination*

The Bonds, upon issuance, are in scripless form, and shall be issued and traded in the secondary market in such denominations to be indicated in the applicable Pricing Supplement.

(b) *Title*

Legal title to the Bonds shall be shown in the Registry maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offer shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording of the transfer from the transferor to the transferee in the Registry maintained by the Registrar. Settlement with respect to such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

(c) *Rating*

The Bonds are not rated. However, the Company has a “PRS Aaa (Corp.) with a Stable Outlook” Company credit rating from PhilRatings as of August 14, 2025. A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the Bonds are outstanding. After Issue Date, the Trustee shall likewise monitor compliance by the Company with certain covenants in relation to the Bonds through regular annual reviews.

3. Transfer of Bonds

(a) *Registry*

The Company shall cause the Registry of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and all transfers of Bonds shall be entered in the Registry. As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a statement in electronic form of its registry holdings at least quarterly, and a written advice in electronic form confirming every receipt or transfer of the Bonds that is effected in the Registrar’s system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. If an e-mail address is not indicated in the Application or if a Bondholder requests for a written statement, the cost of the same shall be borne by the Bondholder. Any and/or all requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of Bonds may be made during the period commencing on a Record Date as defined in the section on “Interest Payment Date.” In addition, the Registrar shall furnish the Company and the Trustee, in accordance with the Registry and Paying Agency Agreement, a consolidated report of the Registry of Bondholders as of each Record Date or such other dates as may be agreed, which report shall serve as the basis for payments of principal, interest and other amounts due on the Bonds.

(b) *Transfers; Prohibited Bondholders*

The Bonds may not be offered, sold or held by or on behalf of any Prohibited Bondholder. Each Applicant will be deemed to represent that it is not a Prohibited Bondholder. If any Bonds are nonetheless held by or on behalf of a Prohibited Bondholder, the Company may, in its discretion and without liability, require their transfer or redemption in accordance with applicable law.

(c) *Transfers; Tax Status*

Bondholders may transfer their Bonds at any time, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt entities trading with non-tax-exempt entities shall be treated as non-tax-exempt entities for the interest period within which such transfer occurred. Transfers taking place in the Registry after the Bonds are listed on PDEX shall be allowed between non-tax-exempt and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified below under “*Payment of Additional Amounts; Taxation*”, within three days of such transfer.

The Company shall rely on the documentary proof submitted by the Bondholders as to their tax status in determining the applicable tax treatment, and require the Registrar and Paying Agent to proceed to apply the corresponding tax treatment due on the Bonds. Any question on such determination shall be referred to the Company.

The Bondholders shall be responsible for monitoring and accurately reflecting their tax status in the Registry. The payment report to be prepared by the Registrar and submitted to the Company in accordance with the Registry and Paying Agency Agreement, which shall be the basis of payments on the Bonds on any Interest Payment Date, shall reflect the tax status of the Bondholders as indicated in their accounts as of the Record Date.

(d) *Secondary Trading of the Bonds*

The Company shall list the Bonds in PDEX for secondary market trading. Secondary market trading and settlement in PDEX shall follow the applicable PDEX rules, conventions and guidelines, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEX and PDTC.

4. Ranking

The Bonds constitute direct, unconditional, unsecured, and unsubordinated Philippine Peso-denominated obligations of the Company and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Company, other than obligations preferred by the law.

5. Interest

(a) *Interest Basis*

Interest on each Series or Tranche of Bonds may be fixed and/or floating, as may be provided under the applicable Pricing Supplement.

The rate of interest payable from time to time in respect of floating rate Bonds shall be determined in the manner specified in the applicable Pricing Supplement.

(b) Interest Payment Dates

The Bonds bear interest on its principal amount from and including Issue Date at the rate indicated in the applicable Pricing Supplement for each Series or Tranche of Bonds. Interest shall be payable in arrear, at the dates specified in the applicable Pricing Supplement, or the subsequent Business Day without adjustment to the amount of interest to be paid, if such Interest Payment Date is not a Business Day.

The cut-off date in determining the existing Bondholders entitled to receive the interest or principal amount due shall be the second (2nd) Business Day immediately preceding the relevant Interest Payment Date (the “**Record Date**”), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

(c) Interest Accrual

Each Bond with respect to each Pricing Supplement shall cease to bear interest from and including the Maturity Date, as defined in the discussion on “*Final Redemption*” below, unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see “*Penalty Interest*” below) shall apply.

(d) Determination of Interest Amount

The interest rate shall be calculated on the basis of a 30/360-day basis, consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

6. Redemption and Purchase

(a) Final Redemption

Unless previously purchased and cancelled, the Bonds shall be redeemed at par, or 100% of face value on the relevant Maturity Date specified in the applicable Pricing Supplement. However, if the Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Company through the Paying Agent, on the immediately succeeding Business Day, without any additional interest.

(b) Redemption for Tax Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Company, the Company may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 nor less than 30 days’ notice to the Trustee and the Registrar) at par or 100% of face value plus accrued interest computed up to the date when the Bonds shall be redeemed earlier than its Maturity Date.

(c) Change in Law or Circumstance

If, as a result of the introduction of, or any change in, any applicable law or regulation (or the interpretation thereof by any competent authority), it becomes unlawful for the Company to perform its obligations under the Bonds, the Company may, at its option, redeem the Bonds, at par plus accrued interest up to (but excluding) the date of redemption, without premium or penalty, upon not less than thirty (30) days’ prior written notice to the Trustee and the Bondholders.

(d) Purchase and Cancellation

The Company may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase Bonds pro-rata from all Bondholders, and the Bondholders shall not be obligated to sell. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

7. Payments

The principal of, interest on, and all other amounts payable on the Bonds shall be paid by the Company through the Paying Agent to the Bondholders by crediting the settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos. Upon such transfer of funds to the Payment Account in accordance with the Registry and Paying Agency Agreement, the Company shall be discharged from its obligations to make such payments, and Bondholders shall thereafter look solely to the Paying Agent for payment. The Company shall ensure that so long as any of the Bonds remain outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds. In the event the Paying Agent is unable or unwilling to continue to act as such, the Company shall appoint a qualified financial institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

8. Payment of Additional Amounts - Taxation

As of the date of the Offering Circular, interest income on the Bonds is subject to a final withholding tax (“**FWT**”) at rates ranging from 20% to 25% depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. In general, interest income derived by Philippine citizens and alien resident individuals from the Bonds is subject to a final tax at the rate of twenty percent (20%) based on the gross amount of interest. Interest on the Bonds received by nonresident aliens engaged in trade or business in the Philippines is subject to a twenty

percent (20%) FWT while that received by non-resident aliens not engaged in trade or business is subject to an FWT rate of twenty five percent (25%). Interest income derived by domestic and resident foreign corporations on the Bonds is subject to FWT the rate of twenty percent (20%).

Except for such FWT and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Company; provided however that, the Company shall not be liable for the following:

- (a) Income tax on any gain by a Bondholder realized from the sale, exchange or retirement of the Bonds;
- (b) The applicable FWT on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations as maybe in effect from time to time (the “**Tax Code**”). For the avoidance of doubt, any change in the applicable FWT rate shall be for the account of the Bondholder.

An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR confirming the exemption or preferential rate; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify the Company of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Company and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming treaty benefits, including evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Bondholder’s legal domicile in the relevant treaty state, and confirmation acceptable to the Company that the Bondholder is not doing business in the Philippines; provided further that, the Company shall rely on the documentary proof submitted by the Bondholders on their tax status and relevant BIR rulings to determine the applicable tax treatment and all sums payable by the Company to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar;

- (c) Gross Receipts Tax under Section 121 of the Tax Code;
- (d) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
- (e) Value Added Tax (“**VAT**”) under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337, Republic Act No. 10963, and Republic Act No. 11534.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Trust Indenture and other related documents, if any, shall be for the Company’s account.

9. Representation and Warranties

The Company hereby represents and warrants to the Trustee and the Bondholders as follows:

- (a) each member of the Group is duly incorporated, validly existing and in good standing under the laws of its place of incorporation with full power and authority to conduct its business and is lawfully qualified to do business in those jurisdictions in which business is conducted by it;
- (b) except as otherwise disclosed in the Offering Circular, each member of the Group has legal title to all its property in each case free and clear of all liens, encumbrances and defects; and any real property and buildings held under lease by the Group are held by them under valid, subsisting and enforceable leases, except where such a failure would not result in a Material Adverse Effect;
- (c) each member of the Group has prepared and filed with the appropriate government entity, all tax returns required to be filed, and each member of the Group has paid all taxes shown to be due on such tax returns and on all assessments received by it, except for such taxes and assessments that are being contested in good faith in appropriate proceedings, and for which adequate reserves have been provided. Except as otherwise disclosed in the Offering Circular or notified to the Trustee, prior to the date of the Agreement, to the best of its knowledge after due inquiry, the Company and its subsidiaries are not a party to any pending action or subject of any proceeding by or before any government entity for the assessment or collection of taxes;
- (d) the Company has the corporate power under the laws of the Republic of the Philippines and its constitutive documents: (i) to issue the Bonds and to enter into and perform its obligations thereunder and to take all other actions and to do all other things provided for or contemplated in the Contracts; (ii) to conduct its business as presently being conducted and to own its properties and assets now owned by it as well as those to be hereafter acquired by it for the purpose of its business; and (iii) to incur the indebtedness and other obligations provided for in the Bonds;
- (e) the Company has and will continue to have full capacity and authority to enter into the Contracts, issue the Bonds and to carry out the transactions contemplated in the Contracts and has taken and will continue to take all action (including the obtaining of all necessary corporate approvals and governmental consents) to authorize the execution, delivery and performance of the Contracts and the issue and delivery of the Bonds;
- (f) the Contracts have been duly authorized, executed and delivered by the Company and constitute valid and legally binding obligations of the Company;

- (g) the Bonds have been duly authorized by the Company and, when duly executed, authenticated, issued and delivered in accordance with the Trust Indenture and the Registry and Paying Agency Agreement, will constitute valid and legally binding obligations of the Company, enforceable in accordance with its terms;
- (h) the Bonds constitute the direct, unconditional, unsecured and unsubordinated Philippine Peso-denominated obligations of the Company, and, when duly executed, authenticated, issued and delivered in accordance with the Trust Indenture and the Registry and Paying Agency Agreement, enforceable in accordance with its terms, and will at all times rank *pari passu* and ratably without any preference among themselves and at least *pari passu* with all other direct, unconditional, unsecured and unsubordinated Philippine Peso-denominated obligations of the Company, present and future, other than obligations mandatorily preferred by law;
- (i) all necessary actions and things required to be taken, fulfilled or done (including without limitation the obtaining of any consent, authorization, order or license or the making of any filing or registration) for the issue of the Bonds, the validity, performance or enforceability of the Bonds or the Contracts, the carrying out of the other transactions contemplated by the Bonds and the Contracts or the compliance by the Company with the terms of the Bonds and the Contracts, as the case may be, have been taken, fulfilled or done;
- (j) the Company has complied with all requirements of the BSP for the issuance of the Bonds, and the Bonds comply with all other terms and conditions imposed by the BSP regarding the issuance of the Bonds while any portion of the Bonds remain outstanding;
- (k) the Company has complied with all qualifications and conditions of the BSP Rules to issue, maintain, service, pay out, redeem, and cancel the Bonds;
- (l) the execution and delivery of the Contracts, the issue of the Bonds, the carrying out of the other transactions contemplated by the Contracts and compliance with the terms of the Contracts and the Bonds, as the case may be, do not and will not: (i) conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the documents constituting the Company, or any indenture, trust deed, mortgage or other agreement or instrument to which the Company or any of the Company's subsidiaries is a party or by which it or any of its properties is bound; or (ii) infringe any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over the Company, any such subsidiary or any of their properties;
- (m) the (i) Offering Circular, including any amendments or supplements thereto, and the relevant Pricing Supplement and other materials used in the Offer, contain all information with respect to the Group and to the Bonds which is material in the context of the issue and offering of the Bonds (including, without limitation, all information required by the applicable laws and regulations of the Philippines and the information which, according to the particular nature of the Company and of the Bonds, is necessary to enable potential Bondholders and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Company and of the rights attaching to the Bonds); (ii) the statements contained in the Offering Circular and the relevant Pricing Supplement relating to the Company and the Group are in every material respect true, accurate and not misleading; (iii) the opinions and intentions expressed in the Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in the Offering Circular misleading in any material respect; and (v) all reasonable inquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements;
- (n) the Offering Circular accurately describes: (i) accounting policies which the Company believes to be the most important in the portrayal of the Group's financial condition and results of operations (the "**Critical Accounting Policies**"); (ii) material judgments and uncertainties affecting the application of the Critical Accounting Policies; and (iii) an explanation of the likelihood that materially different amounts would be reported under different conditions or using different assumptions, and the Board of Directors and audit committee of the Company have reviewed and agreed with the selection and disclosure of the Critical Accounting Policies in the Offering Circular and have consulted with their independent accountants with regards to such disclosure;
- (o) each member of the Group maintains systems of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with financial reporting standards in the Philippines for quasi-banks and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) each member of the Group has made and kept books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of such entity and provide a sufficient basis for the preparation of the Company's consolidated financial statements in accordance with financial reporting standards in the Philippines for quasi-banks; and the Company's current management information and accounting control system has been in operation for at least twelve (12) months during which none of the Company nor any other member of the Group has experienced any material difficulties with regard to (i) through (v) above;
- (p) there are no outstanding guarantees or contingent payment obligations of the Company in respect of indebtedness of third parties except as described in the Offering Circular; the Company is in compliance with all of its obligations under any outstanding guarantees or contingent payment obligations as described in the Offering Circular;
- (q) the Offering Circular accurately and fully describes (i) all material trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, that the Company believes would materially affect liquidity and are reasonably likely to occur; and (ii) all material off-balance sheet transactions, arrangements, and obligations; and neither the Company nor any other member of the Group has any material relationships with unconsolidated entities that are contractually limited to narrow activities that facilitate the transfer of or access to assets by the Company or any other member of the Group, such as structured finance entities and special purpose entities that are reasonably likely to have a material effect on the liquidity of the Company or any other member of the Group or the availability thereof or the requirements of the Company or any other member of the Group for capital resources;

- (r) all information provided by the Company to its Auditors required for the purposes of their comfort letters in connection with the offering and sale of the Bonds has been supplied, or as the case may be, will be supplied, in good faith and after due and careful enquiry; such information was when supplied and remains (to the extent not subsequently updated by further information supplied to such persons prior to the date hereof), or as the case may be, will be when supplied, true and accurate in all material respects and no further information has been withheld the absence of which might reasonably have affected the contents of any of such letters in any material respect;
- (s) the Auditors are independent public accountants with respect to the Group, as required by the Philippine Institute of Certified Public Accountants and the applicable rules and regulations thereof;
- (t) save as disclosed in the Offering Circular, all transactions by the Company with its directors, officers, management, shareholders, or any other person, including persons formerly holding such positions, are on terms that are available from other parties on an arm's-length basis;
- (u) each of the Company and the other members of the Group: (i) has all licenses, franchises, permits, authorizations, approvals, registrations and orders and other concessions that are necessary to own or lease its other properties and conduct its businesses as described in the Offering Circular; (ii) is conducting its business and operations in compliance with all applicable laws and regulations in each of the jurisdictions in which it conducts business and operations, including, without limitation, all regulations, guidelines and circulars of the BSP, the SEC, and the BIR; (iii) has complied with, corrected and successfully and effectively implemented, to the satisfaction of the BSP, all findings and recommendations of the BSP resulting from all past audits and examinations conducted by the BSP on the Company; and (iv) is otherwise in compliance with all agreements and other instruments to which it is a party, except where any failure to be in compliance with any of which would not qualify as, or result in, a Material Adverse Effect;
- (v) except as specifically described in the Offering Circular, the Company and the other members of the Group own or possess (or can acquire on reasonable terms), all patents, licenses, inventions, copyrights, know-how, trademarks, service marks, trade names or other intellectual property (collectively, "**Intellectual Property**") necessary to carry on the business now operated by them; and neither the Company nor any other member of the Group has received notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interests of the Company therein; and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would reasonably be expected to result in a Material Adverse Effect;
- (w) except as specifically described in the Offering Circular, there are no pending actions, suits or proceedings against or affecting the Company or any other member of the Group or any of their properties which, if determined adversely would individually or in the aggregate have a Material Adverse Effect, and, to the best of the Company's knowledge, no such actions, suits or proceedings are threatened or contemplated;
- (x) no event has occurred or circumstance arisen which (whether or not with the giving of notice and/or the passage of time and/or the fulfillment of any other requirement) constitutes an event described under "Events of Default" hereunder;
- (y) The Company and the other members of the Group are in compliance with the Anti-Money Laundering Laws of the Philippines in all material respects. The financial transactions and operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial record keeping and reporting requirements and anti-money laundering laws, rules, regulations or guidelines applicable to the Company and its subsidiaries (collectively, the "**Anti-Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the best knowledge of the Company and each of its subsidiaries, after due inquiry, threatened; and
- (z) the Company is Solvent. As used in this paragraph, the term "**Solvent**" means, with respect to a particular date, that on such date: (i) the present fair market value (or present fair saleable value) of the assets of the Company is not less than the total amount required to pay the liabilities of the Company on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured; (ii) the Company is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business; (iii) the Company is not incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature; (iv) the Company is not engaged in any business or transaction, and does not propose to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which the Company is engaged; (v) the Company will be able to meet its obligations under all its outstanding indebtedness as they fall due; and (vi) the Company is not a defendant in any civil action that would result in a judgment that the Company is or would become unable to satisfy.

Each of the representations and warranties set forth hereof are made as of the date the Contracts, the Offering Circular and each Pricing Supplement, and will be true and accurate for as long as the Bonds or any portion thereof remains outstanding, and so long as any Bonds remains unissued under the Programme, with reference to the facts and circumstances existing from time to time, *provided* that, for the avoidance of doubt, the Company shall be entitled to rely on the representations of Applicants in the Applications to Purchase, as well as the customary certifications and procedures of the Trustee and the Registrar under the Programme documents, and shall not be liable for any Bonds acquired or held by Prohibited Bondholders notwithstanding such representations or procedures.

10. Covenants

The Company covenants that it shall act as follows and shall perform the following obligations for so long as any Bonds remain outstanding:

- (a) The Company shall pay all amounts due under the Bonds at the times and in the manner specified in, and perform all its obligations, undertakings, and covenants under the Bonds;

- (b) The Company shall ensure that it will continue to have the legal and juridical personality to maintain the Bonds until Maturity Date or full payment of the claims under the Bonds, whichever is later, and accordingly, shall secure all necessary corporate and government approvals, and perform all necessary acts, for the renewal and extension of its corporate term, on or prior to the expiry thereof;
- (c) The Company shall ensure that there shall be no material change in the ownership, voting control (through voluntary or involuntary issuance, transfer, disposition, or sale of shares of stock to Persons other than the present stockholders) or in the existing proportion of stockholdings in the Company that would result in the ownership, voting control, or existing proportion of current stockholdings of the current majority holder of the Company being reduced to less than fifty-one percent (51%), and enter into a management contract or any contract or arrangement whereby the business or operations of the Company are managed by a Person, other than, in respect of the Company, any of the current majority stockholder of the Company, nor enter into any profit-sharing, partnership, joint venture, or royalty agreement or other similar arrangement whereby the income or profits of the Company is, or might be, shared with any other Person, *Provided* however, that no material change in ownership shall be deemed to have occurred if such change in the ownership, voting control or existing proportion of current stockholdings of the current majority holder of the Company being reduced to less than fifty-one percent (51%), or whereby the income or profits of the Company might be shared with any other Person arises solely from any reorganization, restructuring, consolidation, merger or other similar transaction within the Toyota group of companies, so long as the ultimate parent entity controlling the Company immediately prior to such transaction continues to exercise ultimate control thereafter;
- (d) It shall duly pay or discharge all taxes imposed upon or assessed against it or upon its incomes or profits or upon any properties belonging to it (including, without limitation, any taxes in connection with the execution, delivery and/or performance of the Bonds(s) and all other relevant documents) such payment to be made prior to the date on which penalties attach to the taxes and also pay and discharge when due all claims assessed which, if unpaid, would become a lien or charge upon the Company's properties, provided, that the Company shall not be required to pay any taxes (i) which is/are being contested in good faith and by proper proceedings promptly instituted and diligently conducted by the Company and adequate reserves have been provided for the payment thereof, or (ii) where penalties and consequences for a delay in payment thereof will not result in a Material Adverse Effect;
- (e) It shall maintain at all times a capital adequacy ratio of not less than ten percent (10%), or such other percentage as may be required by the BSP;
- (f) It shall, as soon as practicable, make available copies of its audited financial statements, consisting of the balance sheet of the Company as of the end of its latest fiscal year and statements of income and retained earnings and of the source and application of funds of the Company for such fiscal year, such audited financial statements being prepared in accordance with generally accepted accounting principles and practices in the Philippines consistently applied and being certified by an independent certified public accountant of recognized standing in the Philippines; and shall, as soon as practicable, upon written request from a Bondholder, furnish to such requesting Bondholder such updates and information as may be reasonably requested by a Bondholder pertaining to the business, assets, condition, or operations of the Company, or affecting the Company's ability to duly perform and observe its obligations and duties under the Bonds and the Contracts;
- (g) It shall, when so requested in writing, provide any and all information reasonably needed by the Paying Agent and/or Registrar, as the case may be, to enable them to respectively comply with their respective responsibilities and duties under the BSP Rules, and the Contracts; *Provided*, that, in the event that the Company cannot, for any reason, provide the required information, the Company shall immediately advise the party requesting the same and shall perform such acts as may be necessary to provide for alternative information gathering;
- (h) The Company shall promptly advise the Bondholders through the Trustee of: (i) any request by any government agency for any information related to the Bonds; and (ii) the issuance by any governmental agency of any cease-and-desist order suspending the distribution or sale of the Bonds or the initiation of any proceedings for any such purpose and shall use its best efforts to obtain at its sole expense the withdrawal of any order suspending the transactions with respect to the Bonds at the earliest time possible;
- (i) The Company shall ensure that any documents related to the Bonds will, at all times, comply in all material respects with the applicable laws, rules, regulations, and circulars, and, if necessary, make the appropriate revisions, supplements, and amendments to make them comply with such laws, rules, regulations, and circulars;
- (j) The Company shall upon written request of the Trustee execute and deliver to the Trustee such reports, documents, and other information relating to the business, properties, condition, or operations, financial or otherwise, of the Company and affecting the Company's ability to duly perform and observe its obligations and duties under the Bonds and the Contracts; provided that if the updates and information requested are not public documents, such Bondholder must execute a non-disclosure agreement and an undertaking that it shall not benefit from the disclosure of such non-public updates and information;
- (k) The Company shall, as soon as possible and in any event within five (5) Business Days after the occurrence of any default on any of the obligations of the Company, or other event which, with the giving of any notice and/or with the lapse of time, would constitute a default under the material agreements of the Company with any party, including, without limitation the Contracts, serve a written notice to the Bondholders through the Trustee, of the occurrence of any such default, specifying the details and the steps which the Company is taking or proposes to take for the purpose of curing such default, including the Company's estimate of the length of time to correct the same;
- (l) It will duly and punctually comply with all reporting, filing and similar requirements imposed by the BSP, the SEC and the PDEx or in accordance with any applicable Philippine law and regulations from time to time relating to the Bonds and the Contracts;

- (m) The Company shall maintain the services of the Auditors and in any event where the then existing Auditors shall cease to be the external auditor of the Company for any reason, the Company shall appoint another reputable, responsible and internationally accredited firm of auditors to be the external auditor of the Company;
- (n) It shall fully and promptly comply with all BSP directives, orders, issuances, and letters, including those regarding its capital, licenses, risk management, and operations and promptly and satisfactorily take all corrective measures that may be required under BSP audit reports;
- (o) It shall use the net proceeds from the Bonds in accordance with the purpose of issuance provided in the Offering Circular; and
- (p) It shall ensure that there shall at all times be a Trustee and a Registrar and Paying Agent for the purposes of the Bonds, as provided in the Trust Indenture and Registry and Paying Agency Agreement, respectively.

11. Negative Pledge

The Company covenants and agrees that, from the signing date of the Trust Indenture and for as long as the Bonds or any portion thereof remain outstanding, unless the Majority Bondholders shall otherwise consent in writing:

- (a) the Company will not create or permit to subsist any mortgage, charge pledge, lien or other form of encumbrance or security interest (“**Security Interest**”) upon the whole or any part of its undertaking, assets or revenues (present or future) to secure any Indebtedness, or any guarantee of or indemnity in respect of any Indebtedness except transactions pursuant to the securitization law and provided, that the value of the assets to be securitized will not have a Material Adverse Effect to the Company’s obligations under the Bonds and the Company submits to the Trustee a certification to the effect within ten (10) Business Days after the closing of the relevant securitization;
- (b) the Company will procure that no other person creates or permits to subsist any Security Interest upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure (x) any of the Company’s Indebtedness, or any guarantee of or indemnity in respect of any of the Company’s Indebtedness, or (y) where the person in question is a Subsidiary of the Company, any of the Indebtedness of any person other than that Subsidiary, or any guarantee of or indemnity in respect of any such Indebtedness, unless, at the same time or prior thereto, the Company’s obligations under the Bonds (i) are secured equally and ratably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Majority Bondholders; and
- (c) the Company will not create or permit to subsist any preference or priority in respect of any other Indebtedness of the Company pursuant to Article 2244(14) of the Civil Code of the Philippines, or any successor Philippine law providing for preferences or priority in respect of notarized Indebtedness unless amounts payable under the outstanding Bonds are granted preference or priority equally and ratably therewith.

For the purposes hereof, **Indebtedness** means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities having an original maturity of more than one year from its date of issue and which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, provided that in the case of (c) above, Indebtedness shall exclude (x) Indebtedness denominated, payable or optionally payable in US Dollars, and (y) if denominated, payable or optionally payable in Philippine Pesos, Indebtedness in an aggregate principal amount not exceeding 5% of the consolidated as shown in the latest audited balance sheet of the Company.

12. Events of Default

The Company shall be considered in default under the Bonds and the Trust Indenture in case any of the following events (each an “**Event of Default**”) shall occur and is continuing:

- (a) The Company fails to pay any principal and/or interest due on the Bonds issued under the Programme, provided, that such non-payment shall not constitute an Event of Default if the Company has confirmed the Payment Instruction Report (as defined in the Registry and Paying Agency Agreement) prepared by the Registrar and Paying Agent and there are sufficient funds standing in the Payment Account (as defined in the Registry and Paying Agency Agreement) on a relevant payment date;
- (b) Any representation and warranty of the Company or any certificate or opinion submitted by the Company in connection with the issuance of the Bonds is untrue, incorrect, or misleading in any material respect, **and such** untrue, incorrect, or misleading statement **shall continue unremedied for a period of fifteen (15) calendar days after written notice thereof shall have been given by the Trustee to the Company, if such default is capable of remedy;**
- (c) The Company fails to perform or violates its covenants under these General Terms and Conditions (other than the payment obligation under paragraph (a) above) or the Contracts, and such failure or violation is not remediable or, if remediable, continues to be unremedied for a period of fifteen (15) calendar days from written notice **thereof shall have been given by the Trustee to the Company;**
- (d) The Company violates any term or condition of any contract, bond, note, debenture, or similar security executed by the Company with any other bank, financial institution, or other person, corporation, or entity in respect of borrowed moneys in an aggregate amount exceeding **Five Hundred Million Pesos (P500,000,000.00)** or its equivalent or, in general, the Company violates any contract, law, or regulation which: (i) if remediable, is not remedied by the Company within ten (10) calendar days from such failure; (ii) results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; or (iii) will adversely and materially affect the performance by the Company of its obligations under the Bonds and pay any amount outstanding on the Bonds;

- (e) Any governmental consent, license, approval, authorization, declaration, filing or registration which is granted or required in connection with the Bonds expires or is terminated, revoked or modified and the result thereof is to make the Company unable to discharge its obligations hereunder or thereunder;
- (f) It becomes unlawful for the Company to perform any of its material obligations under the Bonds;
- (g) The government or any competent authority takes any action to suspend the whole or the substantial portion of the operations of the Company, or condemns, seizes, nationalizes or expropriates (with or without compensation) the Company or any material portion of its properties or assets;
- (h) The Company becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, including: (i) filing of a petition in any bankruptcy, reorganization, winding-up, suspension of payment, liquidation, or other analogous proceeding; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties; (iii) making of an assignment for the benefit of its creditors of all or substantially all of its properties; (iv) admission in writing of its inability to pay its debts; or (v) entry of any order or judgment of any court, tribunal, or administrative agency or body confirming the insolvency of the Company, or approving any reorganization, winding-up, liquidation, or appointment of trustee or receiver of the Company or a substantial portion of its property or assets (each, an **"Insolvency Default"**);
- (i) Any final and executory judgment, decree, or arbitral award for the sum of money, damages, fine, or penalty in excess of **Five Hundred Million Pesos (₱500,000,000.00) or its equivalent in any other currency** is entered against the Company and the enforcement of which is not stayed, and is not paid, discharged, or duly bonded within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement;
- (j) Any writ, warrant of attachment or execution, or similar process shall be issued or levied against more than half of the Company's assets, singly or in the aggregate, and such writ, warrant, execution or similar process shall not be released, vacated, or fully bonded within thirty (30) calendar days after its issue or levy; and
- (k) The Company voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days, except in the case of strikes or lockouts when necessary to prevent business losses, or when due to fortuitous events or *force majeure*, and, provided that, in any such event, there is no Material Adverse Effect.

13. Notice of Default

Subject to the terms of the Trust Indenture, the Trustee shall, within ten (10) Business Days after receiving notice, or having knowledge of, the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default under Section 10 above, the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The written notice required to be given to the Bondholders hereunder shall be **delivered electronically to the Bondholders and disclosed via PDEx, or if not feasible**, published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain any information relating to such occurrence of an Event of Default at the principal office of the Trustee upon presentation of sufficient and acceptable identification **or upon written or electronic request**.

14. Consequences of Default

If any one or more of the Events of Default shall have occurred and be continuing without the same being cured within the periods provided in the Trust Indenture and in these General Terms and Conditions, the Trustee may on its own, or, upon the written direction of the Majority Bondholders, shall, by notice in writing delivered to the Company, with a copy furnished the Registrar and Paying Agent, declare the principal amount of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable.

All the unpaid obligations under the Bonds, including accrued interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company.

15. Penalty Interest

In case any amount payable by the Company under the Bonds, whether for principal, interest, fees due to Trustee or Registrar or otherwise, is not paid on due date, the Company shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty interest on the defaulted amount(s) at the rate of 1% per month (the **"Penalty Interest"**) from the time the amount falls due until it is fully paid.

16. Payment in the Event of Default

The Company covenants that upon the occurrence of any Event of Default, the Company shall pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest as described above, and in addition thereto, the Company shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee.

17. Application of Payments

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Indenture and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: first, to the payment to the Trustee, the Paying Agent and the Registrar, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without gross negligence or bad faith; second, to the payment of the interest in default, in the order of the maturity of such interest with Penalty Interest; third, to the payment of the whole amount then due and unpaid upon the Bonds for principal, and interest, with Penalty Interest; and fourth, the remainder, if any shall be paid to the Company, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

18. Prescription

Claims with respect to principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

19. Remedies

All remedies conferred by the Trust Indenture to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Indenture, subject to the discussion below on “*Ability to File Suit*”.

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Indenture to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

20. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Indenture to institute any suit, action or proceeding for the collection of any sum due from the Company hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds, as applicable; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Indenture to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

21. Waiver of Default by the Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and on behalf of the Bondholders to waive any past default, except the events of default specified in Sections 10 (a), (d) and (h) above. In case of any such waiver, the Company, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

22. Trustee; Notices

(a) Notice to the Trustee

All documents required to be submitted to the Trustee pursuant to the Trust Indenture and the Offering Circular and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	Development Bank of the Philippines – Trust Banking Group
Attention:	Maria Felicia S. Magtibay Senior Assistant Vice President Head, Trust Marketing Department
Subject:	Toyota Financial Services Philippines Corporation - ₱20 Billion Bond Programme
Address:	Development Bank of the Philippines Sen. Gil J. Puyat Avenue corner Makati Avenue, Makati City Philippines
Facsimile:	(632) 8818-9511

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

(b) *Notice to the Bondholders*

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Registry. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) electronic mail; (ii) registered mail; (iii) surface mail; (iv) by one-time publication in a newspaper of general circulation in the Philippines; or (v) personal delivery to the address of record in the Registry of Bondholders. The Trustee shall rely on the Registry in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) on the date of transmission, if transmitted by electronic mail; (ii) ten (10) days from posting if transmitted by registered mail; (iii) fifteen (15) days from mailing, if transmitted by surface mail; (iv) on date of publication or (v) on date of delivery, for personal delivery.

(c) *Binding and Conclusive Nature*

Except as provided in the Trust Indenture, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Indenture, shall (in the absence of willful default, bad faith or manifest error) be binding on the Company and all Bondholders. No liability to the Company, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Indenture resulting from the Trustee's reliance on the foregoing.

23. Duties and Responsibilities of the Trustee

- (a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Indenture. The Trustee shall, in accordance with the terms and conditions of the Trust Indenture, monitor the compliance or non-compliance by the Company with all its representations and warranties, and the observance by the Company of all its covenants and performance of all its obligations, under and pursuant to the Trust Indenture. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Indenture. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Company.
- (b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Indenture. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Indenture, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters, exercise in the management of their own affairs.
- (c) None of the provisions contained in the Trust Indenture or Offering Circular shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

24. Resignation and Change of Trustee

- (a) The Trustee may at any time resign by giving thirty (30) days' prior written notice to the Company and to the Bondholders of such resignation.
- (b) Upon receiving such notice of resignation of the Company, the Company shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a *bona fide* holder for at least six months (the "**Bona Fide Bondholder**") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee.
- (c) A successor trustee should possess all the qualifications required under pertinent laws, otherwise, the incumbent trustee shall continue to act as such.
- (d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Company may within thirty (30) days therefrom remove the Trustee concerned, and appoint a successor trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor trustee. If the Company fails to remove the Trustee concerned and appoint a successor trustee, any *Bona Fide* Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor trustee.
- (e) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Company of the required evidence of the action in that regard taken by the Majority Bondholders.
- (f) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions the Trust Indenture shall become effective upon the earlier of: (i) acceptance of appointment by the successor trustee as provided in the Trust Indenture; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Indenture (a) (the "**Resignation Effective Date**") provided, however, that after the Resignation Effective Date and, as relevant, until such successor trustee is qualified and appointed (the "**Holdover Period**"), the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Company.

25. Successor Trustee

- (a) Any successor trustee appointed shall execute, acknowledge and deliver to the Company and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as trustee in the Trust Indenture. The foregoing notwithstanding, on the written request of the Company or of the successor trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.
- (b) Upon acceptance of the appointment by a successor trustee, the Company shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Company fails to notify the Bondholders within 10 days after the acceptance of appointment by the trustee, the latter shall cause the Bondholders to be notified at the expense of the Company.

26. Reports to the Bondholders

- (a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date until full payment of the Bonds through electronic mail a brief report dated as of December 31 of the immediately preceding year with respect to any action taken by the Trustee in the performance of its duties under the Trust Indenture which it has not previously reported and which in its opinion materially affects the Bonds and/or Majority Bondholders, except action in respect of a default, notice of which has been or is to be withheld by it.
- (b) The Trustee shall submit to the Bondholders through electronic mail a brief report within 90 days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Bonds at such time.
- (c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:
 - (i) Trust Indenture;
 - (ii) Registry and Paying Agency Agreement; and
 - (iii) Articles of Incorporation and By-Laws of the Company.

27. Meetings of the Bondholders

A meeting of the Bondholders in respect of a particular Series or Tranche may be called at any time for the purpose of taking any actions authorized to be taken by or on behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Indenture or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

(a) Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the Bondholders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Company and to each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. Each of such notices shall be published in a newspaper of general circulation as provided in the Trust Indenture. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Company within ten (10) days from receipt of the duly supported billing statement.

(b) Failure of the Trustee to Call a Meeting

In case at any time the Company or the Bondholders of at least twenty five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Company or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) Quorum

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

(d) Procedure for Meetings

- (i) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Company or by the Bondholders, in which case the Company or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

- (ii) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) *Voting Rights*

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one (1) or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (₱10,000) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Company and its legal counsel.

(f) *Voting Requirement*

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Indenture (please refer to the preceding discussion on “**Quorum**”).

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as provided in the Trust Indenture shall be binding upon all the Bondholders and the Company as if the votes were unanimous; provided, that in respect of any matter pertaining to matters relating to the relevant Series or Tranche of Bonds, only the concerned Bondholders of a particular Series or Tranche will be considered for quorum and approval purposes in any meeting in which any such matter is presented for resolution;

(g) *Role of the Trustee in Meetings of the Bondholders*

Notwithstanding any other provisions of the Trust Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

28. Amendments

The Company and the Trustee may, without notice to or the consent of the Bondholders or other parties, amend or waive these General Terms and Conditions if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver.

The Company and the Trustee may amend these General Terms and Conditions without notice to every Bondholder, but with the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Bonds). However, without the consent of each Bondholder affected thereby, an amendment may not:

- (a) reduce the percentage amount of Bonds that must consent to an amendment or waiver;
- (b) reduce the rate or extend the time for payment of interest on any Bond;
- (c) reduce the principal of or extend the Maturity Date of any Bond;
- (d) impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Bonds on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Bondholders;
- (e) reduce the amount payable upon the redemption or repurchase of any Bond under these General Terms and Conditions or change the time at which any Bond may be redeemed;
- (f) make any Bond payable in money other than that stated in the Bond;
- (g) subordinate the Bonds to any other obligation of the Company;
- (h) release any security interest that may have been granted in favor of the Bondholders;
- (i) amend Payment of Additional Amounts/Taxation so as to reduce the Company's obligation to pay Additional Amounts or to increase taxes borne by Bondholders, or amend the Events of Default or Waiver of Default in a manner that is materially adverse to Bondholders, to be determined by the Trustee; or
- (j) reduce the consent thresholds set forth in this Condition.

It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Company shall send a notice briefly describing such amendment to the Bondholders in the manner provided in the section entitled “Notices”.

29. Evidence Supporting the Action of the Bondholders

Wherever in the Trust Indenture it is provided that the Bondholders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

30. Non-Reliance

Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Company on the basis of such documents and information as it has deemed appropriate and that he has subscribed to the Bonds on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature with respect to its obligations under the Trust Indenture, except for its gross negligence or wilful misconduct.

31. Governing Law

The Trust Indenture and other related documents are governed by and are construed in accordance with Philippine law.

32. Venue

Any suit, action, or proceeding against the Company with respect to the Bonds or the Contracts or on any judgment entered by any court in respect thereof may be brought in any competent court in the City of Makati, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Company and Bondholders expressly waiving other venue.

33. Waiver of Preference

The obligations of the Company to the Bondholders created under the Contracts and the Bonds shall not enjoy any priority of preference or special privileges whatsoever over any other unsecured, and unsubordinated obligations of the Company. Accordingly, whatever priorities or preferences that the Contracts or the Bonds may have conferred in favor of the Bondholders or any person deriving a right from them under and by virtue of Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced, provided, however, that should any creditor to the Company hereinafter have a preference or priority over amounts owing under their respective agreements as a result of a notarization, and the Company has not either procured a waiver of this preference to the satisfaction of the Bondholders and the Trustee or equally and ratably extended such preference to the Bondholders, then the waiver given hereunder is automatically withdrawn and deemed not given. For the avoidance of doubt, this waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code of the Philippines shall not be deemed to have been given by any of the other parties to the Contracts, including the Joint Lead Arrangers and Bookrunners, Selling Agent, Registrar and Paying Agent, in their capacities as such.

DESCRIPTION OF THE COMPANY

Introduction

Toyota Financial Services Philippines Corporation (“**TFSPH**” or the “**Company**”) is a financial services company that has been providing financing and leasing services, as well as wholesale financing for its dealers, since its establishment in August 2002. TFSPH is part of Toyota’s network of sales finance companies under Toyota Financial Services Corporation (“**TFSC**”) that operates in 37 countries worldwide. TFSPH is the 25th sales finance company established by TFSC. TFSPH supports Toyota sales in the Philippines in line with Toyota Motor Corporation global objectives. The company expanded its range of financing products in 2009 when it began operating as a quasi-bank.

It is a joint venture between Toyota Financial Services Corporation, which holds a 60% stake, and GT Capital Holdings (“**GT Capital**”), which holds 40%. TFSC, wholly owned by Toyota Motor Corporation, was established in July 2000 as a holding company for Toyota’s financial subsidiaries providing automobile sales finance services. The integration of management was intended to expedite decision-making, enhance planning and risk management, and improve professional expertise, thereby reinforcing competitiveness and profitability of Toyota’s financial business. As a financial holding company, TFSC has formed the Toyota Financial Services Group (“**TFS Group**”) together with sales finance companies inside and outside Japan to engage in business operations. GT Capital, on the other hand, is a Philippine conglomerate with interests in several key industries, including banking, automotive assembly, importation, dealership and financing, property development, life and general insurance, and infrastructure. The company continues to thrive as a stable and significant player in the Philippines, leveraging innovation and operational excellence to drive progress across its portfolio.

TFSPH has been a trusted partner in the Philippine auto finance industry for over 20 years, supporting individual customers, local businesses, and multinational partners alike. The Company believes that given its financial strength as well as the continued Philippine economic growth and rebound in consumer spending, it is well positioned to sustain growth and expand market reach.

TFSPH offers financing and leasing services to Toyota customers, as well as inventory financing for Toyota dealers across the Philippines. Aligned with Toyota Motor Corporation’s global strategy, TFSPH supports local Toyota sales and benefits from direct access to TMP’s customer base. Toyota, a multinational car manufacturer from Japan, is widely regarded as the world’s largest automaker. In the Philippines, TMP remained the market leader in the Philippine auto industry with a 48.19% market share as of June 2025, and has maintained its top-selling position since 2002. TFSPH holds a 30% penetration rate of Toyota vehicle sales, significantly ahead of competitor banks.

From FY2020 to FY2025, TFSPH achieved consistent double-digit growth in its loan portfolio, expanding from ₱75.4 billion to ₱154.44 billion, with a 15.41 CAGR. The strongest growth occurred in FY2021, during the height of the COVID-19 pandemic, when TFSPH continued lending while many banks pulled back. By maintaining operations and supporting Toyota sales, TFSPH increased its market penetration from 20% pre-pandemic to 55% during the crisis.

Total Revenues rose in line with portfolio growth, increasing from ₱3.6 billion in FY2020 to ₱7.52 billion in FY2025 (15.87% CAGR), with net interest income comprising 89.16% of total revenues on average. Net income grew even faster, from ₱498 million to ₱1.7 billion over the same period (CAGR of 27.81%), driven by both revenue growth and improved cost efficiency. The operating efficiency ratio improved to 0.7x in FY2025, down from 1.0x in FY2021.

Despite posting a ₱36 million net loss in FY2021—due to a 64.7% spike in credit provisions—TFSPH took a conservative stance during the pandemic, fully halting collections for five months in line with its interpretation of Bayanihan laws. This cautious approach ensured adequate buffers for potential losses.

FY2025 marked TFSPH’s highest revenues and net income since 2016, with strong momentum expected to continue.

TFSPH continues to demonstrate the effectiveness of its prudent risk management and conservative lending practices, maintaining robust asset quality as reflected in its non-performing loan (“**NPL**”) ratios. The Company has continued to maintain its NPL ratio consistently below the industry average. For FY2024, TFSPH achieved an NPL ratio of 1.53%, a significant improvement from 2.11% in FY2023. This was significantly lower than the 3.9% average for non-banks with quasi-banking functions (“**NBQB**”) as of end-September 2024. This consistent reduction in NPL ratios over the years highlights the company’s effective risk management strategies and its commitment to maintaining superior asset quality. The improvement in asset quality underscores TFSPH’s ability to adapt to market conditions while minimizing credit risk and supporting business growth.

History

TFSPH was registered as a domestic corporation with the Securities and Exchange Commission (“**SEC**”) of the Philippines on August 16, 2002. The company commenced its operations in October 2002 and currently serves Toyota customers through financing and leasing services as well as Toyota dealers through inventory stock financing.

In May 2008, it received authorization from the BSP to engage in quasi-banking functions under Republic Act No. 8791 and the Manual of Regulations for Non-Bank Financial Institutions. A quasi-banking license enables TFSPH to diversify its sources of funds, as well as offer a wider range of financing products to its growing customers. The Company officially began operating as a quasi-bank in April 2009.

In September 2014, GT Capital acquired 40% interest in TFSPH.

Shareholders Structure

The Company's common stockholders, with their respective shareholdings, as of March 31, 2025 are as follows:

<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
Toyota Financial Services Corporation	52,199,995	60.00%
GT Capital Holdings, Inc.	34,799,997	40.00%
<u>Various Stockholders</u>	8	0%
	<u>87,000,000</u>	<u>100.00%</u>

- *Toyota Financial Services Corporation*, a wholly owned subsidiary of Toyota Motor Corporation, is a leading Japan-based financial services group with a corporate credit rating of AA/Aa2 (S&P/Moody's). Over the last 18 years, TFSC's global presence has grown to 37 countries and continues to serve a growing customer base of more than 26 million drivers worldwide. As of March 31, 2025, TFSC reported total assets of U.S.\$ 305.6 billion and operating income of U.S.\$ 4.1 billion.

GT Capital Holdings, Inc., a premier Philippine conglomerate, provides TFSPH with invaluable local market insight and access to a diverse portfolio of businesses. GT Capital has investments in key sectors of the economy, such as banking (Metropolitan Bank & Trust Company), property development (Federal Land, Inc.), infrastructure and utilities (Metro Pacific Investments Corporation), automotive assembly, importation, and dealership (Toyota Motor Philippines Corporation), and life and general insurance (AXA Philippines). As the primary vehicle for the Ty family's business interests, GT Capital ensures long-term stability and commitment to TFSPH's success. In 2024, GT Capital reported a consolidated net income of ₱28.8 billion, core net income of ₱28.1 billion, and total revenues of ₱321.5 billion. GT Capital's balance sheet highlights include total assets of ₱474.1 billion and total liabilities of ₱194.2 billion as of year-end 2024, resulting in total equity attributable to shareholders of ₱262.5 billion.

Competitive Strengths

- **Established Track Record.** TFSPH has over two decades of experience in the Philippine automotive financing industry. Its long-standing presence demonstrates operational stability, strong market understanding, and resilience through various economic cycles.
- **Strong and Reputable Shareholders.** The Company is a joint venture between TFSC (60%) and GT Capital (40%). These shareholders provide strategic support, financial strength, and access to the best global practices.
- **Sustained Revenue and Portfolio Growth.** TFSPH has consistently expanded its loan and lease portfolio, supported stable revenue growth and enhanced its ability to generate cash flows necessary for debt servicing and business expansion.
- **Superior Asset Quality and Prudent Risk Management.** The Company maintains strong asset quality indicators, including a non-performing loan ratio that remains below industry averages. This reflects disciplined credit policies, robust underwriting standards, and effective portfolio monitoring.
- **Strategic Alignment with the Distributor and Dealer Network.** The Company maintains close collaboration with TMP and its dealer partners, enabling integrated sales programs, joint promotions, and seamless financing offerings that strengthen customer acquisition and retention.
- **Robust Governance and Risk Framework.** TFSPH operates under a strong corporate governance structure and complies with regulatory standards set by the BSP. Its risk management framework is further aligned with Toyota Financial Services' global policies and internal controls.
- **Support from Toyota Financial Services Global Network.** As part of the TFS Group operating in over 37 countries, TFSPH benefits from best practice sharing, risk management capabilities, and potential access to technical support if needed.

Products and Services

TFSPH consistently surpasses customer expectations by continually enhancing its products and services to match evolving market preferences. To better serve its expanding customer base, the company has broadened its offerings, as shown below:

Vehicle Acquisition:

Auto Loan

For new and used car buyers, TFSPH's Auto Loan offers the easiest path to owning a Toyota. With just a down payment and manageable monthly installments over 12 to 60 months, you can enjoy complete ownership of your vehicle—whether brand-new or pre-loved—and drive it home with peace of mind.

Finance Lease

True to its vision of helping people move to a better life, TFSPH offers the Finance Lease to eliminate any hesitation customers might have about getting their dream Toyota—whether new or used. This financing option significantly reduces their initial cash outlay, thus increasing their financial confidence. It's also a simple and quick process, requiring minimal documents and fast processing. With a Finance Lease, customers only need to provide a cash deposit and then make regular payments over a set term. TFSPH handles the vehicle purchase, and customers gain the right to possess and use the car for the entire lease duration.

Business & Mobility Solutions:

Kabuhayan on Wheels

TFSPH is deeply committed to empowering Filipino Micro and Small Enterprises (MSEs) by offering them a tangible way to either kickstart their entrepreneurial dreams or significantly expand their existing operations. Through the Kabuhayan on Wheels program, TFSPH provides financing solutions for customers to acquire a Toyota Tamaraw or Lite Ace, which are not only accessible but also precisely tailored to their unique business needs. We understand that the backbone of the Philippine economy relies heavily on the dynamism of its MSEs, and providing them with the right financial tools is crucial for their success.

Fleet Financing

If you are a businessman or entrepreneur looking to acquire Toyota vehicles, TFSPH offers fully customizable financing plans designed for all types of businesses—from start-ups to established corporations. These plans come with significant benefits like reduced tax expenses, lower initial cash outlays, or complete exemption from high chattel mortgage fees.

Inventory Stock Financing

TFSPH's Inventory Stock Financing supports accredited dealerships and business partners by providing funding for vehicle inventory purchases. This facility enables partners to maintain optimal stock levels without straining their working capital. With competitive rates and flexible terms, the program contributes to operational efficiency and supports the overall vehicle distribution network.

Transfer of Ownership

TFSPH makes transferring ownership of your Toyota hassle-free once your Finance Lease term is complete and fully paid. We know how time-consuming transferring vehicle ownership can be, which is why we've streamlined the entire process. This means you won't have to navigate intricate paperwork, visit multiple government offices, or deal with lengthy queues, allowing you to simply enjoy your fully-owned vehicle.

myTOYOTA Wallet:

myTOYOTA Wallet helps Toyota customers navigate today's increasingly cashless society. It offers a safe, easy, and convenient way to handle all your Toyota transactions digitally. Use it to pay for your monthly amortization, periodic maintenance and repairs, parts and accessories, or even insurance. You can use myTOYOTA Wallet at Toyota dealerships nationwide or directly through the myTOYOTA App. Plus, a new recurring payment feature lets you schedule your monthly amortization payments, ensuring you never miss a due date that will otherwise incur late payment fees.

<i>myTOYOTA Wallet Data</i>	FY 2025 (in ₱ Bn)	As of June 2025
Cumulative Registrations	164,454	174,867
Registrations	48,809	10,413
Transaction count	5,715	14,636
Transaction amount (₱)	24,040,377	57,361,197

Retail Promissory Notes:

The company offers Retail Promissory Notes (RPN) to support business growth and to deliver optimal returns for customers. RPNs provide customers with fixed-term options, transparent fees, scheduled payouts, and guaranteed high returns. It offers customers flexible investment options that best suit their investment horizon. Designed as a comprehensive investment tool, RPN gives our customers the financial benefits they need to achieve their goals, whether it's purchasing a new Toyota or maximizing their savings.

The table below shows the breakdown of the income derived from lending/financing, full-service lease/operating lease and wholesale financing and other operating income (consisting of interest on deposits, service charges, fees, and gain or loss on sale of assets held for sale) and their respective contribution to total revenue for the last three years:

Category	FY 2023		FY 2024		FY 2025	
	<i>Amount (₱ M)</i>	<i>% to Total Revenues</i>	<i>Amount (₱ M)</i>	<i>% to Total Revenues</i>	<i>Amount (₱ M)</i>	<i>% to Total Revenues</i>
<i>Interest Income (Receivables Financed)</i>	1,013	8.67%	1,235	9.02%	1,554	9.61%

Interest Income (Finance Lease Receivables)	10,214	87.44%	11,664	85.21%	13,655	84.48%
Interest Income (Deposits with Banks, Securities purchased under resale agreement and BSP placement)	158	1.35%	181	1.32%	139	0.86%
Rental Income (Operating Lease)	58	0.50%	179	1.31%	316	1.96%
Other Income	239	2.04%	430	3.14%	499	3.09%
Total	11,682	100.00%	13,689	100.00%	16,163	100.00%

Customer Profile

TFSPH serves a broad and diverse customer base composed of individuals, business owners, corporate clients, and dealer partners, all seeking accessible, flexible, and value-driven mobility solutions. The Company's product offerings are designed to address the unique financial needs of each customer segment while supporting Toyota's overall vehicle sales strategy in the Philippines.

Individual Customers

The Company provides Filipino car buyers with flexible and affordable financing and leasing options to support vehicle acquisition. These services are tailored to meet a wide range of financial profiles and preferences with the goal of promoting the freedom of mobility. TFSPH places strong emphasis on improving customer experience and service quality to encourage brand preference and long-term loyalty to Toyota.

Micro, Small, and Medium Enterprises (MSMEs)

TFSPH supports the needs of business owners and entrepreneurs through specialized financing programs such as "Kabuhayan on Wheels," which is designed to make vehicle ownership more accessible to MSMEs. Tailored financing products are offered to assist these clients in achieving business growth and meeting operational demands.

Corporate and Fleet Accounts

The company offers customizable fleet financing and full-service leasing solutions, including INTO One Business program, to serve the requirements of corporate clients managing multiple vehicles. These solutions provide benefits such as simplified leasing arrangements, predictable costs, and reliable fleet management, contributing to overall operational efficiency.

Toyota Dealer Network

TFSPH works closely with Toyota Motor Philippines (TMP) and its dealership network to extend financing solutions directly to end customers. By integrating with TMP's nationwide reach and sales processes, TFSPH adds value to the Toyota ecosystem by enabling vehicle acquisition through competitive financing plans and dealer-centric programs.

Geographical Reach

The Company's customer base spans the entire Philippine archipelago, with significant representation from Metro Manila, as well as key growth areas across Luzon, Visayas, and Mindanao. TFSPH's extensive coverage is supported by localized operations and strong dealer partnerships in regional markets.

Digitally Engaged and Financially Savvy Users

Through digital platforms such as myTOYOTA Wallet, TFSPH is able to engage with a growing segment of tech-savvy and financially literate customers who prefer cashless, seamless, and digitally integrated automotive financing experiences. The Company continues to invest in digital innovation to meet the evolving preferences of this customer segment.

TFSPH's customers are united by their demand for innovative, accessible, and responsive financial solutions that enable personal mobility, business growth, and corporate efficiency. The Company's deep understanding of its customer base allows it to deliver products and services that are aligned with the evolving needs of the Philippine automotive market.

Distribution Methods of Products and Services

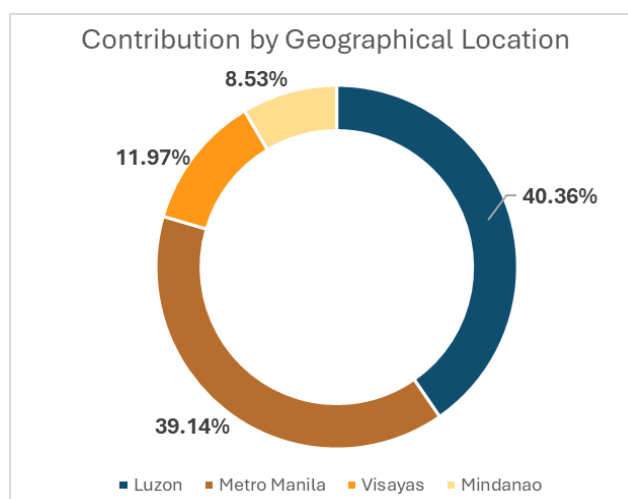
The table below sets out the geographic breakdown of units financed by TFSPH for the periods indicated.

Location	FY 2023		FY 2024		FY 2025	
	Units	%	Units	%	Units	%
Metro Manila	22,300	40.27%	24,717	39.69%	24,573	35.94%
Outside Metro Manila	33,077	59.73%	37,557	60.31%	43,798	64.06%
Total	55,377	100.00%	62,274	100.00%	68,371	100.00%

Receivables (Gross) Contribution by Geographical Location

FY2025	Net Earning Assets	Percentage in Total
Luzon	63,100,666,564	40%
Metro Manila	61,184,653,915	39%
Visayas	18,715,656,253	12%
Mindanao	13,328,409,348	9%
Grand Total	156,329,386,080	100%

Net Earning Assets is equal to outstanding balance of the receivables financed and finance lease receivables less unearned finance and lease income.



Marketing Updates

Leveraging its strong customer engagement and satisfaction, TFSPH plans several key initiatives. These efforts will further enhance its operational capabilities and customer service, underscoring the company's commitment to innovation, growth, and consistently exceeding evolving customer needs.

TFSPH enhanced its mobile application, myTOYOTA Wallet, by introducing a new recurring payment feature. This addition will allow current app users to set up automatic monthly payments, ensuring they never miss a due date and can enjoy a worry-free payment experience. Once enrolled, their monthly payment will be debited automatically from their myTOYOTA Wallet e-money account. Users simply need to maintain a sufficient balance to ensure their payments remain on schedule. With this new feature, TFSPH anticipates a significant increase in myTOYOTA Wallet users. In the first half of 2025 alone, there have been 48,809 new registered users and 5,715 transactions, figures that are already approaching 2024's full-year totals of 50,462 registered users and 5,843 transactions. Furthermore, the transaction amount for June 2025 has already surpassed June 2024's total, reaching ₱6,424,048 compared to ₱5,428,480. Later this year, myTOYOTA Wallet will be rolling out Instapay, which will enable users to cash in from multiple bank partners. As of this moment, BPI is the only available cash-in method for myTOYOTA Wallet app users.

Another campaign spearheaded by the Marketing Department for FY2025 was the TFS Dealer Roadshow, designed to promote the Kabuhayan On Wheels Financing Program specifically for the new Toyota Tamaraw. The campaign aims to boost the number of applications for the new Toyota Tamaraw by offering incentives to Marketing Professionals and interested applicants.

Principal methods of competition for consumer financing for Toyota vehicles

TFSPH competes primarily through the provision of competitive interest rates, tailored financing solutions, and a strong emphasis on customer experience. The Company continuously enhances its service delivery by streamlining loan application and approval processes to significantly reduce turnaround time. In addition, TFSPH pursues product and service innovation to further improve affordability and accessibility of Toyota vehicles for its customers, thereby supporting both customer acquisition and brand loyalty.

Operations

Treasury

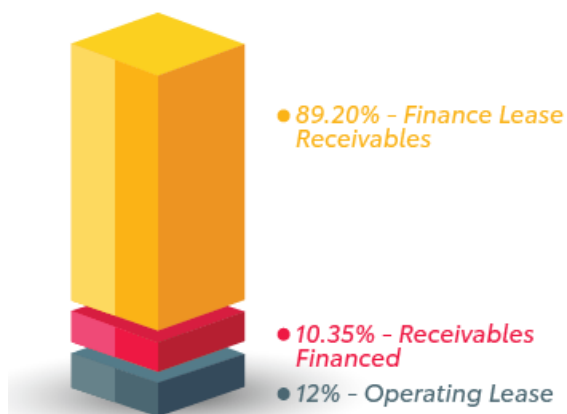
As of June 2025, TFSPH issued ₱17.58 billion in Fixed Rate Notes ("FRN"). This strategic move has strengthened the company's funding base, guaranteeing the availability of funds at fixed interest rates. By utilizing FRNs, TFSPH effectively controls its cost of funds and mitigates interest rate risks, thereby improving its financial stability and operational efficiency.

On May 8, 2025, the Company issued additional retail fixed rates notes amounting to ₱5.00 billion with interest ranging from 6.16% to 6.30% and have the maturity period of 24 months, 30 months and 36 months.

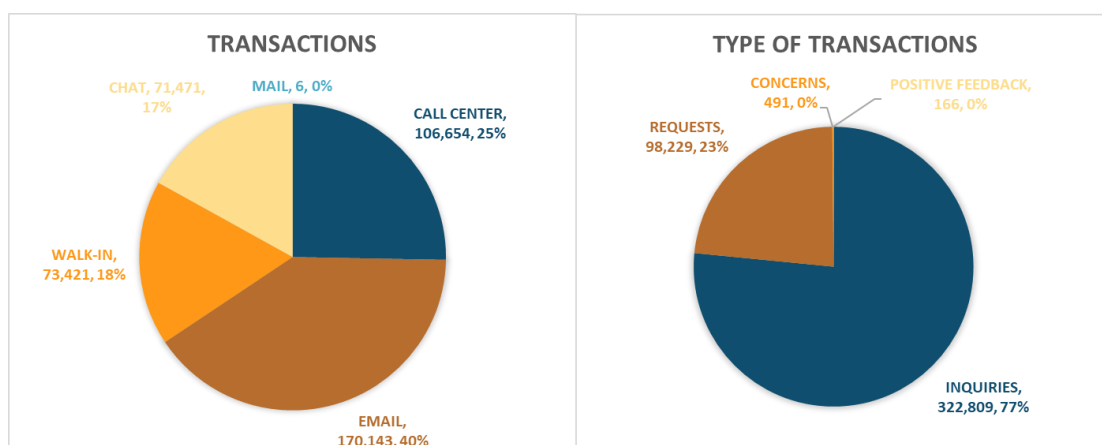
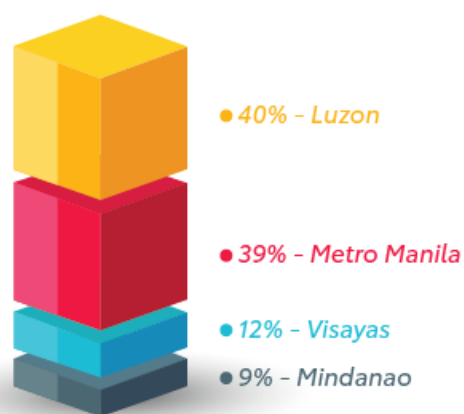
Customer Service

Loans & Receivables (Gross)

Contribution by
Business Segment



Contribution by
Geographical Location



Call Center	106,654	25.29%
Email	170,143	40.35%
Walk-In	73,421	17.41%
Chat	71,471	16.95%
Mail	6	0.00%
Total	421,695	100.00%

Inquiries	322,809	76.55%
Requests	98,229	23.29%
Concerns	491	0.12%
Positive Feedback	166	0.04%
Total	421,695	99.96%

TFSPH is committed to enhancing customer experience by actively engaging with customers through multiple channels, including its call center, email communications, and chat platform. In FY2025, the TFSPH successfully managed a total of 421,695 customer service interactions. This included 170,143 interactions via email (40.35%), 106,654 interactions through the call center (25.29%), 73,421 walk-in interactions (17.41%), and 71,471 interactions on the chat platform (16.95%). Our diverse approach ensures that customers receive the support they need, through their preferred method of communication.

The nature of these interactions varied, with inquiries representing the majority at 322,809 (76.55%). Requests at 98,229 interactions (23.29%), while concerns raised were minimal at 491 (0.12%). Additionally, the company received 166 interactions with positive feedback. This data highlights our commitment to understanding and addressing customer needs effectively.

TFSPH is dedicated to elevating its operational capabilities and customer service through the implementation of several key initiatives aimed at enhancing the overall customer experience. To this end, TFSPH has expanded its Queue Management System and Online Appointment service to provincial offices including Lipa, San Fernando, Cebu, Davao, and Cagayan de Oro. This strategic expansion is designed to minimize wait times and optimize service efficiency of our customers in our provincial areas. By ensuring that customers receive timely and organized service delivery, TFSPH is not only addressing immediate needs but also fostering greater customer satisfaction and loyalty.

Employees

The following table provides the breakdown of TFSPH employees for the period indicated.

	July 31, 2025
Officers	257
Rank and file	313
Total	570

TFSPH continues to ensure that its employees are properly compensated. TFSPH has not experienced any labor strikes and the management of TFSPH considers its relations with its employees to be harmonious.

Transactions with and/or dependence on related parties

- Toyota Dealers (nationwide) – Auto sales financing
- Toyota Motor Philippines Corporation – Auto sales and financing product packages

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements Held

Corporate licenses issued by SEC and BSP (Quasi Bank and Electronic Money Issuer (EMI) have no specific expiration dates.

Government Approval of Principal Products or Services

TFSPH obtains approvals and permits from regulatory bodies and agencies, as applicable, prior to the offering of its products and services to the public.

Risk Management

TFSPH maintains a robust risk management culture deeply embedded in its vision and The Toyota Way values. The Company employs an Enterprise Risk Management (“**ERM**”) Framework. This framework is overseen by the Board of Directors (“**BOD**”) and aligned with regulatory risk governance guidelines and international best practices, while Senior Management is responsible for its implementation, execution, and day-to-day management. The Toyota Way means that we apply a continuous Plan-Do-Check-Act (“**PDCA**”) process, ensuring that all levels of the organization are engaged in managing risk. Risk management is viewed not only as a control function but as a strategic enabler, wherein the ERM objectives include turning risks into opportunities, managing risks at an enterprise-wide level, reducing negative impacts of risk incidents, and enhancing organizational resilience. This philosophy is championed from the top: the BOD and Senior Management promote a risk-aware culture where every employee understands their role in identifying and managing risk, supported by regular risk training and awareness programs across the Company.

Risk Management Framework

The BOD provides strategic oversight of the ERM Framework and sets the Company’s overall risk management strategy in alignment with regulatory guidelines and international best practices. The Risk Oversight Committee (“**ROC**”) reviews the Company’s performance against approved risk tolerances and ensures the effective implementation of the ERM Framework. It also monitors key and emerging risks and evaluates how new strategies, initiatives, or business developments may impact the Company’s overall risk profile.

The Audit Committee (“**AC**”), through the Internal Audit Department (“**IAD**”), performs independent assurance on the adequacy and effectiveness of the Company’s risk management processes and methodologies. This includes verifying that controls are functioning as designed and remain robust under evolving conditions.

The Risk Management Department (“**RMD**”), led by the Chief Risk Officer (“**CRO**”), plays a central role in operationalizing the ERM Framework.

RMD is responsible for:

- **Policy Development and Strategic Alignment:** RMD develops and recommends risk management policies, risk appetite statements, and risk tolerances. These are aligned with the Company's strategic objectives and regulatory requirements.
- **Enterprise-Wide Risk Monitoring:** RMD monitors all enterprise-wide risks, including market, credit, operational, information technology and information security risks. It conducts regular Risk and Control Self-Assessments ("RCSA") to ensure alignment with the Company's evolving risk profile.
- **Reporting and Escalation:** RMD reports regularly to Senior Management, the Regional Risk Management Group, and the ROC on the Company's risk exposures, significant trends, and mitigation strategies.
- **Training and Capacity Building:** RMD promotes a risk-aware culture through regular training programs aimed at ensuring that all employees understand their roles in managing risk and are equipped with the necessary competencies.

Non-Performing Loans

Loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. (BSP Cir. 941)

TFSPH's NPL ratio (which is defined as the total non-performing loans divided by total loan portfolio) improved from 1.5% in FY2024 to 1.2% in FY2025, driven by effective risk management and the continued expansion of its loan portfolio. This ratio remains significantly lower than the 4.8% average for NBQBs as of end-March 2025. Even at the height of the pandemic in FY2022, TFSPH's NPL ratio peaked at only 3.3%, still well below the 12.1% NBQB average at the time, despite aggressive loan growth. Assets held for sale—mainly repossessed collateral—accounted for less than 1% of total assets.

Since the start of FY2026, the NPL ratio remained at 1.2% from April to June.

Capital Adequacy

As a quasi-bank, the Company is subject to the regulatory requirements of BSP in terms of maintaining adequate capital to cover risks inherent to its quasi-banking activities. Under existing BSP regulations, the capital accounts of the Company should not be less than an amount equal to 10.00% of its risk assets. Risk assets consist of total assets with less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The following table sets the Company's regulatory capital as reported to BSP as of March 31, 2025, 2024 and 2023 (amounts in thousands):

<i>(In actual ₱, except ratios)</i>	FY 2023	FY 2024	FY 2025
CET 1 capital	15,674,938	16,911,746	19,485,417
Tier 1 capital	15,674,938	16,911,746	19,485,417
Tier 2 capital	214,830	1,198,284	1,519,070
Gross qualifying capital	15,889,768	18,110,030	21,004,487
Total risk weighted assets	121,743,683	149,310,358	164,474,167
CET1 ratio	12.88%	11.33%	11.85%
Tier 1 ratio	12.88%	11.33%	11.85%
Risk-based CAR	13.05%	12.13%	12.77%

Leverage Ratio

On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Basel III Leverage Ratio Framework which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 under BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III Leverage is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. The leverage ratio shall not be less than 5.00% computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies). The Company's leverage ratio is 11.57% and 11.67% as of June 30, 2025 and March 31, 2025, respectively.

Minimum Liquidity Ratio

The Company is required to maintain a minimum liquidity ratio (MLR) of 20.00%, which was introduced by the BSP through Circular No. 996 (released on February 8, 2018) and Circular No. 1035 (issued on March 15, 2019). Under the prudential MLR requirements, banks/ QBs shall maintain a buffer of liquid assets proportionate to their on- and off-balance sheet liabilities to promote short-term resilience to liquidity shocks. The prudential MLR requirements applies to all thrift banks (TBs), rural/ cooperative banks and QBs that are not subsidiaries of universal or commercial banks. A prudential MLR of 20.00% shall apply to banks/quasi banks (QB) on an on an ongoing basis absent a period of financial stress. The liquidity ratio is expressed as a percentage of the banks/QBs eligible stock of liquid assets to its total qualifying liabilities. The Company's MLR is 50.49% and 45.22% for June 30, 2025 and March 31, 2025, respectively.

Risk Management Structure

The BOD has overall responsibility for the oversight of TFSPH's risk management process. Supporting the BOD in this function are various Board-level committees such as Risk Oversight Committee (ROC), Audit Committee (AC), and Senior Management Committees through the Executive Committee, Asset and Liability Committee (ALCO), and Credit Committee (CRECOM). TFSPH has exposures to the following risks arising from its operations: (a) credit; (b) liquidity; (c) market; (d) operational; and (e) information technology risks.

Various Types of Risk

- **Credit Risk**

It is the risk that TFSPH suffers losses when a counterparty fails to meet its financial obligation. As one of the most significant risk areas faced by TFSPH, credit risk is managed proactively through a dedicated framework that aligns with sound credit risk management practices.

The Credit Committee, a management-level body, oversees credit risk associated with counterparty borrowers. It sets objectives for overall portfolio quality and diversification, ensuring that credit granting processes are sound and consistent with regulatory standards.

An independent Credit Risk Review Unit, under RMD, performs regular assessments of credit policies and procedures to ensure they remain, responsive to business demands, and compliant with regulatory standards. These responsibilities include, but are not limited to:

- Reviewing TFSPH's loan portfolio for data integrity, documentation quality, and compliance with internal policies and BSP regulations.
- Evaluating credit risk ratings and classifications, including the sufficiency of the Allowance for Expected Credit Losses ("ECL").
- Monitoring concentrations of credit risk to manage TFSPH's exposure to developments affecting specific industries or geographic regions.

Managing internal credit scoring systems, which are used to assess borrower creditworthiness and track changes in credit quality. The framework is designed to ensure that credit risk management practices are not only robust and data-driven but also aligned with BSP's principles of establishing an appropriate credit risk environment, operating under a sound credit granting process, and maintaining effective credit administration, measurement, and monitoring.

- **Market Risk**

It is the risk that exposure to changes in market rates may negatively affect TFSPH's financial value and its ability to meet obligations as they mature. TFSPH is primarily exposed to interest rate risk, as it does not maintain a trading portfolio.

The ALCO is responsible for overseeing the management of interest rate risk. ALCO regularly reviews the maturity and repricing profiles of TFSPH's loans and borrowings to assess the sensitivity of net interest income to changes in market rates.

These metrics are continuously monitored and assessed to ensure they remain within Board-approved tolerance levels. If any metric exceeds the acceptable limits, countermeasures must be implemented to manage the risk to an acceptable level.

- **Interest Rate Risk**

TFSPH faces market risks in the form of interest rate risk in its accrual positions because it does not have a trading portfolio. The ALCO establishes and oversees the interest rate risk as part of the market risk management program of TFSPH. In considering interest rate exposures, risk profile is measured in terms of asset and debt/derivative notional size, asset yields and market rates, maturity profile, prepayment and re-pricing characteristics as applicable. Interest rate risk exposures are also reported via portfolio hedge ratio. A critical element of the interest rate risk management system consists of measuring the risks associated with fluctuations in market interest rates on TFSPH's net interest income.

- **Operational Risk**

It is the risk of loss resulting from inadequate or failed internal processes, people and systems from external events. The RMD manages operational risk by equipping all business units with appropriate tools to identify, assess, measure, control, and monitor their operational risks. These tools include: the Risk Control Self-Assessment, Business Impact Analysis, Operational Key Risk Indicators and tolerance thresholds, and Operational Risk Event Reporting.

A significant component of operational risk is the potential for adverse outcomes, such as financial loss, operational disruption, reputational damage, or regulatory breach, arising from the use, failure, or misuse of technology assets. These assets include computer hardware, software, applications, systems, devices, and networks. The risk encompasses operational failures, service delivery issues, project execution lapses, and business resiliency threats, and is managed through structured assessments, governance frameworks, and continuous monitoring.

- **Liquidity Risk**

It is the risk that TFSPH will incur unexpected costs or losses in meeting its financial obligations as they fall due. TFSPH maintains a robust liquidity risk management system designed to ensure financial resilience under both normal and stressed conditions.

ALCO oversees liquidity management to ensure that sufficient funds are available and properly allocated across products and pricing structures.

This supports healthy net interest margins and operating profitability. ALCO sets loan pricing on a quarterly basis, factoring in market conditions, TFSPH's funding position, operating risks, and borrower credit scores.

Liquidity is managed through a combination of:

- Locally available committed and uncommitted funding sources for short-term and long-term needs.
- A sound and conservative funding plan with appropriate approvals for longer-term requirements.
- A diversified funding structure across financial instruments, geographic markets, and maturities to maintain stable access to low-cost funds.
- Active management of the maturity profile of outstanding loans to match cash inflows with outflows, while maintaining sufficient cash buffers above minimum thresholds.

TFSPH's liquidity risk management practices are reviewed monthly and quarterly, as part of the enterprise-wide risk reporting process. This ensures that liquidity metrics remain within the Company's defined risk appetite and that any unfavorable trends are promptly addressed through policy revisions or strategic adjustments.

- **IT Risk**

It refers to the potential for adverse outcomes, such as financial loss, operational disruption, reputational damage, or regulatory breach, arising from the use, failure, or misuse of technology assets. These assets include computer hardware, software, applications, systems, devices, and networks. The risk encompasses operational failures, service delivery issues, project execution lapses, and business resiliency threats, and is managed through structured assessments, governance frameworks, and continuous monitoring.

TFSPH's Information Technology Risk Management Framework ("ITRM") provides a structured and enterprise-wide approach to identifying, assessing, mitigating, and monitoring IT-related risks. The framework is guided by principles of transparency, integrity, segregation of duties, and continuous improvement. The IT Steering Committee oversees the ITRM which includes monitoring IT performance and execution of IT risk controls in network and computer hardware, software, and supporting documentations. Various tools utilized include quarterly risk assessments and vulnerability management scans, third-party security assessments including cloud service providers, reviews of contracts, business requirements and other technical documents related to IT risks.

- **Information Security Risk**

It refers to the potential for unauthorized access, disclosure, alteration, or destruction of information assets that may compromise their confidentiality, integrity, or availability. This includes risks from cyber threats, data breaches, and system vulnerabilities. Management of this risk involves structured assessments, implementation of technical controls, and adherence to internal policies and external regulations to ensure that exposures remain within acceptable limits.

TFSPH implements a comprehensive Information Security Framework, aligned with BSP regulations and the Toyota Global Information Security Group's standards. Monitoring and management of information security risk through monthly and quarterly KRIs covering endpoint protection, vulnerability management, incident reporting, and secure configurations. Mandatory annual activities include external third-party vulnerability assessment and penetration testing, tabletop exercises for incident response, business continuity and disaster recovery testing, and user access reviews. Ongoing controls include phishing simulations, security awareness training, policy reviews, asset inventory management, data classification, and protection. Technical safeguards such as API scanning, cloud security posture management, endpoint encryption, and secure baseline compliance are tracked using tools like Crowdstrike, Qualys, MS Defender, and Bitlocker. Each activity is measured against defined thresholds to ensure effectiveness, with monitoring on the effective implementation of remediation plans, as needed.

Anti-Money Laundering

TFSPH puts utmost value in fully complying with rules and regulations on AML. To ensure compliance to AML laws, rules and regulations, TFSPH is guided by principles contained in its Money Laundering, Terrorist and Proliferation Financing Prevention Program ("MTPP"). The commitment and leadership of the Board of Directors and Senior Management are vital in the whole spectrum of the MTPP. Over the years, TFSPH has exhibited full cooperation with the regulators with utmost regard to the rules on confidentiality and privacy.

The MTPP is designed in accordance with the structure and risk profile of TFSPH. The following are the guiding principles:

1. Conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system.
2. Always know sufficiently your customer and ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting business with TFSPH.
3. Adopt and effectively implement a sound AML and terrorist financing risk management system that identifies, assesses, monitors, and controls risk associated with money laundering and terrorist financing, arising from customers, geographic areas of operations and customers, products, services, transactions or delivery channels. The risk assessment shall (a) consider all relevant risk factors; (b) adequately documented results and findings; and (c) be updated periodically or as necessary.
4. Comply fully with the Updated Anti-Money Laundering Rules and Regulations and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance.
5. Fully cooperate with the Anti-Money Laundering Council (“**AMLC**”) for the effective implementation and enforcement of the AMLA, as amended, and its RIRR.

The Compliance Department ensures the effective implementation of the MTPP. Review and updating of the MTPP is done on an annual basis. Reports on AML compliance and matters relevant to AML compliance are discussed during AML Committee meetings. Regular reports are likewise submitted to the Board of Directors through the Corporate Governance Committee. Mandatory AML training and seminars are also conducted to update the directors and all team members of the latest AML/CFT requirements and to continuously remind them of their obligations under the AML laws, rules and regulations. Regular training is provided to all team members as well as members of the Board of Directors. For FY2025, a total of 509 employees completed the AML Training through the online training facility of the AMLC.

Moreover, for the new employees’ orientation, the same was completed by 141 team members. In the 3rd quarter of FY2025, the senior officers and members of the Board likewise completed the AML virtual training facilitated by the Anti-Money Laundering Committee. The topics covered by the AMLC trainings were the following: AML/CTF Fundamentals and Targeted Financial Sanctions.

To further strengthen AML compliance, the following initiatives were implemented and/or observed in FY2025: continuous regular dissemination of AML tidbits, completion of the Institutional Risk Assessment covering AML, development of a robust AML system with a target date of implementation within the 3rd quarter of FY2026.

TFSPH remains committed to upholding the highest standards of AML compliance. It will continue to enhance its policies and procedures to align with regulatory requirements and best practices.

All the above activities are integral parts of our risk management framework. They collectively ensure that risk is managed in a holistic and proactive manner. Our ERM system integrates key elements, from setting a risk-aware culture and establishing clear risk appetites, to executing day-to-day control activities across all material risk categories and continuously monitoring and improving risk strategies and practices.

By closely aligning risk management activities with our strategic objectives, TFSPH ensures that the Company can pursue growth and new business frontiers confidently, knowing that risks are identified, controlled, and within acceptable levels. This comprehensive approach to risk management supports our commitment to operational resilience, long-term sustainability and success.

Research and Development Costs

For the last three fiscal years, TFSPH has not incurred any expenses for research and development.

Legal Proceedings

The Company is subject to suits and claims arising in the ordinary course of business. As of the date of this Offering Circular, there are legal proceedings and claims pending against the Company, including matters related to its financing operations, regulatory compliance, and employment-related disputes.

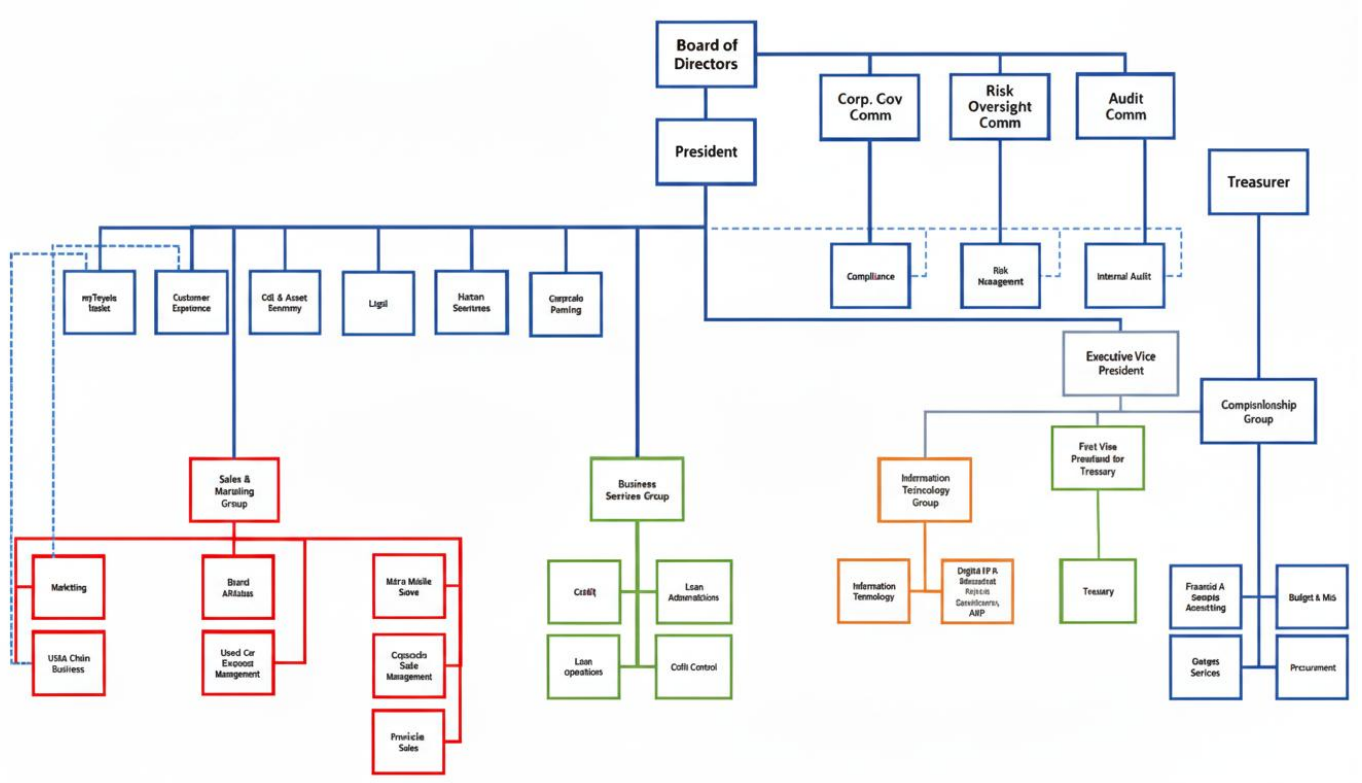
In the opinion of management, after consultation with legal counsel, the ultimate resolution of these proceedings and claims, individually or in the aggregate, is not expected to have a material adverse effect on the Company’s financial condition, results of operations, or cash flows. The Company believes it has meritorious defenses to these matters and intends to defend them vigorously.

The Company maintains insurance coverage customary for its business and, where required under applicable accounting standards, has established reserves for potential liabilities arising from legal proceedings.

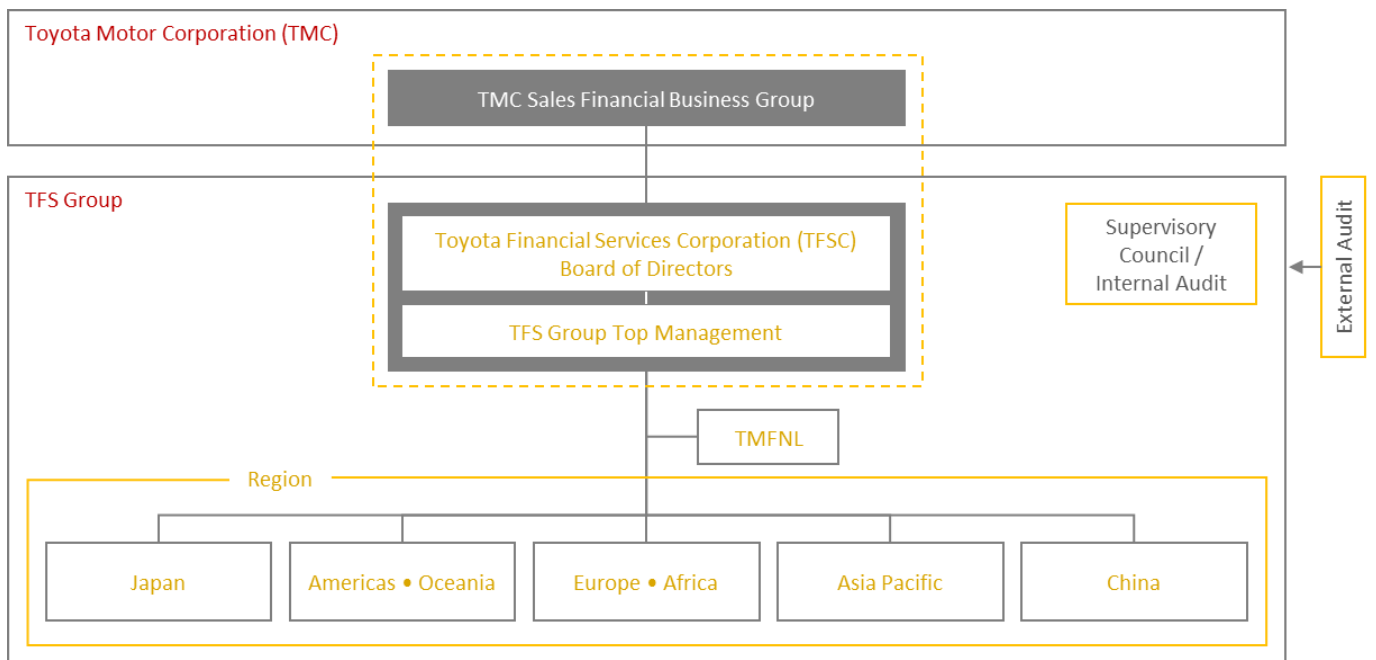
DIRECTORS AND MANAGEMENT

Organizational Chart

The figure below shows the Company's organizational chart as of July 11, 2025.



International Organizational Structure



Board of Directors

As of the date hereof, the composition of the Board of Directors of TFSPH is as follows:

Name	Title
Carmelo Maria L. Bautista	Director and Chairman
Rommel J. Ocampo	Director and President
Dr. David T. Go	Director and Treasurer
Tetsuo Higuchi	Director
Atsuhiko Okamoto	Director
Masando Hashimoto	Director
Rolando A. Rodriguez	Independent Director
Omar T. Cruz	Independent Director
Atty. Odel S. Janda	Independent Director
George S. Uy-Tioco, Jr.	Corporate Secretary
Atty. Renee Lyn C. Miciano-Atienza	Assistant Corporate Secretary

- *Carmelo Maria L. Bautista* has served as a Director and Chairman of the board since May 2017. He has current positions and affiliations in other companies/institutions such as President/Director at GT Capital Holdings, Inc., Director at GT Capital Auto and Mobility Holdings Inc., and Director at Federal Land, Inc., to name a few. He holds a degree in Economics and a Master's in Business Management
- *Rommel J. Ocampo* has served as a Director and President since January 2022. He has served as the Group Head of Sales and Marketing Group of TFSPH from May 2011 to December 2021. He holds a degree in Political Science.
- *Dr. David T. Go* has served as a Director and Treasurer since July 2017. He has current positions and affiliations in other companies/institutions such as the Vice Chairman/Treasurer of Toyota Motor Philippines Corporation, President of the Toyota Motor Philippines Foundation Corporation and President of Toyota Motor Philippines School of Technology, Inc. to name a few. He holds a degree in Arts and is a Doctor of Philosophy.
- *Tetsuo Higuchi* has served as a Director since January 2023. He has current positions and affiliations in other companies/institutions such as Director in Toyota Capital Malaysia SDN. BHD., and Director in Toyota Financial Services Korea CO., LTD., to name a few. He holds a degree in Law and Business Administration.
- *Masando Hashimoto* has served as a Director since January 2024. He is also currently the Director/President of Toyota Motor Philippines Corporation (as of January 2024). He holds a degree in Policy Management.
- *Rolando A. Rodriguez* has served as an Independent Director since July 2018. He has current positions and affiliations in other companies/institutions such as Director in Okeelanta, Inc., and Independent Director in Bank of Florida to name a few. He holds a degree in Economics and a Master's in Industrial Economics.
- *Omar T. Cruz* has served as an Independent Director since March 2021. He has current positions and affiliations in other companies/institutions such as Independent Director of RCBC Capital Corporation, Lead Independent Director of Ayala Land REIT, Inc. and Independent Director of Abacore Capital Holdings, Inc. He holds a degree in Industrial Management Engineering minor in Mechanical Engineering and a Master's in Industrial Economics.
- *Atty. Odel S. Janda* has served as an Independent Director since October 2021. His previous work experience as the former Corporate Secretary of Chinabank Savings, Inc. (Planters Development Bank) and Former First Vice President & Head of Legal Division, Chinabank Savings, Inc. (Planters Development Bank). He holds a degree in Political Science and Law.
- *George S. Uy-Tioco, Jr.* has served as the Corporate Secretary since July 2024. He has current positions and affiliations in other companies/institutions as Director of Maris Pure Corporation, Director of Telemann Incorporated, Director of Vivaldi Holdings, Inc. and Proprietor of Greaca Poultry Farm. He holds a degree in Management Engineering and a Master's in Business Administration.
- *Atty. Renee Lynn C. Miciano-Atienza* has served as the Assistant Corporate Secretary since July 2024. She has current positions and affiliations in other companies/institutions such as the Vice President of GT Capital Holdings, Inc, Director of GT Capital Auto and Mobility Holdings, Inc. and Director of Toyota Subic, Inc. to name a few. She holds a degree in Management and is a Juris doctor.

Key Executive Officers

The following are the key executive officers of the company:

Name	Title
Rommel J. Ocampo	President
Keisuke Gotanda	Executive Vice President
Marlon M. Pernes	Executive Vice President
Marvin Eugene N. Antonio	First Vice President
Maria Cecilia E. Baltazar	First Vice President
Atty. Maribel M. Dimayuga	First Vice President
John Franco B. Lim	First Vice President
Hazel T. Lopez	First Vice President
Josephine G. Ang	Vice President
Alvin Angelo J. Anoos	Vice President
Bernadette B. Bartolazo	Vice President
Jamar D. Dalisay	Vice President
Shirley L. De Vera	Assistant Vice President
Jaime O. Dela Cruz	Assistant Vice President
Maureen Aster E. Espinas	Vice President
Angelina D. Lagman	Vice President
Atty. Teodoro D. Villapena, Jr.	Vice President
Sergio M. Donato, Jr.	Vice President
Nedylane C. Camit	Assistant Vice President
Julian Blane V. Cruz	Assistant Vice President
Karina I. Del Rosario	Assistant Vice President
Ma. Marissa L. Dionisio	Assistant Vice President
Patricia A. Garchitorena	Assistant Vice President
Bryne J. Goopio	Assistant Vice President
Ana Lourdes V. Lumban	Assistant Vice President
Angelo M. Maquiñana	Assistant Vice President
Abel C. Reyes	Assistant Vice President
Neneth I. Romero	Assistant Vice President

- *Rommel J. Ocampo* has served as President of TFSPH since January 2022. He holds a Bachelor of Arts in Political Science and has been with TFSPH since August 2002, previously serving as Group Head of Sales and Marketing Group from May 2011 to December 2021.
- *Keisuke Gotanda* has served as Executive Vice President of TFSPH since January 2025. He holds a degree in Law and has previously served as the Executive Director of Toyota Capital Malaysia Sdn. Bhd., Senior Manager of Global Audit Group of Toyota Financial Services Corporation, Senior Manager of Global Audit Group of Toyota Financial Services Corporation and Senior Consultant of IT Advisory & Audit of KPMG AZSA LLC, Japan.
- *Marlon M. Pernes* has served as Executive Vice President and Comptroller of TFSPH since March 2011. He is a Certified Public Accountant and holds a Bachelor of Arts Major in Economics and Bachelor of Science in Commerce Major in Accountancy as well as a Bachelor of Laws. He was previously Vice President, Chief Risk and Compliance Officer of TFSPH and Manager/Controller at Lufthansa Technik Philippines.
- *Marvin Eugene N. Antonio* has served as First Vice President for Treasury since July 2024. He holds a degree in Economics and has previously served as the Head of Financial Markets and Macro Trading at Standard Chartered Bank Philippines, as an NDF Trader at Standard Chartered Bank Singapore and as the Head of Rates and Forex at Metropolitan Bank and Trust Co.
- *Maria Cecilia E. Baltazar* has served as First Vice President and Head of the Collections and Asset Recovery Department at TFSPH since March 2008. She holds a degree in Nursing. She also holds current positions at TFSPH including Asset Management and Disposal Department Head, Business Services Group – Vice President, Credit Administration Head, and Treasury Administration Head.
- *Atty. Maribel M. Dimayuga* has served as First Vice President and Chief Compliance Officer at TFSPH since August 2016. She holds a degree in Law and Political Science. She previously served as Assistant Vice President/Chief Compliance Officer at China Bank Savings, Inc. and Planters Development Bank, and held compliance and contracts roles at Teletel Philippines and Tong Yang Savings Bank, Inc.
- *John Franco B. Lim* serves as First Vice President and Sales Group Head at TFSPH. He has been with TFSPH since December 2006. John Franco holds a degree in Business Management Major in Entrepreneurship. He has been part of the TFSPH Sales Group for more than 10 years.

- *Hazel T. Lopez* serves as First Vice President and Business Services Group Head at TFSPH. She has held this position since January 15, 2020. She holds a degree in Political Science. Her work experience includes being a licensed Financial Advisor at Sun Life of Canada (Philippines), Inc., and she previously served as the Sales Department Head at TFSPH. and Business Services Group Head at TFSPH. She has held this position since January 15, 2020. She holds a degree in Political Her work experience includes being a licensed Financial Advisor at Sun Life of Canada (Philippines), Inc., and she previously served as the Sales Department Head at TFSPH.
- *Josephine G. Ang* serves as Vice President and Human Resources Department Head of TFSPH since November 2016. She holds a degree in Psychology, has earned units in Master's in Special Education and holds a Diploma in Industrial Relations. Previously, she was a Human Resources Manager at Davies Paints Philippines, Inc. and Benefits Head at Philippine Savings Bank. Master's in Special Education and holds a Diploma in Industrial Relations Previously, she was a Human Resources Manager at Davies Paints Philippines, Inc. and Benefits Head at Philippine Savings Bank.
- *Alvin Angelo J. Anoos* has served as Vice President and Chief Audit Executive at TFSPH since February 2023. He is a Certified Public Accountant and holds multiple professional certifications. He previously served as Internal Audit Head at Torre Lorenzo Development Corporation and held audit roles at Ayala Land and Coca-Cola Beverages Philippines.
- *Bernadette B. Bartolazo* serves as Vice President and General Services Department Head at Toyota Financial Services Philippines Corporation (TFSPH). She has held this position since July 2, 2009. She completed her studies in Tourism at Saint Michael's College of Laguna. She has been with TFSPH General Services for more than 10 years. and General Services Department Head at Toyota Financial Services Philippines Corporation (TFSPH). She has held this position since July 2, 2009. She completed her studies in Tourism at Saint Michael's College of Laguna. She has been with TFSPH General Services for more than 10 years.
- *Jamar D. Dalisay* has served as Vice President, Information Technology Department Head at TFSPH since July 2006. He holds a degree in Computer Science from Ateneo de Manila University and has spent over 10 years with the TFSPH Information Technology Department.
- *Shirley L. De Vera* has served as Vice President and Treasury Department Head at TFSPH since February 2016. She holds a degree in Information Technology. Prior to joining TFSPH, she was the Finance and Affiliates Manager at Ajinomoto Philippines Corporation, and Treasury Department Head at TFSPH since February 2016. She holds a degree in Information Technology. Prior to joining TFSPH, she was the Finance and Affiliates Manager at Ajinomoto Philippines Corporation.
- *Jaime O. Dela Cruz* has served as Vice President and Credit Department Head TFSPH since August 2007. He holds a degree in Business Administration Major in Management. He has been with the TFSPH Sales Department for more than 10 years and Credit Department Head TFSPH since August 2007. He holds a degree in Business Administration Major in Management. He has been with the TFSPH Sales Department for more than 10 years.
- *Maureen Aster E. Espinas* has served as Vice President, Asset Management and Disposal Department Head at TFSPH since May 2012. She holds a degree in Computer Science and has previous experience in collections and credit management at Maybank Philippines, Asia Trust Bank, and other organizations.
- *Angelina D. Lagman* has served as Vice President and Financial and General Accounting Department Head at TFSPH since October 2009. She holds a degree in Business Administration Major in Accounting. She has been with the TFSPH Financial and General Accounting Department as Head for more than ten years.
- *Atty. Teodoro D. Villapena, Jr.* has served as the Vice President and Corporate Lawyer at TFSPH since June 2015. He is a lawyer at practice and holds a degree in Political Science and law and has a Master's in Business Administration. He previously served as the Vice President for Legal at the Radio Wealth Finance Company, Inc.
- *Nedylane C. Camit* has served as Assistant Vice President and Loan Operations Department Head at TFSPH since August 2002 and holds a degree in Business Management. She has been with TFSPH Business Services for more than 10 years.
- *Juliann Blane V. Cruz* has served as the Assistant Vice President and Provincial Sales Department Head since July 2011. He holds a degree in International Business and has been with the TFSPH Sales Department for more than 10 years.
- *Karina I. Del Rosario* has served as Assistant Vice President and Chief Risk Officer at TFSPH since June 2017. She holds a degree in Accountancy and is a Certified Public Accountant. She previously served as Senior Associate at SGV & Co.
- *Ma. Marissa L. Dionisio* has served as Assistant Vice President and Cash Control Department Head at TFSPH since July 2003. She holds a degree in Accountancy and has been with TFSPH Business Services for more than 10 years.
- *Patricia A. Garchitorena* has served as Assistant Vice President and Digital Transformation and Innovation Department Head at TFSPH since January 2023. She holds a degree in Broadcast Communication. Her work experience includes serving as an IT Project Implementation Partner at BDO Unibank, Inc. and as a Project Management and System Support Department Head at Bank of the Philippine Islands.

- *Bryne J. Goopio* has served as the Assistant Vice President and Brand Affiliates Department Head since October 2016. He holds a degree in Business Management and has experience as the former TFSPH Sales Team Head in 2015.
- *Ana Lourdes V. Lumban* has served as Assistant Vice President and Marketing Department Head since May 2024. She holds a degree in Advertising Management and has previously served as the Marketing and Network Development Head at Adventure Cycle Philippines Inc., Marketing Head of Iconic Dealership Inc. and the Market Head, Account Officer at BPI Century Tokyo Lease.
- *Angelo M. Maquiñana* has served as Assistant Vice President and Metro Manila Sales Department Head and concurrently Corporate Sales Management Department Head since February 2011. He holds a degree in Financial Management and has been with the TFSPH Sales Department for more than 10 years.
- *Abel C. Reyes* has served as Assistant Vice President and Corporate Planning Department Head since May 2011. He holds a degree in Financial and Management Accounting. He previously served in positions as the Country Manager of Toyota Motor Asia Pacific Ltd., in Singapore, the Department Head of Corporate Sales Management, Fleet Manager of the Sales Department and Sales Officer of the Sales Department.
- *Neneth I. Romero* has served as Assistant Vice President and Loan Administration Department Head at TFSPH since July 2008. She holds a degree in Business Administration, major in Business Management and has been with TFSPH's Credit Department for more than 10 years.

Corporate Governance Committee

The Corporate Governance Committee has four (4) members including three (3) Independent Directors. It is chaired by an Independent Director. Meetings are conducted on a quarterly basis. The general purpose and responsibilities include: assistance to the Board of Directors in identifying individuals qualified to become Board members, recommend nominees for the next annual meeting of shareholders; recommend Corporate Governance Guidelines applicable to the company; and leads the Board in its annual review of the Board's and Management's performance. The Committee ensures that the Corporate Governance framework is reviewed and updated on a regular basis.

The Corporate Governance Committee handles the responsibilities of a Related Party Transaction Committee. Part of the function is to provide internal guidelines on related party transactions to ensure that such are fully disclosed, conducted at arm's-length terms that corporate or business resources are not misappropriated or misapplied and the highest ethical standards consistent with the principles for enhancing corporate risk governance are observed.

Audit Committee

The Audit Committee is comprised of four (4) members which include three (3) Independent Directors. It is chaired by an Independent Director with regular meetings held every quarter. Its General Purpose and Responsibilities include: Assisting the Board in fulfilling its responsibilities with respect to internal controls including financial, operational and compliance controls, accounting and auditing policies, risk management and financial reporting practices; Assisting the Board in its oversight of (i) the integrity of the financial statements, (ii) compliance with legal and regulatory requirements, and (iii) qualification, independence, and performance of the external and internal audit functions.

Risk Oversight Committee

The Risk Oversight Committee is comprised of four (4) Directors, which include three (3) Independent Directors. It is chaired by an Independent Director, with regular meetings held every quarter. It is responsible for the development and oversight of the company's risk management structure which includes policies and procedures in managing credit, market, operational, information technology, information security and certain other risks, as well as those relating to capital, liquidity, financing, merger, acquisition, and divestiture activities. The Committee regularly reports to the Board of Directors regarding the company's risk profile, the effectiveness of its risk management framework, and the overall performance of the Company's Risk Management function.

Executive Committee

The Executive Committee is comprised of five (5) members, with at least three (3) members of the Board of Directors. Regular meetings are held at least once every quarter. The members of the Committee are appointed by the Board of Directors to provide oversight, direction and counsel to the President on all policy matters; assist and guide the President in the resolution and implementation of major management decisions; involve in matters effective to the strategic direction of the Company; and monitor the financial performance of TFSPH and the adequacy of its capital.

Management Committee

The Management Committee is composed of members from the Senior Management of TFSPH appointed by the Board of Directors. The President is the Chairman of the Committee. Regular meetings are held every month, within the second week after the end of the month or as determined by the Chairman. The Committee oversees the management of the day-to-day activities of the TFSPH. It must ensure that Management has in place policies, processes and procedures and assesses the significant risks to which TFSPH is exposed, including compliance with applicable laws and regulations.

Credit Committee

The Credit Committee is composed of members coming from Senior Management appointed by the Board of Directors (“BOD”), with the President as Chairman. Regular meetings are held at least every month. It reviews and approves loan applications within the threshold set by the BOD. It evaluates and recommends accounts for write-off. It implements other directives of the Board of Directors.

Asset Liability Committee

The Asset Liability Committee (“ALCO”) is composed of members coming from Senior Management appointed by the Board of Directors (“BOD”), with the President as Chairman. The ALCO meets on a weekly basis. Additional meetings may be scheduled as business needs require.

Anti-Money Laundering Committee

The Committee is headed by the Chief Compliance Officer. It meets every two (2) months or on a more frequent basis depending on the need. It is responsible for dispositions of issues and concerns regarding overall AML compliance strategy and program of TFSPH.

Corporate Governance

The Corporate Governance landscape consists of a framework of rules, systems and processes that govern the performance of the Board of Directors and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among others, customers, employees, suppliers, investors, government and the community in which it operates. TFSPH has been active in advocating good governance. We support continuous improvement through Kaizen initiatives and exercise best governance practices to further reinforce our position as the leading financing company in the Philippines.

The Corporate Governance framework of TFSPH is focused on instilling transparency and accountability within the existing system. Corporate governance influences how the goals and intentions are set and achieved to effectively navigate various opportunities and strategies for TFSPH. TFSPH believes that strong and effective corporate governance is a foundation in building a culture of integrity that leads to progressive performance and sustainable operations.

Corporate Governance Manual and Code of Conduct

The Corporate Governance Manual at TFSPH is a foundational document that outlines the general standards and framework for governance within the organization. It defines the rules, systems, and processes that govern the performance of the Board of Directors and Management in fulfilling their duties to stockholders and other stakeholders, including customers, employees, suppliers, investors, government, and the community in which TFSPH operates. The Manual sets policies on matters such as the composition and selection of the Board, the conduct and responsibilities of directors and officers, remuneration, performance assessment, succession planning, and related party transactions. It is focused on instilling transparency, accountability, and integrity, with regular reviews and updates to align with relevant regulations and best practices. The Manual also ensures compliance with regulatory requirements set by the BSP and the SEC.

The Code of Conduct, as referenced in the compliance function, establishes high standards of ethical behavior across TFSPH. It provides guidance for all team members to comply with applicable laws, regulations, and internal policies always. The Code is anchored in the company's guiding principle known as the Toyota Way, which rests on two pillars: "Continuous Improvement" and "Respect for People." The compliance framework, including the Code of Conduct, aims to foster a culture of accountability and transparency, ensuring that ethical behavior is an integral part of achieving business objectives. Regular training and monitoring are implemented to ensure understanding and adherence to the Code and all related regulations

Board of Directors

The Board comprises eight (8) highly knowledgeable and proficient directors including three (3) independent directors, ensuring a balance between executive and non-executive leadership.

The corporate governance framework ensures strategic guidance within TFSPH and assures effective monitoring of management by the Board. The primary responsibility of the Board is to foster the long-term success of TFSPH and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility.

Directors play a key role in overall corporate governance landscape and the primary responsibility is stewardship and trusteeship. Compliance with principles of good corporate governance starts with the Board. It sets the pace with policies that embody TFSPH values and standards, medium and long-term setting of goals, an ever-watchful eye on external developments that may impact TFSPH's growth, and ready responses on how to adapt to such market events and development.

The Board of Directors monitors the performance of the executive management against ongoing or specified quantitative or qualitative criteria. Such evaluation criteria include standards for internal controls, regulatory and legal compliance and appropriate management policies, procedures, and standards.

Board Composition

The Board of Directors of TFSPH is composed of eight (8) members. Of these, three (3) are Independent Directors, while the remaining five (5) are non-independent directors nominated by the stockholders, three (3) by TFSC and two (2) by GT Capital.

The Board's composition is structured to ensure a balance of independence and expertise. All nominees to the Board are required to possess the qualifications and none of the disqualifications as mandated by relevant Philippine laws and regulations, including the Revised Corporation Code, Securities Regulation Code, the General Banking Law, and the Bangko Sentral Manual of Regulations for Non-Bank Financial Institutions. The Corporate Governance Committee reviews and evaluates nominations before they are endorsed to the Board for approval.

Directors of TFSPH are elected by stockholders during the annual meeting and serve until their successors are elected or until resignation, removal, or other circumstances as stated in the By-Laws. Additional directorships from board expansion are filled through elections at a regular or special stockholders' meeting. Vacancies not due to removal or term expiration may be filled by the remaining directors within sixty (60) days, with the appointee serving the unexpired term. Directors may resign by written notice, effective as specified without requiring acceptance. Generally, directors may not be reelected after the fiscal year turn 75, unless they are waived by the Board, and independent directors may serve up to a cumulative term of nine (9) years.

The Chairman

The Board of Directors is headed by the Chairman. The Chairman of the Board has consistently exhibited utmost leadership in ensuring that the Board is carrying out its responsibilities in accordance with the corporate governance framework and best practices by doing the following:

- Ensures that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns.
- Ensures a sound decision-making process.
- Encourages and promotes critical discussion.
- Ensures that dissenting views can be expressed and discussed within the decision-making process;
- Ensures that members of the board of directors receive accurate, timely and relevant information.
- Ensures the conduct of proper orientation for first time directors and provide training opportunities for all directors; and
- Ensures conduct of performance evaluation of the board of directors at least once a year.

Board Meetings

Board meetings at TFSPH are structured to uphold effective governance and oversight. The Board of Directors, led by the Chairman, holds regular meetings as defined in the By-Laws, with agendas focused on strategic priorities, risk appetite, and governance matters. The Chairman ensures sound decision-making, encourages critical discussion, and guarantees the timely dissemination of accurate and relevant information to all directors.

In FY2025, the Board held six meetings, with all directors recording full attendance ("6/6"), reflecting strong engagement and commitment. Annual performance evaluations, which include attendance and active participation, confirmed that the Board, its committees, the Chairman, and the President are all effective and competent in their roles. The level of independence and the composition of Board-level committees are also deemed appropriate, with overall performance for FY2025 rated as excellent.

INDUSTRY HIGHLIGHTS

The Philippine Automotive Industry Highlights

The Philippine automotive market continues to be highly competitive, with factors such as product quality, pricing, reliability, fuel efficiency, and financing terms significantly influencing consumer choices. In 2024, total vehicle sales in the country reached 469,062 units, reflecting a 6.9% annual growth from the previous year, according to industry data from CAMPI and AVID. Commercial vehicles dominated the market with 353,733 units sold, accounting for approximately 75.4% while passenger cars comprised the remaining 115,329 units or 24.6%.

Toyota Motor Philippines (“**TMP**”) retained its market leadership with 215,756 units sold, securing a 45.41% market share. Growth in 2024 was supported by improving economic activity, expanded model line-ups, and the growing presence of Chinese brands such as BYD, GAC, Jetour, and MG. the industry is optimistic, projecting 8.0% growth in 2025, with total vehicle sales expected to reach 512,000 units. Contributing factors include rising OFW remittances, continued BPO sector strength, election-related spending, and the launch of new vehicle models. Electric vehicle (EV) sales are projected to increase by 7%, reaching 20,000 units or 4% of the total market, although these projections should be validated against official industry or government data. In the first half of 2025, vehicle sales grew 6.6% year on year, totaling 111,276 units with EVs, mostly hybrids accounting for 8.2%.

To support local manufacturing, the government is preparing the ₱9.0-billion RACE (Resiliency, Advancement, and Capability Enhancement) Program, a follow-up to the CARS (Comprehensive Automotive Resurgence Strategy) Program. Under RACE, manufacturers are required to locally produce a minimum of 100,000 units of three ICE vehicle models to qualify for up to ₱3.0 billion in fiscal incentives per brand—significantly lower than the 200,000-unit requirement under the CARS Program.

Principal Competitors

The auto-financing landscape in the Philippines remains intensely competitive. Major players include universal banks as well as non-bank lenders. For Toyota Financial Services Philippines (“**TFSPH**”), the primary competitors in financing Toyota vehicles include PSBank, EastWest, BPI, BDO, and Security Bank.

TFSPH reached 30% penetration as of June 2025, meaning approximately three out of every ten Toyota units sold were financed by TFSPH. The company’s competitive edge stems from several key factors:

1. TFSPH is the only local financing company offering Finance Lease and Full-Service Operating Lease options to retail customers, enabling lower cash outlays and exemption from chattel mortgage fees.
2. TFSPH offers preferential rates for T-Sure (Toyota Quality Pre-Owned Cars) making used car financing more competitive.
3. TFSPH’s close relationships with Toyota Motor Philippines and its dealer network allow it to deliver joint promotions and exclusive financing packages, enhancing customer acquisition.

Consumer Finance Prospects

The consumer lending sector in the Philippines continues to show robust growth, underpinned by economic expansion and increased household spending. By the end of 2024, total consumer loans reached approximately ₱3.1 trillion, representing an 18% increase from ₱2.6 trillion in 2023, according to the BSP. Motor vehicle loans, a major component of consumer finance, expanded by 18.5% during the same period.

As of end-2024, consumer loans accounted for 20.1% of the total loan portfolio of the Philippine banking sector. This share is expected to grow further in 2025, driven by continued growth in employment, stable interest rates, and strong remittance inflows that support household spending and consumer confidence.

TAXATION

The following is a general description of certain Philippine tax aspects of the Bonds. This discussion is based upon Philippine tax laws, in particular the Tax Code, as amended by the TRAIN Law, CREATE Law, and CMEPA, its implementing regulations and rulings in effect at the date of this Offering Circular. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective Bondholders. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Bonds. Prospective purchasers should consult their tax advisors as to the laws of other applicable jurisdictions and the specific tax consequences of acquiring, holding, and disposing of the Bonds.

As used in this section, the term “resident alien” refers to an individual whose residence is within the Philippines but who is not a citizen of the Philippines; a “non-resident alien” is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines”; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a “non-resident alien not doing business in the Philippines.” A “resident foreign corporation” is a foreign corporation engaged in trade or business within the Philippines; and a “non-resident foreign corporation” is a foreign corporation not engaged in trade or business within the Philippines. The term “foreign” when applied to a corporation means a corporation which is not domestic while the term “domestic” when applied to a corporation means a corporation created or organized in the Philippines or under its laws.

Taxation of Interest

The Philippine National Internal Revenue Code, as amended by Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion or TRAIN, and Republic Act No. 11534 or the CREATE Law (the “**Tax Code**”) provides that interest income on interest-bearing obligations of Philippine residents, such as the Bonds, are Philippine-sourced income subject to Philippine income tax.

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, the CREATE Law. The amendments under the CREATE Law include the reduction of the corporate income tax rate for domestic corporations, resident foreign corporations, and non-resident foreign corporations from 30% to 25%. For domestic corporation, the regular corporate income tax rate may be further reduced to 20% depending on the net taxable income and total assets of such domestic corporation. In addition to the reduction of the regular corporate income tax, the rate of the Minimum Corporate Income Tax (“**MCIT**”) was lowered to 2%, and capital gains from sale of shares of stock not traded in the stock exchange by resident and non-resident foreign corporations are now subject to 15% tax rate.

On May 29, 2025, the President signed into law Republic Act No. 12214 or the CPEMA, subject to the President’s exercise of line-item veto powers. The law took effect on July 1, 2025.

CMEPA introduces, among others, the following amendments to the Tax Code: (i) expansion of the definition of “securities” to include (a) investment contracts, certificates of interest, or participation in a profit-sharing agreement, such as certificates of deposit for a future subscription, (b) fractional undivided interests in oil, gas, or other mineral rights, (c) certificates of assignment, certificates of participation, trust certificates, voting trust certificates, or similar instruments, and (d) other similar instruments as may be determined by the Securities and Exchange Commission; (ii) removal of the tax exemption enjoyed by taxpayers on interest from long-term deposits and the imposition of a 20% final withholding tax on interest income; (iii) imposition of a 15% final withholding tax on capital gains from the sale, exchange, or other disposition of shares of stock in a domestic or foreign corporation, except through a local or foreign stock exchange; (iv) a change in the rate of documentary stamp tax for original issuance of shares from ₱2.00 for every ₱200.00 pesos (or fractional part thereof) of the par value, to 75% of 1% of the value of the par value of share such shares of stock; (v) imposition of documentary stamp tax in the amount of 75% of 1% of the value of the transaction for transactions involving selling or transferring bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country; (vi) imposition of documentary stamp tax in the amount of 75% of 1% of the issue price of debt instruments; and (vii) reduction of stock transaction tax from 0.60% to 0.10% for sales of shares of stock listed and traded through the local stock exchange, including transactions regarding shares of domestic corporations through a foreign stock exchange.

The Tax Code, as amended by BIR Revenue Regulations No. 021-2025, defines “deposit substitutes” as an alternative form of obtaining funds from the public, other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower’s own account, for the purpose of relending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer. Obtaining funds from the “public” in this instance means borrowing from twenty (20) or more individual or corporate lenders at any given time.

The Bonds may be considered as deposit substitutes issued by Philippine residents with a maturity period of less than five (5) years. As such, interest income arising from the Bonds are considered as Philippine sourced income subject to final withholding tax at the following rates:

Philippine citizens and resident alien individuals – 20%
Non-Resident aliens doing business in the Philippines – 20%
Non-resident aliens not doing business in the Philippines – 25%

Domestic corporations – 20%
Resident foreign corporations – 20%
Non-resident foreign corporation – 25%

Under the CMEPA, the final withholding tax rate on interest income, will be subject to a uniform rate of 20%, except for non-resident aliens not engaged in trade or business and non-resident foreign corporations, both of whom shall still be subject to a final withholding tax rate of 25%.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 10% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced

withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Given the above, all Bondholders are required to provide the Issuer through the Paying Agent their validly issued Tax Identification numbers issued by the Philippine Bureau of Internal Revenue.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR confirming the exemption or preferential rate; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer of and suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming treaty benefits, including evidence of the applicability of a tax treaty and consularized or apostilled proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided further that, the Issuer shall rely on the documentary proof submitted by the Bondholders on their tax status and relevant BIR rulings to determine the applicable tax treatment and all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Holder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

Transfers taking place in the Register of Bondholders after the Bonds are listed in PDEx may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when allowed under, and are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC. A selling or purchasing Bondholder claiming tax-exempt status is required to submit the following documents to the Registrar, together with the supporting documents specified under Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar: (i) a written notification of the sale or purchase, including the tax status of the transferor or transferee, as appropriate; and (ii) an indemnity agreement wherein the new Bondholder undertakes to indemnify the Issuer for any tax that may later on be assessed on the Issuer on account of such transfer.

Documentary Stamp Taxes

The issuance of the Bonds and Commercial notes and instruments will be subject to documentary stamp tax at the rate of 75% of 1% of the issue value of such notes. The DST is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. The Company is liable for the payment of the documentary stamp tax on the original issuance of the Bonds. No documentary stamp tax is imposed on the secondary transfer of the Bonds.

Taxation on Sale or Other Disposition of Bonds

If the Bonds are considered ordinary assets of individual Bondholders, gains from the sale or disposition of such Bonds are included in the computation of taxable income, which is subject to the following graduated tax rates for Philippine citizens (whether residents or non-residents), or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines effective January 1, 2023 and onwards:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident aliens not engaged in trade or business, the gain shall be subject to the 25% final withholding tax.

If the Bonds are considered as capital assets of individual Bondholders, gains from the sale or disposition of the Bonds shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bonds for a period of more than twelve (12) months prior to the sale, only 50% of the gain will be recognized and included in the computation of taxable income. If the Bonds were held by an individual for a period of twelve (12) months or less, 100% of the gain will be included in the computation of the taxable income.

Gains derived by domestic or resident foreign corporations on the sale or other disposition of the Bonds are included in the computation of taxable income which is subject to a 25% income tax and 20% for domestic SMEs. Gains derived by non-resident foreign corporations on the sale or other disposition of the Bonds shall form part of their gross income which is likewise subject to a 25% final withholding tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Value-Added Tax/Gross Receipts Tax

Gross receipts derived by dealers in securities from the sale of the Bonds in the Philippines shall be subject to VAT of 12%. The term "gross receipt" means gross selling price less acquisition cost of the Bonds sold. For purposes of this section, dealers in securities are merchants of stocks

or securities, whether individual, partnership, or corporations, with an established place of business, regularly engaged in the purchase of securities and their resale to customers.

Banks and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax in lieu of VAT, at the following rates:

- (a) On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less – 5.0%

Maturity period is more than 5 years – 1.0%

- (b) On dividends and equity shares and net income of subsidiaries – 0%
- (c) On royalties, rentals of property, real or personal, profits, from exchange and all other items treated as gross income under the Tax Code – 7.0%
- (d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives, and other similar financial instruments – 7.0%

Other nonbank financial intermediaries are subject to gross receipts tax at the following rates:

- (a) On interest, commissions, discounts and all other items treated as gross income under the Tax Code – 5.0%
- (b) On interests, commissions and discounts from lending activities, as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less – 5.0%

Maturity period is more than 5 years – 1.0%

In case the maturity period is shortened thru pre-termination, the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

Estate and Donor's Tax

Beginning January 1, 2018, the transfer of Bonds as part of the estate of a deceased individual to his heirs, whether or not such individual was a resident of the Philippines at the time of his death, will be subject to an estate tax, at a uniform rate of 6%, regardless of whether the decedent is a resident or non-resident of the Philippines. A holder of such Bonds will be subject to donor's tax, at a uniform rate of 6% based on the value of the total gift in excess of P250,000.00 made during a calendar year, regardless of the relation of the donor to the donee.

The estate tax as well as the donor's tax in respect of the Bonds shall not be collected (i) if the deceased at the time of death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country or (ii) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country. As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines but who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines. The term "foreign" when applied to a corporation means a corporation which is not domestic while the term "domestic" when applied to a corporation means a corporation created or organized in the Philippines or under its laws.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may, unless made in the ordinary course of business (i.e., a transaction which is bona fide, at arms' length, and free from any donative intent), be deemed a gift and may be subject to donor's taxes.

DISTRIBUTION AND SALE

Method of Distribution

The Bonds are being issued pursuant to BSP Circular No. 1010 (Series of 2018) and other related circulars and issuances of the BSP (the BSP Rules). The issuance of the Bonds is exempt from the registration requirement pursuant to Section 9.1.1 of the 2015 Implementing Rules and Regulations of the Securities Regulation Code.

The Bonds are being issued by the Issuer with First Metro Investment Corporation and ING Bank N.V., Manila Branch as Joint Lead Arrangers and Bookrunners and Selling Agents, Metropolitan Bank & Trust Company and BPI Capital Corporation as Selling Agents, Philippine Depository & Trust Corp. as Registrar and Paying Agent, and Development Bank of the Philippines – Trust Banking Group as Trustee.

No action has been or will be taken by the Issuer, the Joint Lead Arrangers and Bookrunners or the Selling Agents in any jurisdiction (other than the Philippines), that would permit a public offering of any of the Bonds, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Bonds, in any country or jurisdiction where action for that purpose is required.

The Joint Lead Arrangers and Bookrunners and the Selling Agents are required to comply with all laws, BSP rules and directives as may be applicable in the Philippines, including without limitation any BSP rules issued by the BSP, in connection with the offering and purchase of the Bonds and any distribution and intermediation activities, whether in the primary or secondary markets, carried out by or on behalf of the Joint Lead Arrangers and Bookrunners and the Selling Agents in connection therewith. Each of the Joint Lead Arrangers and Bookrunners is a third-party in relation to the Issuer, such that, (i) it has no subsidiary/affiliate relationship with Issuer; and (ii) it is not related in any manner to Issuer as would undermine the objective conduct of due diligence on Issuer. The Registrar and Paying Agent and Trustee are likewise third-parties in relation to Issuer, such that, (i) they have no subsidiary/affiliate relationship with Issuer; (ii) they are not related in any manner to Issuer as would undermine their independence.

The Bonds are newly issued securities for which there currently is no market. ING (Market Maker) has committed to provide live bids good for the minimum denomination under the Terms and Conditions, and a cumulative trading commitment per trading day, as required under PDEX Trading Rules, Conventions, and Guidelines. The Market Maker is not obligated to make a market for the Bonds. Accordingly, no assurance can be given as to the development or liquidity of any market for the Bonds.

The Joint Lead Arrangers and Bookrunners, the Selling Agents or their respective affiliates may purchase the Bonds for their own account or enter into secondary market transactions or derivative transactions relating to the Bonds, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackagings and credit default swaps, at the same time as the offering of the Bonds. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be a purchaser of the Bonds). As a result of such transactions, the Joint Lead Arrangers and Bookrunners, the Selling Agents or their respective affiliates may hold long or short positions relating to the Bonds. The Joint Lead Arrangers and Bookrunners, the Selling Agents or their respective affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Issuer or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each of the Joint Lead Arrangers and Bookrunners, the Selling Agents or their respective affiliates may, from time to time after completion of the offering of the Bonds, engage in other transactions with, and perform services for, the Issuer or its affiliates in the ordinary course of their business. The Joint Lead Arrangers and Bookrunners, the Selling Agents or their respective affiliates may also purchase Bonds for asset management and/or proprietary purposes but not with a view to distribution or may hold Bonds on behalf of clients or in the capacity of investment advisors. While the Joint Lead Arrangers and Bookrunners, the Selling Agents and their respective affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause the Joint Lead Arrangers and Bookrunners, the Selling Agents or their respective or their clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Bonds. The Joint Lead Arrangers and Bookrunners or the Selling Agents may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Bonds.

Applications to Purchase the Bonds during the Offer Period

Applicants may purchase the Bonds during the relevant Offer Period by submitting fully and duly accomplished Applications to Purchase the Bonds, in quadruplicate together with all the required attachments and the corresponding payments to the Selling Agent from whom such application was obtained no later than 12:00 noon of the last day of the relevant Offer Period. Applications received after said date or without the required attachments will be rejected. The Issuer and Joint Lead Arrangers and Bookrunners reserve the right to adjust the Offer Period as needed.

If the Applicant is an individual, the following documents must also be submitted:

- a) A clear copy of at least one (1) valid photo-bearing identification document issued by an official authority in accordance with BSP Circular No. 608 (2008) as may be amended from time to time, and documents as may be required by to the Registrar and/or Selling Agent concerned;
- b) Two (2) fully executed signature cards in the form attached to the application; and
- c) For aliens residing in the Philippines or non-residents engaged in trade or business in the Philippines, consularized proof of tax domicile issued by the relevant tax authority of the Applicant.

If the Applicant is a corporation, partnership, trust, association or institution, the following documents must also be submitted:

- a) SEC-certified or Corporate Secretary-certified true copy of the SEC Certificate of Registration, Articles of Incorporation and By-Laws or such other relevant organizational or charter documents;

- b) Original or Corporate Secretary-certified true copy of the duly notarized certificate confirming the resolution of the Board of Directors and/or committees or bodies authorizing the purchase of the Bonds and specifying the authorized signatories; and
- c) Two (2) fully executed signature cards duly authenticated by the Corporate Secretary, in the form attached to the application.

Corporate applicants who are claiming tax exemption must also submit the following:

- a) Certified true copy of a tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue no more than one year prior to the date of submission of the same to the Selling Agents or Limited Selling Agents;
- b) Original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax-exempt status, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax-exempt status and agreeing to indemnify and hold the Issuer and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and
- c) Such other documentary requirements as may be required by the Registrar as proof of the Applicant's tax-exempt status.

Allocation and Issue of the Bonds

Applications to Purchase the Bonds shall be subject to the availability of the Bonds and acceptance by the Issuer. The Joint Lead Arrangers and Bookrunners, in consultation with the Issuer, reserves the right to accept, reject, scale down or reallocate any Application to purchase the Bonds applied for.

In the event that payment supporting any Application is returned by the drawee bank for any reason whatsoever, the Application shall be automatically cancelled and any prior acceptance of the Application shall be deemed revoked. If any Application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest by the relevant Selling Agent.

On the Issue Date, the Selling Agents shall, on behalf of the Issuer, accept the relevant Applications to Purchase. The acceptance of the Application to Purchase shall *ipso facto* convert such Application to Purchase into a purchase agreement between the Issuer and the relevant Bondholder.

Upon confirmation by the Issuer of acceptance of the relevant Applications and the respective amount of Bonds, the Registrar and Paying Agent shall issue the relevant registry confirmation (the “**Registry Confirmation**”) to successful applicants confirming the acceptance of their purchase of the Bonds and consequent ownership thereof and stating the pertinent details including the amount accepted, with copies to the Issuer.

The Registrar shall be entitled to rely solely on the Final Sales Reports submitted by the Selling Agents to the Registrar. Where PDTC discovers, after Issue Date, any inconsistency between the Final Sales Report and the Application to Purchase submitted by the Bondholder, PDTC reserves the right to rely subsidiarily on the Applications to Purchase, to the extent that the information in the Final Sales Report is noted to be inconsistent with the Application to Purchase. Within seven (7) Banking Days from the Issue Date, the Registrar shall distribute the Registry Confirmations directly to the Bondholders in the mode elected by the Bondholder as indicated in the Application to Purchase.

Transactions in the Secondary Market

All secondary trading of the Bonds shall be coursed the trading facilities of PDEX, as applicable, subject to the payment by the Bondholder of fees to the connection with trading on PDEX, and the Registrar. Transfers shall be subject to the procedures of the BSP, the Registrar and PDEX, including but not limited to the guidelines on minimum trading lots, minimum holding denominations, and record dates.

The Issuer shall list the Bonds in PDEX for secondary market trading. Upon listing of the Bonds with PDEX, investors shall course their secondary market trades through the trading participants of PDEX for execution in the PDEX Trading Platform in accordance with the PDEX Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEX Settlement Rules and Guidelines. The secondary trading of the Bonds in PDEX may be subject to such fees and charges of PDEX, the trading participants of PDEX, and other providers necessary for the completion of such trades. Transactions on the Bonds on PDEX will be subject to the duly approved and relevant rules of the exchange, including guidelines on minimum trading lots and other guidelines for holding and trading of the Bonds as may be prescribed by the BSP.

For the avoidance of doubt, the minimum denomination for the Bonds as prescribed by the BSP must be kept at all times. Consequently, no negotiation or secondary trading will be allowed if the result is that a remaining Bondholder of the Bonds will hold less than the minimum denomination as prescribed or approved by the BSP.

No transfers will be effected for a period of two (2) Business Days preceding the due date for any payment of interest on the Bonds, or during the period of two (2) Business Days preceding the due date for the payment of the principal amount of the Bonds.

The Registrar shall register any transfer of the Bonds upon presentation to it of the following documents in form and substance acceptable to it:

- The relevant Trade- Related Transfer Form or Non-Trade Transfer Form as the case may be, duly accomplished by the transferor Bondholder and endorsed by the PDEX Trading Participant;
- the relevant Purchase Advice of the buyer/transferee (with the information provided therein duly set forth in typewritten form);
- duly accomplished Investor Registration Form of the buyer/transferee as prescribed by the Registrar as well as all supporting documents described for the original issuance of the Bonds as described above (in case of a new holder);

- proof of the qualified tax-exempt status of the transferee, if applicable, and the covering Affidavit of Undertaking;
- the original duly endorsed signature cards of the buyer/transferee and such other original or certified true copies of other documents submitted by the buyer/transferee in support of the transfer or assignment of the Bonds in its favor;
- the appropriate secretary's certificate attesting to the board resolutions authorizing the transfers and acceptances as well as designating the authorized signatories, together with specimen signature cards duly signed by the parties, and duly authenticated by each party's corporate secretary; and
- such other documents that may be required by the Registrar, including those for Non-Trade Transactions.

Transfers of the Bonds made in violation of the restrictions on transfer under the Terms and Conditions shall be null and void and shall not be registered by the Registrar.

Interest and Principal Payment

On the relevant Payment Date, the Registrar shall, upon receipt of the corresponding funds from the Issuer, make available to the Bondholders the amounts due under the Bonds, net of taxes and fees (if any), by way of credits to the bank accounts identified by the Bondholders in the Applications to Purchase.

Schedule of Registry Fees

The Registrar and Paying Agent shall be entitled to charge the Bondholders and/or their counterparties such reasonable fees as the Registrar and Paying Agent shall prescribe in connection with the services that the Registrar and Paying Agent shall perform, such as, but not limited to, the opening and maintaining of accounts in favor of the Bondholders, the maintenance of the records of the Bondholder in the Registry, the issuance, cancellation, and replacement, when proper, of the Registry Confirmations, and the transfers of the Bonds from a purchaser or seller/transferor of the Bonds.

Transfer Fees in the Secondary Trading

1. Transfer Fee of ₱100.00 to be paid each by the transferring Bondholder and the buyer/transferee prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer. For transfers from a registry account to the depository, the full charge of ₱200.00 per transfer shall be charged to the transferring bondholder.
2. Account Opening Fee of ₱100.00 to be paid upfront by a transferee who has no existing account in the Registry.
3. Such transaction fees as PDTC shall prescribe for effecting electronic settlement instructions received from the PDS Clear System if so duly authorized by a bondholder.

Transfer Fees due to Non-Trade Transactions

1. Transaction Fee of ₱100.00 to be paid each by the transferring bondholder and the requesting party prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer.
2. Transaction Fee of ₱500.00 per side plus legal cost, for non-intermediated transfers (e.g. inheritance, donation, pledge).

Other Fees charged to the Bondholder

These fees pertain to instances when PDTC is requested to undertake the printing of non-standard reports for the Bondholders for which appropriate fees are charged to cover the related overhead costs. The fee may vary depending on the type of report, as follows:

1. Fee of ₱200.00 to be paid upon each application for a certification request of holding.
2. Fee of ₱50.00 to be paid upon each application for a monthly statement of account (in addition to the quarterly statement of account to be issued by the Registrar to each Bondholder free of charge).
3. Fee of ₱50.00 to be paid upon application for the issuance of a replacement Registry Confirmation for reasons such as mutilated, destroyed, stolen or lost.
4. The fee for Special Reports varies depending on request.
 - a. Report without back-up file restoration is subject to a fee of ₱100.00 per request, plus ₱20.00 per page.
 - b. Report requiring back-up file restoration is subject to a fee of ₱300.00 per request, plus ₱20.00 per page.

INDEX TO THE FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENT AS OF MARCH 31, 2025 AND FOR THE YEARS ENDED MARCH 31, 2025, 2024 AND 2023 AND REVIEWED INTERIM CONDENSED FINANCIAL STATEMENTS AS OF JUNE 30, 2025 AND FOR THE THREE MONTHS ENDED JUNE 30, 2025 AND 2024.

Toyota Financial Services Philippines Corporation

Financial Statements
March 31, 2025 and 2024

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Toyota Financial Services Philippines Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Toyota Financial Services Philippines Corporation (the Company), which comprise the statements of financial position as at March 31, 2025 and 2024, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

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 are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.



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.

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.



Reports on the Supplementary Information Required Under Subsection 4190Q.4 of the Manual of Regulations for Non-bank Financial Institutions (MORNBFI) and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Subsection 4190Q.4 of the MORNBFI in Note 28 and Revenue Regulations 15-2010 in Note 29 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Toyota Financial Services Philippines Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño
Glenda C. Anisco-Niño

Partner

CPA Certificate No. 114462

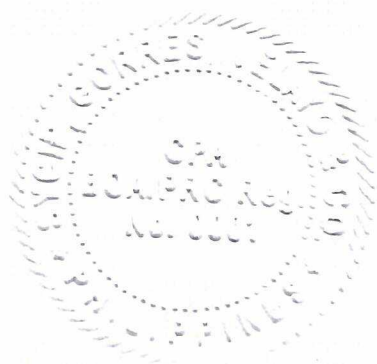
Tax Identification No. 225-158-629

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10465259, January 2, 2025, Makati City

July 2, 2025



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF FINANCIAL POSITION

	March 31	
	2025	2024
ASSETS		
Cash on hand and in banks (Note 4)	₱2,537,042,253	₱2,304,294,847
Due from Bangko Sentral ng Pilipinas (Note 5)	2,689,111,050	5,777,954,719
Securities purchased under resale agreement (Note 6)	715,000,000	–
Loans and receivables (Notes 7 and 12)	154,437,967,433	140,154,111,878
Assets held for sale (Notes 8 and 12)	1,429,767,387	579,558,223
Property and equipment (Note 9)	1,133,504,079	1,275,939,613
Software costs (Note 10)	669,537,349	594,007,480
Deferred tax assets (Note 19)	407,196,435	646,636,071
Derivative asset (Note 15)	1,255,109,073	1,961,305,601
Other assets (Note 11)	201,008,481	129,728,660
	₱165,475,243,540	₱153,423,537,092
LIABILITIES AND EQUITY		
LIABILITIES		
Loans payable (Note 13)	₱140,646,779,711	₱129,951,038,159
Derivative liability (Note 15)	119,912,975	538,362,959
Income tax payable (Note 19)	150,885,066	66,496,531
Lease liabilities (Note 20)	104,614,070	154,605,255
Deposits on lease contracts (Note 16)	78,902,506	73,710,920
Accounts payable and other liabilities (Notes 14 and 21)	3,967,261,428	4,639,807,990
	145,068,355,756	135,424,021,814
EQUITY		
Capital stock - ₱100 par value		
Authorized - 90,000,000 shares,		
issued and outstanding - 87,000,000 shares (Note 24)	8,700,000,000	8,700,000,000
Retained earnings (Note 24)	11,620,079,533	9,920,007,468
Cash flow hedge reserve (Note 15)	124,804,573	(591,549,268)
Actuarial loss on retirement plan (Note 17)	(37,996,322)	(28,942,922)
	20,406,887,784	17,999,515,278
	₱165,475,243,540	₱153,423,537,092

See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31	
	2025	2024
INTEREST INCOME		
Loans and receivables (Note 7)	₱15,209,680,230	₱12,899,220,633
Securities purchased under resale agreement (Note 6)	76,808,508	99,233,932
Due from Bangko Sentral ng Pilipinas (Note 5)	60,759,708	80,603,579
Cash in banks (Notes 4 and 21)	1,392,147	1,171,603
TOTAL INTEREST INCOME	15,348,640,593	13,080,229,747
INTEREST EXPENSE		
Loans payable and derivatives (Note 13)	8,638,872,782	6,785,638,699
Lease liabilities (Note 20)	6,088,602	6,826,378
TOTAL INTEREST EXPENSE	8,644,961,384	6,792,465,077
NET INTEREST INCOME	6,703,679,209	6,287,764,670
SERVICE FEES AND OTHER INCOME (Note 18)	815,065,368	608,266,538
OPERATING EXPENSES		
Provision for credit and impairment losses (Note 12)	1,653,978,407	1,193,045,977
Taxes and licenses	938,787,904	797,818,858
Compensation and fringe benefits	575,532,001	493,109,627
Depreciation and amortization (Notes 9 and 10)	444,447,839	351,513,326
Litigation and collection	401,841,368	423,534,917
Sales and marketing	348,009,635	433,225,052
Occupancy	255,992,076	215,740,913
Computer hardware and software expenses	199,300,635	182,811,697
Credit investigation	87,442,679	84,744,660
Supervision fees	56,233,999	49,318,040
Contractual services	46,711,533	38,013,942
Transportation and travel	21,457,452	18,966,608
Management and professional fees (Note 21)	20,510,191	19,607,457
Postage, cable and telegram	14,337,030	20,042,197
Entertainment, amusement and recreation (Note 19)	3,935,182	3,054,295
Others	53,585,719	43,243,152
	5,122,103,650	4,367,790,718
INCOME BEFORE INCOME TAX	2,396,640,927	2,528,240,490
PROVISION FOR INCOME TAX (Note 19)	696,568,862	678,844,671
NET INCOME	1,700,072,065	1,849,395,819
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods:		
Net movement in cash flow hedge reserve (Note 15)	716,353,841	184,245,620
Other comprehensive gain (loss), net of tax, not to be reclassified to profit or loss in subsequent periods:		
Actuarial gain (loss) on retirement plan (Note 17)	(9,053,400)	(1,024,028)
	707,300,441	183,221,592
TOTAL COMPREHENSIVE INCOME	₱2,407,372,506	₱2,032,617,411

See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF CHANGES IN EQUITY

For the Years Ended March 31, 2025 and 2024

	Capital Stock (Note 24)	Retained Earnings (Note 24)	Cash Flow Hedge Reserve (Note 15)	Actuarial Loss on Retirement Plan (Note 17)	Total
Balances at April 1, 2024	₱8,700,000,000	₱9,920,007,468	(₱591,549,268)	(₱28,942,922)	₱17,999,515,278
Total comprehensive income (loss) for the year	–	1,700,072,065	716,353,841	(9,053,400)	2,407,372,506
Balances at March 31, 2025	₱8,700,000,000	₱11,620,079,533	₱124,804,573	(₱37,996,322)	₱20,406,887,784
Balances at April 1, 2023	₱8,700,000,000	₱8,070,611,649	(₱775,794,888)	(₱27,918,894)	₱15,966,897,867
Total comprehensive income (loss) for the year	–	1,849,395,819	184,245,620	(1,024,028)	2,032,617,411
Balances at March 31, 2024	₱8,700,000,000	₱9,920,007,468	(₱591,549,268)	(₱28,942,922)	₱17,999,515,278

See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended March 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱2,396,640,927	₱2,528,240,490
Adjustments for:		
Depreciation and amortization (Notes 9 and 10)	444,447,839	351,513,326
Amortization of debt issue cost on loans payable (Note 13)	434,034,121	386,688,965
Interest expense on lease liabilities (Note 20)	6,088,602	6,826,378
Provision for impairment losses on property and equipment (Notes 9 and 12)	2,598,274	6,128,584
Gain on sale of property and equipment (Note 18)	(844,613)	(67,912)
Changes in operating assets and liabilities:		
Increase in:		
Loans and receivables	(14,283,855,555)	(17,294,348,018)
Assets held for sale (Note 8)	(853,736,118)	(277,062,673)
Other assets	(71,792,130)	(13,140,618)
Increase (decrease) in:		
Deposits on lease contracts	5,191,586	36,707,134
Accounts payable and other liabilities	(615,201,212)	1,107,264,994
Net cash used in operations	(12,536,428,279)	(13,161,249,350)
Income taxes paid	(608,507,505)	(651,039,963)
Contribution to retirement fund	(66,398,750)	(20,000,000)
Net cash used in operating activities	(13,211,334,534)	(13,832,289,313)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 9)	(208,775,351)	(724,545,272)
Software (Note 10)	(169,561,195)	(259,115,274)
Proceeds from sale of:		
Property and equipment	38,234,563	39,784,792
Net cash used in investing activities	(340,101,983)	(943,875,754)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of loans payable	67,250,197,666	65,463,304,143
Settlement of loans payable	(55,745,605,236)	(50,231,204,486)
Payment of lease liabilities (Note 20)	(94,252,176)	(102,845,898)
Net cash provided by financing activities	11,410,340,254	15,129,253,759
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,141,096,263)	353,088,692

(Forward)



	Years Ended March 31	
	2025	2024
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash on hand and in banks	₱2,304,294,847	₱1,507,322,197
Due from Bangko Sentral ng Pilipinas	5,777,954,719	5,187,676,595
Securities purchased under resale agreement	–	1,034,162,082
	8,082,249,566	7,729,160,874
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 4, 5, and 6)		
Cash on hand and in banks	2,537,042,253	2,304,294,847
Due from Bangko Sentral ng Pilipinas	2,689,111,050	5,777,954,719
Securities purchased under resale agreement	715,000,000	–
	₱5,941,153,303	₱8,082,249,566
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱19,146,154,529	₱17,429,911,084
Interest paid	7,538,678,907	5,258,001,763

See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Toyota Financial Services Philippines Corporation (the Company) is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 2002. The Company's registered address is 32F GT Tower, Ayala Ave. cor. HV Dela Costa St. Makati City. The Company has a corporate life of 50 years.

The Company serves customers of Toyota vehicles through financing and leasing services, as well as Toyota dealers, through inventory stock financing. On May 8, 2008, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) granted the Company its quasi-banking license, which enables the Company to diversify its sources of funds, as well as offer a wider range of financing products to its growing customers and perform other quasi-banking functions effective April 1, 2009.

The following table sets forth the ownership structure of the Company:

	Percentage of ownership
Toyota Financial Services Corporation (TFSC)	60.00%
GT Capital Holdings, Inc. (GT Capital)	40.00%

The Company's ultimate parent company is TFSC, a financial services company based in Japan.

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on July 2, 2025.

2. Material Accounting Policy Information

Basis of Preparation

The accompanying financial statements of the Company have been prepared using the historical cost basis except for derivative financial instruments, which have been measured at fair value.

The accompanying financial statements are presented in Philippine peso (₱), which is also the Company's functional currency.

All values are rounded to the nearest peso unless otherwise stated.

The accompanying financial statements provide comparative information in respect of the previous period.

Statement of Compliance

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

Presentation of Financial Statements

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (noncurrent) is presented in Note 22.



Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at April 1, 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify:
 - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect the future adoption of the said pronouncements will have a significant impact on the Company financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025

- Amendments to PAS 21, *Lack of exchangeability*

Effective beginning on or after January 1, 2026

- Amendment to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards – Volume 11
 - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
 - Amendments to PFRS 7, *Gain or Loss on Derecognition*
 - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
 - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*



Material Accounting Policy Information

Foreign Currency Translations

The Company translates its foreign currency-denominated monetary assets and liabilities using the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date; income and expenses are translated at BAP weighted average rates prevailing at transaction dates.

Foreign exchange gains or losses arising from foreign currency transactions and revaluation of foreign currency-denominated assets and liabilities are credited to or charged to profit or loss in the year in which the rates change.

Fair Value Measurement

The Company measures financial assets at FVOCI, and derivatives at fair value at each statement of financial position date. Also, fair values of other financial assets and liabilities are disclosed in Note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and fair value hierarchy as explained above.

Financial Instruments - Initial Recognition and Measurement

Date of recognition

The Company recognizes financial instruments when, and only when, the Company becomes a party to the contractual terms of the financial instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, the date that an asset is delivered to or by the Company. Deposits on finance lease, amounts due to banks and loans are recognized when cash is received by the Company or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for FVTPL investments and liabilities, the initial measurement of financial instruments includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial instruments depends on the contractual terms and the business model for managing the instruments. Subsequent to initial recognition, the Company may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

Under PFRS 9, the classification of a financial asset depends on the characteristics of its contractual cash flows and the business model under which the asset is held. The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test).

Derivatives recorded at FVTPL

The Company uses derivative financial instruments such as cross-currency interest rate swaps to hedge its foreign currency and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from the changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized as other comprehensive income (OCI).



Hedge accounting

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; and
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements, including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in OCI under the cash flow hedge reserve account, while the ineffective portion is recognized directly in profit or loss. Refer to Note 15 for details.

Amounts recognized in OCI is transferred to profit or loss, when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a nonfinancial asset or nonfinancial liability, the amounts recognized in OCI are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in OCI is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in OCI remains in OCI until the forecast transaction or firm commitment affects profit or loss. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statements of financial position captions ‘Cash in banks’, ‘Due from Bangko Sentral ng Pilipinas’, ‘Securities purchased under resale agreement’ and ‘Loans and receivables’.



After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statements of comprehensive income. Gains and losses are recognized in statements of comprehensive income when these financial assets are derecognized or impaired, as well as through the amortization process. The expected credit loss (ECL) are recognized in the statements of comprehensive income under 'Provision for credit and impairment losses'.

Other financial liabilities carried at amortized cost

Issued financial instruments or their components, which are not designated at FVTPL, are classified as loans payable, accounts payable and other liabilities and deposits on lease contracts where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial assets to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities not qualified and not designated as FVTPL are subsequently measured at amortized cost using the effective interest amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In this case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Provision for credit and impairment losses' in the statements of comprehensive income.



Modification of financial assets

The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Company considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered “solely payment for principal and interest”

The Company also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Company considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a ‘new’ financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be purchased/originated as credit impaired (POCI).

Financial liabilities

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent



on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Securities Purchased Under Resale Agreement (SPURA)

Securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The Company is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The corresponding cash paid, including accrued interest, is recognized in the statement of financial position as 'Securities purchased under resale agreement', and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Impairment of Financial Assets

PFRS 9 requires the Company to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective of the impairment standard is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 - credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk.
- Stage 2 - credit exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition.

For credit-impaired financial instruments:

- A financial instrument is classified as Stage 3 financial instruments when it is in default or there is 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 loan or a portfolio of loans. The ECL model requires that ECL with 100.00% probability of default (PD) be recognized for impaired financial instruments.
- A "cooling off period" was incorporated to regulate backward movement within stages. This criterion specifies that accounts that become credit impaired (hit 90+ days past due) need to remain in Stage 3 until they have made all payments of balance and interest continuously for at least 6 months to move into Stage 1.



Definition of “default” and “cure”

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes over 90 days past due on its contractual payments. An account shall be considered past due or delinquent when upon the payment due date, the borrower failed to settle the amount. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer in default. Defaults are characterized by financial assets that have objective evidence of impairment at the reporting date and as such classified under Stage 3.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and the borrower has exhibited a satisfactory track record of consistent payments for six months. Cured accounts are classified under Stage 1.

Significant increase in credit risk (SICR)

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors. Considering the nature of its loan products and the profile of its borrowers, the Company uses the aging information in evaluating whether the credit risk of a particular exposure deemed to have increased significantly since initial recognition. If contractual payments are more than thirty (30) days past due, the exposure is deemed to exhibit SICR. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

ECL parameters and methodologies

The Expected Credit Loss (ECL) combines the three verticals of Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD) along with the macro-economic overlay given ECL's forward looking nature under PFRS 9 and gives an estimate of the expected future loss out of the entire portfolio present as of a snapshot month.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current performance of individual accounts reflected in the parameters of the model. The Company segmented its credit exposures based on corporate and individual portfolio to comply with the regulatory guidelines for individual and entities. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD or 'Exposure at Default' is another vertical in the ECL computation. It explains how much exposure i.e., the balance that an account (or in a segment) carries at the time of default.

Loss Given Default, or LGD, is the expected proportion of amount that the financial institution may lose from a borrower's outstanding debts in the event of the borrower defaulting. Theoretically, net loss is computed by subtracting the recoveries made post default from the default amount.

Economic overlays and multiple economic scenarios

The Company incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to multiple future macroeconomic atmosphere expectations. A range of economic indicators were considered for the economic inputs. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.



In compliance with PFRS 9, the Company developed ECL parameters and methodologies, using historical data as well as forward-looking inputs and assumptions.

Residual Value of Leased Assets and Deposits on Lease Contracts

The residual value of leased assets is the estimated proceeds from the disposal of the leased asset at the end of the lease term which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease. At the end of the lease term, the residual value is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash in banks, cash equivalents and securities purchased under resale agreement with original maturities of three months or less from date of placements and that are subject to insignificant risks of changes in value. Due from BSP includes statutory reserves required by the BSP, which the Company considers as cash equivalents wherein drawings can be made to meet cash requirements as allowed by the BSP.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and impairment loss, if any.

The initial cost of property and equipment consists of its purchase price, any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after an item of property and equipment has been put into operation, such as repairs and maintenance, are normally charged to operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When the property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts and any resulting gain or loss is reflected in profit or loss.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the property and equipment assets as follows:

Vehicles	2-5 years
Furniture, fixtures and equipment	3-5 years
Transportation equipment	3-5 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the year the asset is derecognized.



The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset is written down to its recoverable amount.

Leases

Company as lessee

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys, the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for a short-term leases and lease of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Company recognizes right-of-use assets (included in 'Property and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Related leasehold improvements are depreciated on straight line basis over the shorter of the lease term and estimated useful lives as follows:

Head office space and business centers	3-5 years
Warehouses	2-3 years

ii. Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index per rate, and amount expected to be paid under residual value guarantees. The lease payments also include the exercise price of purchase option reasonably certain to be exercised by the Company and payment of penalties terminating a lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate (IBR) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Determining the lease term of contracts with renewal options

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



After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

iii. *Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of residential units for officers, business centers and warehouses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain purchase option). It also applies the leases of low-value assets recognition to leases of equipment that are considered low value (i.e., below ₱0.25 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as lessor

The Company recognizes assets held under a finance lease in its statement of financial position as a receivable at an amount equal to the net investment in the lease. The lease payments received from the lessee are treated as repayments of principal and finance income. Initial direct costs that are incremental and directly attributable to negotiating and arranging the lease are included in the measurement of the net investment in the lease at inception and reflected in the calculation of the implicit interest rate.

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Company recognizes rental income on its operating lease of vehicles. Recoverable deposit is collected from the client and computed at 10.00% of the unit price and recognized under 'Deposits on lease contracts'. This is collected upfront and to be refunded on end-of-term. While on pre-termination, the full amount is forfeited and will be recognized as service charge under 'Service fees and other income'. There are two product group under it to segregate types of services to be offered for corporate and individual clients, i.e. full-service lease and net operating lease, respectively.

Full-service lease (FSL)

FSL is a leasing product that offers all-inclusive package. Customer will pay fixed monthly rental inclusive of all major cost of vehicle ownership (such as periodic and preventive maintenance, annual comprehensive insurance, vehicle registration and fleet management). FSL, or its current name, Kinto One, caters corporate clients and individuals.

The monthly rental income amount is classified as 'Operating lease revenues' under 'Service Fees and Other Income', while the related expenses are presented under 'Others' under operating expenses in the statement of comprehensive income.

Net operating lease (NOL)

NOL is a lease wherein maintenance and comprehensive insurance are not included in the monthly rental calculation. These are at the expense of the lessee.



Assets Held for Sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, available for immediate sale and its sale is highly probable. An asset classified as held for sale is measured at the lower of fair value less costs to sell and its carrying amount.

Any impairment loss on write-down of the asset to fair value less costs to sell is recognized in profit or loss. Any gain on subsequent increase in fair value less costs to sell is also recognized in profit or loss, but not in excess of the cumulative impairment loss already recognized on the asset.

Assets held for sale of the Company consists mainly of motor vehicles foreclosed from borrowers or lessees who have defaulted on their installment or lease payments.

Intangible Assets

This consists of software costs, stated at acquisition cost and is amortized on a straight-line basis over estimated useful life of five (5) years.

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Other Assets

Other assets consist of prepaid expenses, security deposits and withholding tax receivables disclosed in Note 11.

Prepaid expenses are advanced payments for occupancy costs and employee benefits. Security deposits are rental deposits for the Company's office space, warehouses and residential units for officers.

Prepaid expenses and security deposits are recognized in the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. Amortization of prepayments is recognized monthly on a straight-line basis.

Withholding tax receivable pertains to Creditable Withholding Tax (CWT). CWT is recognized by virtue of Republic Act (RA) No. 8424 relative to the withholding on income subject to expanded and final withholding tax on compensation, value-added tax and other percentage taxes. CWT is recognized when the counterparty withheld certain taxes payable to the taxation authority and is reduced to the extent of that CWT will not be realized, through the use of an allowance account.

Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets (i.e., ROU, property and equipment, assets held for sale, software cost and other assets) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is recognized under 'Provision for credit and impairment losses' in the statement of comprehensive income.



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

Retirement Cost

The Company has a funded, noncontributory defined benefit retirement plan covering all its employees with regular employment status. The defined benefit liability (asset) is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. 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 plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Remeasurements comprising of actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. The following specific recognition criteria must also be met before revenue is recognized:

Revenue under PFRS 15

Gain or loss on sale of nonfinancial assets

Income from sale of properties (i.e., assets held for sale and property and equipment) is recognized when control of such services or properties are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those properties.

Other income

Other income is recognized when earned. Income is recognized upon completion of the earning process.

Revenue outside PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, the Company calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Service fees

Service fees earned for the provision of transaction services such as processing fees are recognized upon completion of the underlying transaction.

Recoveries of accounts written off

Recoveries of accounts written off are recognized as income upon actual collection.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Foreign exchange gain/loss

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.



Expense Recognition

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

Borrowing costs

Borrowing costs for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statement of comprehensive income using the EIR of the financial liabilities to which they relate.

Income Taxes

Current taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred taxes

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of MCIT and unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered. Deferred tax, however, is not recognized on temporary differences that arise 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.

Deferred tax assets and liabilities are measured at the tax rate that is 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 reporting date.

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in profit or loss.

Deferred tax assets and tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



Provisions

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

Contingencies

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

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against 'Retained earnings'. Retained earnings represent accumulated net income of the Company, net of dividends paid.

Dividends

Dividends are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (BOD) of the Company and of the BSP. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Events after the Reporting Period

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

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying financial statements in conformity with PFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.



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

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

a. Finance leases - Company as a lessor

The Company has entered into finance leases of vehicles with its customers. The Company has determined that it transfers all the significant risks and rewards of ownership as the lease terms are for the major part of the economic life of these properties which are leased out on finance leases.

b. Operating leases - Company as a lessor

The Company has entered into leases of vehicles under FSL. The Company has determined, based on an evaluation of the terms and condition of the arrangements (i.e., the lessor shall at all-time be and remain the sole and exclusive owner of the motor vehicle and no title shall pass to the lessee. The lessor may sell, transfer, convey, assign, pledge, hypothecate, or otherwise dispose of its right hereunder in a whole or in part without notice to the lessee. The lessee has no option to purchase the vehicle at the end of the term), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases

c. Determining whether it is reasonably certain that a renewal and termination option will be exercised

The Company has entered into lease on premises it uses for its operation. The Company has determined the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain or whether not to exercise the option to renew or to terminate the lease. That it is considers all relevant such as leasehold improvement and location that create economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

d. Estimating the IBR for lease liabilities

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Company would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in similar economic environment. The Company estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying values of the Company's ROU assets and lease liability are disclosed in Notes 2, 9 and 20, respectively.



Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of condition date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a. Impairment of financial assets

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- The criteria for assessing if there has been a significant increase in credit risk.
- The definition of default, which is consistent with regulatory requirements;
- Segmentation of the portfolio into individual and corporate;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs; and
- Incorporation of expert judgement in the selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

For the year ended March 31, 2024, the Company re-developed new ECL models to capture changes in the credit risk profile and behaviors of its loan exposures and modelled such in the estimation of the expected credit losses. This resulted in new PD and LGD rates that reflect the most recent default experience and recovery expectations, respectively.

Furthermore, the Company revisited its inputs and assumptions related to the following:

- The set of macro-economic variables affecting the default of its individual and corporate loan portfolios; and
- The selection and weighting of macro-economic scenarios.

The management also applied its expert credit judgment in evaluating the economic forecasts and reflect such in the overlay and scenario weighting. Considerations included expectations of economic recovery based on available market and published data, changes of monetary policies of the Philippine government and timing thereof, among others.

The allowance for credit losses of financial assets as of March 31, 2025 and 2024 are disclosed in Notes 4, 7 and 12. Please refer to Notes 4 and 7 for the information on the carrying values of the financial assets subject to impairment.

b. Fair value of derivatives

The fair values of derivatives that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable



data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Refer to Note 15 for the information on the fair value of the financial instrument.

c. *Valuation of assets held for sale*

The Company's assets held for sale are carried at the lower of its carrying amount and fair value less costs to sell. Fair value is based on the valuation performed by the internal appraiser. Valuation of assets held for sale is ascertained using the market data approach, wherein current sales prices of identical vehicles, together with the valuation opinions of conversant appraisers are accumulated, compared and thoroughly analyzed. As of March 31, 2025 and 2024, assets held for sale is disclosed in Note 8.

d. *Recognition of deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company has been in a taxable income position over the past several years. The Company believes, based on its expected future taxable income that it is highly probable for temporary differences to be realized in the future.

As of March 31, 2025 and 2024, the carrying value of the recognized net deferred tax assets is disclosed in Note 19.

e. *Present value of post-employment benefit obligation*

The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The cost of defined retirement benefit obligation and other post-employment benefits is determined using actuarial valuations.

The discount rates used were determined using the market yields of Philippine government bonds with terms consistent with the expected employee benefit payout as at statement of financial position date. Future salary increases are based on historical annual merit, market and promotional increase and expected future inflation rates.

The net defined benefit liability amounting to ₱57.18 million and ₱88.83 million as of March 31, 2025 and 2024, respectively, is disclosed in Note 17.

4. Cash on hand and in banks

This account consists of:

	2025	2024
Cash on hand	₱2,769,720	₱3,366,915
Cash in banks (Note 21)	2,534,507,635	2,301,163,034
	2,537,277,355	2,304,529,949
Allowance for credit losses (Note 12)	(235,102)	(235,102)
	₱2,537,042,253	₱2,304,294,847



Cash in banks earn annual interest ranging from 0.06% to 0.25% in 2025 and 0.10% to 0.13% in 2024.

Interest earned on cash in banks amounted to ₱1.39 million and ₱1.17 million in 2025 and 2024, respectively.

5. Due from Bangko Sentral ng Pilipinas (BSP)

This account consists of:

	2025	2024
Demand deposits	₱1,193,111,050	₱1,792,954,719
Term deposits	800,000,000	—
Overnight deposits	696,000,000	3,985,000,000
	₱2,689,111,050	₱5,777,954,719

Due from BSP includes non-interest-bearing demand deposit account in 2025 and 2024. It also includes overnight deposit facility that earns annual interest ranging from 5.00% to 6.00% in 2025 and from 5.75% to 6.00% in 2024 and term deposit facility that earns annual interest ranging from 5.50% to 6.55% in 2025 and from 6.38% to 6.74% in 2024. Total interest earned on Due from BSP amounted to ₱60.76 million and ₱80.60 million in 2025 and 2024, respectively.

The Bangko Sentral ng Pilipinas (BSP) has amended Section 251 of the Manual of Regulations for Banks, which covers the required reserves against deposit and deposit substitute liabilities. BSP Circular No. 1154, dated 14 September 2022, lowered the reserve requirement (RR) of universal and commercial banks from 12.0% to 9.5%, effective June 30, 2023.

Subsequently, BSP Circular No. 1201, issued in September 2024, further reduced the reserve requirement from 9.5% to 7.0%, effective the reserve week starting October 25, 2024.

On February 21, 2025, the BSP reduced the reserve requirements for banks and Non-bank financial institution with Quasi-banking function (NBQB). This time, lowering the rate on local currency deposits and deposit substitutes from 7.0% to 5.0%, effective March 28, 2025.

Deposit substitutes are subjected to required reserves equivalent to 5% in 2025 and 9.5% in 2024. The required reserves shall be kept in the form of deposits maintained in the Demand Deposit Account (DDA) with the BSP and any government securities which were previously used as compliance until they mature. The Company is in compliance with such regulations as of March 31, 2025 and 2024.

The total available reserves booked under 'Due from BSP' amounted to ₱1.19 billion and ₱1.79 billion as of March 31, 2025 and 2024, respectively.

No allowance for credit losses was recognized for Due from BSP as of March 31, 2025 and 2024.



6. Securities Purchased Under Resale Agreement (SPURA)

This account consists of government securities purchased under reverse repurchase agreement with the BSP as counterparty. These government securities, with face value amounting to ₱715 million and nil as of March 31, 2025 and 2024, respectively, were pledged in favor of the Company as collateral for SPURA equivalent to the face value of the government securities.

The annual interest is ranging from 5.25%.% to 6.58% in 2025 and from 6.14% to 6.54% in 2024.

Total interest earned on SPURA amounted to ₱76.81 million and ₱99.23 million for the years ended March 31, 2025 and 2024, respectively.

7. Loans and Receivables

This account consists of:

	2025	2024
Receivables from customers		
Receivables financed	₱19,037,912,344	₱16,699,327,636
Unearned finance income	(2,781,945,398)	(2,419,915,695)
	16,255,966,946	14,279,411,941
Finance lease receivables		
Finance lease receivables	168,614,838,097	152,714,907,177
Residual value of leased assets	318,000	690,600
	168,615,156,097	152,715,597,777
Unearned lease income	(28,541,418,962)	(25,107,803,384)
	140,073,737,135	127,607,794,393
	156,329,704,081	141,887,206,334
Other receivables		
Receivables from clients	118,734,022	153,698,355
Receivables from employees	33,779,413	30,937,507
Accrued interest receivable	788,012	2,656,667
Others	758,349	1,188,863
	154,059,796	188,481,392
Allowance for credit losses (Note 12)	(2,045,796,444)	(1,921,575,848)
	₱154,437,967,433	₱140,154,111,878

Receivables financed earn fixed interest ranging from 7.34% to 18.44% in 2025 and from 6.85% to 18.44% in 2024 while finance lease receivables earn fixed interest ranging from 6.02% to 18.87% in 2025 and from 6.02% to 16.73% in 2024.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all



payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

Based on the Company's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. As of March 31, 2025 and 2024, the unamortized modification losses arising from Bayanihan 1 Act and Bayanihan 2 Act, netted against the outstanding balance of Loans receivables, amounted to nil and ₱17.84 million, respectively. As of March 31, 2025, loans have fully matured. The accretion of modification losses, presented under Interest income on loans and receivables amounted to ₱17.61 million in 2025 and ₱47.57 million in 2024.

Interest income on loans and receivables consists of:

	2025	2024
Finance lease receivables	₱13,638,477,808	₱11,617,816,206
Accretion of modification losses	17,154,864	46,593,950
	13,655,632,672	11,664,410,156
Receivables financed	1,553,594,938	1,233,830,355
Accretion of modification losses	452,620	980,122
	1,554,047,558	1,234,810,477
	₱15,209,680,230	₱12,899,220,633

As of March 31, 2025 and 2024 the Company's allowance for credit losses for loans and receivables is in compliance with the requirements of RA No. 8556.

8. Assets Held for Sale

The rollforward analysis of this account follows:

	2025	2024
Cost		
Balance at beginning of year	₱695,958,492	₱385,759,090
Additions (Note 27)	6,004,513,105	5,421,488,685
Transfers (Notes 9 and 27)	(3,526,954)	(9,279,857)
Disposal	(4,931,156,610)	(5,102,009,426)
Balance at end of year	1,765,788,033	695,958,492
Allowance for impairment losses (Note 12)		
Balance at beginning of year	116,400,269	73,983,683
Provision for impairment losses	1,067,108,697	843,573,034
Reversal of allowance upon disposal	(847,488,320)	(801,156,448)
Balance at end of year	336,020,646	116,400,269
Net book value	₱1,429,767,387	₱579,558,223

The Company's assets held for sale consist of repossessed collateral from customers who have defaulted in their respective loan accounts. These are actively marketed for sale and are expected to be sold within one year from the date of its classification as assets held for sale.

Loss on disposal of assets held for sale amounted to ₱192.78 million and ₱51.38 million in 2025 and 2024, respectively (see Note 18).



9. Property and Equipment

The composition and movements in this account follow:

2025						
	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Operating Lease - Vehicles	ROU Assets	Total
Cost						
Balances at beginning of year	₱178,341,829	₱266,611,973	₱101,522,629	₱991,083,120	₱278,147,715	₱1,815,707,266
Acquisitions	6,292,247	57,478,055	22,130,342	122,874,707	38,684,697	247,460,048
Transfers (Notes 8 and 27)	—	—	3,526,954	—	—	3,526,954
Disposals/Expired	(513,266)	(19,597,711)	(30,701,844)	(18,369,200)	(34,935,069)	(104,117,090)
Balances at end of year	184,120,810	304,492,317	96,478,081	1,095,588,627	281,897,343	1,962,577,178
Accumulated depreciation and amortization						
Balances at beginning of year	100,872,331	176,671,688	34,747,435	136,105,004	85,242,611	533,639,069
Depreciation and amortization	20,390,826	39,836,117	19,365,951	167,577,053	103,246,566	350,416,513
Disposals/Expired	(410,012)	(9,159,125)	(13,557,830)	(8,665,104)	(34,935,070)	(66,727,141)
Balances at end of year	120,853,145	207,348,680	40,555,556	295,016,953	153,554,107	817,328,441
Allowance for impairment losses						
Balances at beginning of year	—	—	—	6,128,584	—	6,128,584
Provision for impairment losses (Note 12)	—	—	—	5,616,074	—	5,616,074
Balances at end of year	—	—	—	11,744,658	—	11,744,658
Net book value	₱63,267,665	₱97,143,637	₱55,922,525	₱788,827,016	₱128,343,236	₱1,133,504,079

2024						
	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Vehicles	ROU Assets	Total
Cost						
Balances at beginning of year	₱130,393,440	₱286,259,931	₱100,803,752	₱428,037,502	₱262,689,180	₱1,208,183,805
Acquisitions	47,948,389	61,741,377	46,382,936	568,472,570	177,648,185	902,193,457
Transfers (Notes 8 and 27)	—	—	9,279,857	—	—	9,279,857
Disposals/Expired	—	(81,389,335)	(54,943,916)	(5,426,952)	(162,189,650)	(303,949,853)
Balances at end of year	178,341,829	266,611,973	101,522,629	991,083,120	278,147,715	1,815,707,266
Accumulated depreciation and amortization						
Balances at beginning of year	85,555,101	229,675,248	30,667,206	34,917,219	147,476,307	528,291,081
Depreciation and amortization	15,317,230	27,910,847	20,528,420	105,868,510	99,955,954	269,580,961
Disposals/Expired	—	(80,914,407)	(16,448,191)	(4,680,725)	(162,189,650)	(264,232,973)
Balances at end of year	100,872,331	176,671,688	34,747,435	136,105,004	85,242,611	533,639,069
Allowance for impairment losses						
Balances at beginning of year	—	—	—	—	—	—
Provision for impairment losses (Note 12)	—	—	—	6,128,584	—	6,128,584
Balances at end of year	—	—	—	6,128,584	—	6,128,584
Net book value	₱77,469,498	₱89,940,285	₱66,775,194	₱848,849,532	₱192,905,104	₱1,275,939,613

The Company has lease contracts for its head office, warehouses and business centers. With the exception of the short-term leases and leases of low-value underlying assets, each lease is reflected on the statements of financial position as ROU asset and a lease liability (see Note 20).

As of March 31, 2025 and 2024, property and equipment amounting to ₱259.41 million and ₱253.64 million, respectively, are fully depreciated but are still being used. The gain on disposal of property and equipment amounted to ₱0.84 million and ₱0.07 million as at March 31, 2025 and 2024, respectively (see Note 18).

As of March 31, 2025 and 2024, the Company has no property and equipment pledged as collateral nor commitments to purchase any property and equipment.



10. Software Costs

Movements in software costs follow:

	2025	2024
Cost		
Balances at beginning of year	₱894,150,606	₱635,035,332
Additions	169,561,195	259,115,274
Balances at end of year	1,063,711,801	894,150,606
Accumulated amortization		
Balances at beginning of year	300,143,126	218,210,761
Amortization	94,031,326	81,932,365
Balance at end of year	394,174,452	300,143,126
Net book value	₱669,537,349	₱594,007,480

In 2025 and 2024, significant additions mainly pertain to the development and enhancement of myToyota Wallet, a new mobile payment solution of the Company. Software cost under construction that is not subject to amortization amounted to ₱310.63 million and ₱324.94 million as at March 31, 2025 and 2024, respectively.

Amortization of software costs is included in the 'Depreciation and amortization' in the statements of comprehensive income.

11. Other Assets

This account consists of:

	2025	2024
Prepaid expenses	₱155,403,847	₱94,772,691
Security deposits	41,979,336	32,102,484
Creditable withholding taxes	3,625,298	2,853,485
	₱201,008,481	₱129,728,660

Prepaid expenses mainly consist of prepayments on office and warehouse rent, information technology-related costs, local business permit taxes and electronic documentary stamps.

12. Allowance for Credit and Impairment Losses

This account consists of:

	2025	2024
Cash in banks (Note 4)	₱235,102	₱235,102
Loans and receivables (Note 7):		
Receivables financed	155,369,116	95,314,053
Finance lease receivables	1,890,208,830	1,826,043,297
Other receivables	218,498	218,498
	2,045,796,444	1,921,575,848
Assets held for sale (Note 8)	336,020,646	116,400,269
Property and equipment (Note 9)	11,744,658	6,128,584
Balance at end of year	₱2,393,796,850	₱2,044,339,803



As of March 31, 2025 and 2024, the allowance for credit losses for cash in banks amounting to ₱235,102 is classified under Stage 1.

An analysis of changes in the ECL allowances for receivables from customers as of March 31, 2025 follows:

	2025			
	Stage 1	Stage 2	Stage 3	Total
Receivables financed				
Balances as of April 1, 2024	₱43,890,741	₱15,989,395	₱35,433,917	₱95,314,053
Newly originated assets that remained in Stage 1 as at March 31, 2025	47,863,658	—	—	47,863,658
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2025	—	2,879,038	2,667,459	5,546,497
Assets derecognized or repaid	(66,756,828)	(28,160,609)	(42,140,295)	(137,057,732)
Transfer to Stage 1	1,096,014	(886,759)	(209,256)	—
Transfer to Stage 2	(12,386,749)	12,966,485	(579,737)	—
Transfer to Stage 3	(9,392,680)	(9,413,986)	18,806,666	—
Accounts written off	—	—	(12,348,338)	(12,348,338)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	94,873,630	25,832,873	35,344,476	156,050,978
Balance at March 31, 2025	99,187,786	19,206,437	36,974,892	155,369,116
Finance lease receivables				
Balances as of April 1, 2024	482,094,456	258,180,263	1,085,768,578	1,826,043,297
Newly originated assets that remained in Stage 1 as at March 31, 2025	311,849,640	—	—	311,849,640
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2025	—	69,985,014	78,497,389	148,482,403
Assets derecognized or repaid	(3,391,568,910)	(801,093,475)	(1,516,628,420)	(5,709,290,805)
Transfer to Stage 1	11,265,656	(9,826,707)	(1,438,949)	—
Transfer to Stage 2	(154,945,091)	164,463,798	(9,518,707)	—
Transfer to Stage 3	(224,260,542)	(82,507,723)	306,768,265	—
Accounts written off	—	—	(444,684,702)	(444,684,702)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	3,760,243,556	672,658,375	1,324,907,064	5,757,808,995
Balance at March 31, 2025	794,678,765	271,859,545	823,670,518	1,890,208,828
Other receivables	—	—	—	—
Balance as of April 1, 2024 and March 31, 2025	—	—	218,498	218,498
Allowance for credit losses for loans and receivables - Total				
Balances as of April 1, 2024	525,985,197	274,169,658	1,121,420,993	1,921,575,848
Newly originated assets that remained in Stage 1 as at March 31, 2025	359,713,298	—	—	359,713,298
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2025	—	72,864,052	81,164,848	154,028,900
Assets derecognized or repaid	(3,458,325,737)	(829,254,084)	(1,558,768,715)	(5,846,348,536)
Transfer to Stage 1	12,361,670	(10,713,465)	(1,648,205)	—
Transfer to Stage 2	(167,331,839)	177,430,283	(10,098,444)	—
Transfer to Stage 3	(233,653,222)	(91,921,709)	325,574,931	—
Accounts written off	—	—	(457,033,040)	(457,033,040)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	3,855,117,186	698,491,249	1,360,251,539	5,913,859,974
	₱893,866,553	₱291,065,984	₱860,863,907	₱2,045,796,444



An analysis of changes in the ECL allowances for receivables from customers as of March 31, 2024 follows:

	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables financed				
Balances as of April 1, 2023	₱16,982,803	₱24,176,086	₱37,926,632	₱79,085,521
Newly originated assets that remained in Stage 1 as at March 31, 2024	20,512,183	–	–	20,512,183
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2024	–	3,196,165	640,180	3,836,345
Assets derecognized or repaid	(14,520,417)	(9,007,628)	(26,169,710)	(49,697,755)
Transfer to Stage 1	11,097,102	(11,071,739)	(25,363)	–
Transfer to Stage 2	(7,159,629)	7,808,716	(649,087)	–
Transfer to Stage 3	(9,960,889)	(13,154,816)	23,115,705	–
Accounts written off	(2,964,082)	(2,336,305)	(13,593,448)	(18,893,835)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	29,903,670	16,378,916	14,189,008	60,471,594
Balance at March 31, 2024	43,890,741	15,989,395	35,433,917	95,314,053
Finance lease receivables				
Balances as of April 1, 2023	261,172,289	380,546,129	1,290,993,047	1,932,711,465
Newly originated assets that remained in Stage 1 as at March 31, 2024	176,537,953	–	–	176,537,953
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2024	–	47,412,830	101,951,170	149,364,000
Assets derecognized or repaid	(180,991,375)	(176,757,299)	(883,145,804)	(1,240,894,478)
Transfer to Stage 1	157,503,477	(157,002,008)	(501,469)	–
Transfer to Stage 2	(102,043,508)	105,219,768	(3,176,260)	–
Transfer to Stage 3	(192,064,422)	(239,951,324)	432,015,746	–
Accounts written off	(14,774,807)	(13,021,988)	(388,379,358)	(416,176,153)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	376,754,849	311,734,155	536,011,506	1,224,500,510
Balance at March 31, 2024	482,094,456	258,180,263	1,085,768,578	1,826,043,297
Other receivables				
Balance as of April 1, 2023 and March 31, 2024	–	–	218,498	218,498
Allowance for credit losses for loans and receivables - Total				
Balances as of April 1, 2023	278,155,092	404,722,215	1,329,138,177	2,012,015,484
Newly originated assets that remained in Stage 1 as at March 31, 2024	197,050,136	–	–	197,050,136
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2024	–	50,608,995	102,591,350	153,200,345
Assets derecognized or repaid	(195,511,792)	(185,764,927)	(909,315,514)	(1,290,592,233)
Transfer to Stage 1	168,600,579	(168,073,747)	(526,832)	–
Transfer to Stage 2	(109,203,137)	113,028,484	(3,825,347)	–
Transfer to Stage 3	(202,025,311)	(253,106,140)	455,131,451	–
Accounts written off	(17,738,889)	(15,358,293)	(401,972,806)	(435,069,988)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	406,658,519	328,113,071	550,200,514	1,284,972,104
	₱525,985,197	₱274,169,658	₱1,121,420,993	₱1,921,575,848



Below is the breakdown of provision for credit and impairment losses:

	2025	2024
Finance lease receivables	₱508,844,521	₱309,507,985
Receivables financed	72,409,115	35,122,367
	581,253,636	344,630,352
Assets held for sale (Note 8)	1,067,108,697	843,573,034
Vehicle under operating lease (Note 9)	5,616,074	6,128,584
	₱1,653,978,407	₱1,194,331,970

With the foregoing level of allowance for credit and impairment losses, management believes that the Company has sufficient allowance to absorb any losses that may be incurred from the non-collection or nonrealization of its receivables and assets held for sale.

13. Loans Payable

This account consists of the Company's borrowings, net of unamortized debt transaction costs:

	2025	2024
Domestic bank loans (Note 21)	₱96,251,157,302	₱76,217,104,593
Fixed rate notes	13,787,949,983	9,924,576,534
Notes payable	9,958,699,491	8,950,239,496
Bonds payable		
Bank of Tokyo - Mitsubishi UFJ, Ltd. - Japan		
Branch (Note 15)	1,423,085,750	5,599,240,564
Sumitomo Mitsui Banking Corporation - Japan		
Branch (Note 15)	9,820,017,090	9,629,151,730
Sumitomo Mitsui Banking Corporation - JPY		
(Note 15)	1,122,598,404	—
Foreign bank loans		
Toyota Motor Finance - Netherlands B.V.	2,855,119,536	4,204,659,822
Japan Bank for International Cooperation	2,573,180,055	5,896,051,421
The Norinchukin Bank - Singapore Branch		
(Note 15)	1,430,098,430	2,808,619,703
Sumitomo Mitsui Trust Bank, Limited	1,424,873,670	1,397,263,858
Mizuho Bank Ltd. - Singapore Branch (Note 15)	—	2,810,091,853
The Shizuoka Bank, Ltd. - Hongkong Branch	—	2,514,038,585
	₱140,646,779,711	₱129,951,038,159

As of March 31, 2025 and 2024, the unamortized debt transaction costs on loans payable amounted to ₱718.83 million and ₱674.50 million, respectively.

As of March 31, 2025 and 2024, the outstanding loans payable are unsecured.

Bank loans

Domestic bank loans bear annual interest rates ranging from 4.00% to 7.33% in 2025 and 3.70% to 7.20% in 2024. As of March 31, 2025 and 2024, the Company's bank loans have maturity periods of 1 month to 5 years and 5 months to 5 years, respectively.



Fixed rate notes

On April 30, 2024 and November 14, 2024, the Company issued additional retail fixed rates notes amounting to ₱4.00 billion and ₱3.15 billion, respectively.

As of March 31, 2025 and 2024, the Company's retail fixed rate notes bear interest rates ranging from 6.01% to 7.01% and 3.90% to 7.01%, respectively and have maturity period of 3 to 36 months and 24 to 34 months, respectively.

Notes payable

Notes payable pertains to retail notes issued by the Company that bear annual interest rates ranging from 5.00% to 6.63% in 2025 and 2.50% to 6.63% in 2024. As of March 31, 2025 and 2024, the Company's notes payable have maturity period of 1 month to 3 years.

Bonds payable to Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) - Japan Branch

The private bonds were subscribed by BTMU Japan Branch under various subscription agreements as follows:

2025				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)*
Series 13	March 14, 2023	March 13, 2026	25.00 million	1,423.09 million
*Outstanding balance is net of documentary stamp tax and deferred charges.				
2024				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)*
Series 8	March 9, 2021	March 7, 2025	25.00 million	1,401.00 million
Series 9	June 15, 2021	June 14, 2024	25.00 million	1,404.70 million
Series 10	November 18, 2021	November 18, 2024	25.00 million	1,401.77 million
Series 13	March 14, 2023	March 13, 2026	25.00 million	1,391.77 million
*Outstanding balance is net of documentary stamp tax and deferred charges.				

Interest on the private bond issue is payable quarterly based on the 3-month Modified Following Business Day Convention for series 13 without spread.

The Company also entered into a cross-currency interest rate swap agreements with BTMU Manila Branch which was designated by the Company as a cash flow hedge (see Note 15).

Bonds payable to Sumitomo Mitsui Banking Corporation (SMBC) - Japan Branch

The Company and SMBC Japan Branch entered into a bond purchase agreement where SMBC Japan Branch is the "Purchaser" of the entire amount of bonds. Details of the loan are as follows:

2025				
	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Series 4	September 15, 2021	September 15, 2026	25.00 million	1,409.90 million
Series 6	September 22, 2022	September 22, 2025	25.00 million	1,422.39 million
Series 7	November 28, 2022	November 27, 2026	25.00 million	1,399.92 million
Series 8	February 15, 2024	February 12, 2027	25.00 million	1,401.15 million
Series 9	March 25, 2024	March 24, 2027	25.00 million	1,399.93 million
Series 10	September 19, 2024	September 17, 2027	25.00 million	1,395.72 million
Series 11	December 11, 2024	December 10, 2027	25.00 million	1,390.99 million
*Outstanding balance is net of documentary stamp tax and deferred charges.				



2024				
	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Series 3	November 20, 2020	November 20, 2024	25.00 million	1,396.33 million
Series 4	September 15, 2021	September 15, 2026	25.00 million	1,372.13 million
Series 5	February 7, 2022	February 7, 2025	25.00 million	1,396.06 million
Series 6	September 22, 2022	September 22, 2025	25.00 million	1,382.27 million
Series 7	November 28, 2022	November 27, 2026	25.00 million	1,358.65 million
Series 8	February 15, 2024	February 12, 2027	25.00 million	1,362.35 million
Series 9	March 25, 2024	March 24, 2027	25.00 million	1,361.36 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable semi -annually based on 6-month Modified Following Business Day Convention for Series 4 to 11 without spread.

Bonds payable to Sumitomo Mitsui Banking Corporation (SMBC) - Japan Branch

The Company and SMBC Japan Branch entered into a bond purchase agreement where SMBC Japan Branch is the “Purchaser” of the entire amount of bonds. Details of the loan are as follows:

2025				
	Date Drawn	Maturity Date	Principal Amount (in JPY¥)	Outstanding Balance (in PHP)
SMBC JPY	March 19, 2025	March 17, 2028	3.00 billion	1,122.60 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable semi-annually based on 6-month Modified Following Business Day Convention without spread.

Bank loan to Toyota Motor Finance – Netherlands (TMFNL)

The Company and TMFNL entered into a term loan agreement where TMFNL granted the Company a committed term loan facility. Details of the loan are as follows:

2025				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 3	November 24, 2021	November 24, 2025	25.00 million	1,428.57 million
Tranche 5	November 17, 2022	May 18, 2026	25.00 million	1,426.55 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

2024				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 3	November 24, 2021	November 24, 2025	25.00 million	1,401.84 million
Tranche 4	December 15, 2021	December 13, 2024	25.00 million	1,403.64 million
Tranche 5	November 17, 2022	May 18, 2026	25.00 million	1,399.18 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable quarterly based on 3-month Modified Following Business Day Convention without spread for Tranches 3 to 5.



Bank loan from Japan Bank for International Cooperation (JBIC)

The Company and JBIC entered into a term loan agreement where JBIC granted the Company a committed term loan facility in a maximum aggregate amount of US\$105.00 million. Details of the loan are as follows:

2025				
	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 1	July 13, 2021	May 12, 2025	75.00 million	1,429.96 million
Tranche 2	January 25, 2022	December 8, 2025	30.00 million	1,143.22 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

2024				
	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 1	July 13, 2021	May 12, 2025	75.00 million	4,213.05 million
Tranche 2	January 25, 2022	December 8, 2025	30.00 million	1,683.00 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable semi-annually based on 6-month Modified Following Business Day Convention without spread.

Bank loan from The Norinchukin Bank (TNB) - Singapore Branch

The Company and TNB Singapore Branch entered into a term loan agreement where TNB Singapore Branch granted the Company a committed term loan facility. Details of the loan are as follows:

2025				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 7	April 21, 2021	April 21, 2025	25.00 million	1,430.10 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

2024				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 5	October 21, 2020	October 21, 2024	25.00 million	1,403.40 million
Tranche 7	April 21, 2021	April 21, 2025	25.00 million	1,405.22 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable quarterly based on 3-month Modified Following Business Day Convention without spread for Tranche 5 and 7.

Bank loan from Sumitomo Mitsui Trust Bank (SMTB)

2025				
	Date drawn	Maturity Date	Principal Amount (in JPY)	Outstanding Balance (in PHP)
Tranche 1	September 26, 2023	September 28, 2026	25.00 million	1,424.87 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*



2024				
	Date drawn	Maturity Date	Principal Amount (in JPY)	Outstanding Balance (in PHP)
Tranche 1	September 26, 2023	September 28, 2026	25.00 million	1,397.26 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable quarterly based on 3-month Modified Following Business Day Convention without spread.

Bank loan from Mizuho Bank Ltd. - Singapore Branch

The Company and Mizuho Singapore Branch entered into various term loan agreement where Mizuho Singapore Branch granted the Company a committed term loan facility. Details of the loan are as follows:

2025				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
—	—	—	—	—

**Outstanding balance is net of documentary stamp tax and deferred charges.*

2024				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 10	April 13, 2021	April 15, 2024	25.00 million	1,405.88 million
Tranche 11	July 26, 2022	July 26, 2024	25.00 million	1,404.21 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable quarterly based on 3-month Modified Following Business Day Convention: PH, NY and SG Holidays without spread for Tranches 10 to 11.

The Company also entered into a cross-currency interest rate swap agreements with Mizuho Singapore Branch which was designated by the Company as a cash flow hedge (see Note 15).

Bank loan from The Shizuoka Bank, Ltd. (TSB) - Hongkong Branch

On January 21, 2021, the Company and TSB Hongkong Branch entered into a term loan agreement where TSB Hongkong Branch granted the Company a committed term loan facility in a maximum aggregate amount of JPY3 billion. Details of the loan are as follows:

2024				
	Date drawn	Maturity Date	Principal Amount (in JPY)	Outstanding Balance (in PHP)
Tranche 2	January 21, 2021	January 21, 2025	3.00 billion	1,112.86 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable semi-annually based on 6-month Modified Following Business Day Convention without spread.



Interest expense on loans payable consists of:

	2025	2024
Bank loans	₱5,591,300,586	₱3,752,630,218
Fixed rate notes	886,956,725	571,006,136
Bonds payable from SMBC	653,226,834	447,742,563
Notes payable	549,398,374	468,597,325
Bank loan from TMFNL - Netherlands	224,696,256	294,010,576
Bonds payable from BTMU	215,369,107	405,999,661
Bank loan from JBIC	156,258,515	226,010,844
Bank loan from TSB Hongkong Branch	125,252,659	144,700,700
Bank loan from SMTB	103,837,848	53,236,634
Bank loan from TNB Singapore Branch	96,508,391	167,918,489
Bank loan from Mizuho Singapore Branch	36,067,487	253,785,553
	₱8,638,872,782	₱6,785,638,699

The interest expense on loans payable includes amortization of debt issue costs amounting to ₱434.03 million and ₱388.30 million in 2025 and 2024, respectively.

14. Accounts Payable and Other Liabilities

This account consists of:

	2025	2024
Accounts payable (Note 21)	₱2,009,158,947	₱2,684,170,895
Accrued interest payable (Note 21)	1,110,887,306	992,571,270
Accrued expenses	713,949,774	797,936,165
Retirement Liability (Note 17)	57,177,616	88,830,445
Withholding tax payable	71,873,841	72,987,622
Others	4,213,944	3,311,593
	₱3,967,261,428	₱4,639,807,990

Accounts payable includes trade payable to dealers which are non-interest-bearing. Payable to dealers pertain to proceeds for the purchase of the vehicle by the customer through financing. Accounts payable arising from third parties amounted to ₱2.01 billion and ₱2.68 billion as at March 31, 2025 and 2024, respectively.

Accrued expenses pertain to accruals of gross receipts tax (GRT) and fringe benefit tax, unbilled utilities, employees' compensated leaves and absences and BSP annual supervision fees.

Others consist of Social Security System, PhilHealth, employees' compensation premium and home development mutual fund payable.



15. Derivatives

The breakdown of derivative asset (liability) as of March 31, 2025 and 2024 follows:

	2025	2024
Derivative asset	₱1,255,109,073	₱1,961,305,601
Derivative liability	(119,912,975)	(538,362,959)
	₱1,135,196,098	₱1,422,942,642

The movements in fair value changes of the derivative asset (liability) follow:

	2025	2024
Beginning balance	₱1,422,942,642	₱1,434,166,816
Net movement in nominal amount	(1,242,885,000)	(256,885,000)
Net changes in fair value of derivatives	955,138,456	245,660,826
	₱1,135,196,098	₱1,422,942,642

Currency swap agreements with Mizuho Bank, Ltd. Manila Branch

The Company entered into a currency swap agreement with Mizuho Manila Branch to hedge foreign currency in the foreign currency availed from Mizuho Singapore branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
September 8, 2020	Tranche 8	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.80% from September 8, 2020-September 8, 2023.	2025: ₱- 2024: (₱161.11)	2025: ₱- 2024: ₱-
February 23, 2021	Tranche 9	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month USD ICE LIBOR from February 23, 2021-February 23, 2024.	2025: ₱- 2024: (₱113.26)	2025: ₱- 2024: ₱-
April 13, 2021	Tranche 10	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from April 13, 2021-April 15, 2024.	2025: (₱181.43) 2024: ₱86.17	2025: ₱- 2024: ₱181.43
July 26, 2022	Tranche 11	₱1.41 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from July 26, 2022-July 26, 2024.	2025: ₱14.02 2024: ₱65.69	₱- 2024: (₱14.02)



Currency swap agreements with BTMU Manila Branch

The Company entered into a currency swap agreement with BTMU Manila Branch to hedge foreign currency in the foreign currency availed from BTMU Japan branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
July 27, 2020	Series 7	1.24 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus .040% from July 27, 2020-July 23, 2023.	2025: ₱- 2024: (₱137.66)	2025: ₱- 2024: ₱-
March 9, 2021	Series 8	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from March 9, 2021-March 7, 2025.	2025: (₱150.05) 2024: ₱74.16	2025: ₱- 2024: ₱150.05
June 15, 2021	Series 9	1.19 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from June 15, 2021-June 14, 2024.	2025: (₱206.16) 2024: ₱77.39	2025: ₱- 2024: ₱206.16
November 18, 2021	Series 10	1.25 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from November 18, 2021-November 18, 2024.	2025: (₱128.26) 2024: ₱72.81	2025: ₱- 2024: ₱128.26
January 19, 2022	Series 11	1.28 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from January 19, 2022-January 19, 2024.	2025: ₱- 2024: (₱49.83)	2025: ₱- 2024: ₱-
March 22, 2022	Series 12	1.05 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from March 22, 2022-March 22, 2024.	2025: ₱- 2024: (₱18.44)	2025: ₱- 2024: ₱-
March 14, 2023	Series 13	₱1.05 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from March 14, 2023-March 13, 2026.	2025: ₱23.02 2024: ₱3.42	2025: ₱51.86 2024: ₱28.84



Currency swap agreements with Australia and New Zealand Banking Group Limited (ANZ) Manila Branch

The Company entered into a currency swap agreement with ANZ Manila Branch to hedge foreign currency in the foreign currency availed from TNB Singapore Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
June 19, 2019	Tranche 4	1.30 billion	Pays fixed interest rate of 5%-6% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from June 19, 2019-June 19, 2023.	2025: ₱– 2024: (₱54.72)	2025: ₱– 2024: ₱–
October 21, 2020	Tranche 5	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from October 21, 2020-October 21, 2024.	2025: (₱169.78) 2024: ₱69.83	2025: ₱– 2024: 169.78
October 26, 2020	Tranche 6	1.22 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from October 26, 2020-October 26, 2023.	2025: ₱– 2024: (₱124.49)	2025: ₱– 2024: ₱–
April 21, 2021	Tranche 7	₱1.21 billion	Pays fixed interest rate of 5%-6% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from April 21, 2021-April 21, 2025.	2025: ₱62.64 2024: ₱68.29	2025: ₱211.45 2024: ₱148.80

Currency swap agreements with SMBC Manila Branch

The Company entered into a currency swap agreement with SMBC Manila Branch to hedge foreign currency in the foreign currency availed from SMBC Japan Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
September 17, 2020	Series 2	1.21 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 6-month USD ICE LIBOR from September 17, 2020-September 19, 2023.	2025: ₱– 2024: (₱129.05)	2025: ₱– 2024: ₱–
November 20, 2020	Series 3	1.21 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 6-month USD ICE LIBOR from November 20, 2020-November 20, 2024.	2025: (₱164.68) 2024: ₱72.78	2025: ₱– 2024: ₱164.68
September 15, 2021	Series 4	1.25 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from September 15, 2021 to September 15, 2026.	2025: ₱60.54 2024: ₱29.45	2025: ₱140.29 2024: ₱79.75
February 7, 2022	Series 5	1.28 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from February 7, 2022-February 7, 2025.	2025: (₱93.59) 2024: ₱68.87	2025: ₱– 2024: ₱93.59



Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
September 16, 2022	Series 6	1.43 billion	Pays fixed interest rate of 5%-6% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from September 22, 2022-September 22, 2025.	2025: ₱45.70 2024: ₱45.49	2025: (₱12.71) 2024: (₱58.41)
November 28, 2022	Series 7	₱1.43 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from November 28, 2022-November 27, 2026.	2025: ₱56.68 2024: ₱23.01	2025: (₱44.63) 2024: (₱101.31)
February 15, 2024	Series 8	₱1.40 billion	Pays fixed interest rate of 5%-6% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from February 15, 2024-February 12, 2027.	2025: ₱41.63 2024: (₱20.59)	2025: ₱21.04 2024: (₱20.59)
March 25, 2024	Series 9	₱1.39 billion	Pays fixed interest rate of 5%-6% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from March 15, 2024-March 24, 2027.	2025: ₱53.30 2024: (₱7.86)	2025: ₱45.45 2024: (₱7.86)
September 19, 2024	Series 10	₱1.40 billion	Pays fixed interest rate of 5%-6% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from ____.	2025: ₱7.96 2024: ₱-	2025: ₱7.96 2024: ₱-
December 11, 2024	Series 11	₱1.46 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from ____.	2025: (₱16.06) 2024: ₱-	2025: (₱16.06) 2024: ₱-
March 19, 2025	Series 12	₱1.16 billion	Pays fixed interest rate of ____%-____% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from ____.	2025: (₱18.57) 2024: ₱-	2025: (₱18.57) 2024: ₱-

Currency swap agreement with Standard Chartered Bank (SCB) Manila Branch

The Company entered into a currency swap agreement with SCB Manila Branch to hedge foreign currency in the foreign currency availed from TSB Singapore Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
January 21, 2021	Tranche 2	1.39 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from January 21, 2021-January 21, 2025.	2025: ₱250.10 2024: (₱142.23)	2025: ₱- 2024: (₱250.10)
February 21, 2023	Tranche 3	₱1.38 billion	Pays fixed interest rate of 6%-7% p.a. and receives floating interest rate at 6-month Modified Following Business Day Convention from February 21, 2023 to February 21, 2025.	2025: (₱26.67) 2024: ₱39.31	2025: ₱26.67 2024: ₱26.67



Currency swap agreement with Citibank, N.A. Manila Branch

The Company entered into a currency swap agreement with Citibank Manila Branch to hedge foreign currency in the foreign currency availed from Toyota Motor Finance Netherland and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
June 10, 2020	Tranche 1	₱1.25 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 1.37% from June 10, 2020-June 13, 2023.	2025: ₱- 2024: (₱119.10)	2025: ₱- 2024: ₱-
January 26, 2021	Tranche 2	1.20 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from January 26, 2021-January 26, 2024.	2025: ₱- 2024: (₱129.51)	2025: ₱- 2024: ₱-
November 24, 2021	Tranche 3	1.27 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from November 24, 2021-November 24, 2025.	2025: ₱62.54 2024: ₱50.66	2025: ₱138.13 2024: ₱75.59
December 15, 2021	Tranche 4	1.26 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from December 15, 2021-December 13, 2024.	2025: (₱123.19) 2024: ₱87.41	2025: ₱- 2024: ₱123.19
November 17, 2022	Tranche 5	1.44 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from November 17, 2022 to May 18, 2026.	2025: ₱51.28 2024: ₱28.96	2025: (₱27.95) 2024: (₱79.23)

The Company entered into a currency swap agreement with MUFG Manila Branch to hedge foreign currency in the foreign currency availed from Japan Bank for International Cooperation and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
July 13, 2021	Tranche 1	₱3.75 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from July 13, 2021-May 12, 2025.	2025: ₱167.62 2024: ₱179.27	2025: ₱497.57 2024: ₱329.96
January 25, 2022	Tranche 2	1.54 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 6-month Modified Following Business Day Convention January 25, 2022 to December 8, 2025.	2025: 75.09 2024: 60.51	2025: ₱129.65 2024: ₱54.56

The Company entered into a currency swap agreement with HSBC Manila Branch to hedge foreign currency in the foreign currency availed from Sumitomo Mitsui Trust Bank, Limited and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
September 23, 2023	Tranche 1	₱1.42 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from September 26, 2023-September 28, 2026.	2025: ₱18.57 2024: (₱6.85)	2025: ₱11.72 2024: (₱6.85)



The cross-currency interest rate swaps are initially recognized at a fair value of zero (0) at inception date since the cash flow hedge was designated for hedge accounting. Such derivative financial instruments are subsequently remeasured at fair value.

The credit risk standing of the Company and the counterparty-banks are both good, and at reporting date, there are no known or significant events or circumstances that would adversely affect the credit risk standings of both counter parties. The terms of the hypothetical derivative match the critical terms of the hedged item.

The Company identified the possible sources of ineffectiveness:

- the timing of the interest payments wherein actual interest payments for the underlying loan and the swap; and
- the maturity date of the underlying loan does not coincide with the maturity date of the cross-currency interest rate swaps or non-renewal of the cross-currency interest rate swaps.

The Company does neither foresee nor intend to change the timing of the interest payments. Also, non-renewal of cross-currency interest rate swaps shall only transpire if and only if the market conditions on renewal date becomes favorable to the Company. There were no other sources of ineffectiveness in these hedge relationships as of March 31, 2025 and 2024.

An economic relationship exists between the hedged items and hedging instrument as the critical terms of the loan and the derivative match.

Hedge effectiveness is assessed at inception of the hedge, at each reporting date, and upon a significant change in the circumstances affecting the hedge effectiveness. At reporting date, hedge ratio is calculated for the hedging instrument. As of the inception and reporting date, the hedge ratio is 1:1 or 100.00.

As of March 31, 2025 and 2024, the Company has the following instruments with maturities of 1 to 5 years to hedge exposures to changes in interest rates and foreign exchange currency rates:

	2025	2024
Cross-currency interest rate swaps		
Nominal amount	₱22,926,720,000	₱32,928,625,000
Average foreign exchange rate	53.42	50.08
Average fixed interest rate	5.35%	4.99%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness as of and for the years ended March 31, 2025 and 2024 were as follows:

Cross-currency interest rate swaps	Nominal amount	Carrying amount	Changes in fair values	Changes in the value of the hedging instrument recognized in OCI	Hedge ineffectiveness recognized in statement of income	Amount reclassified from the 'Cash flow hedge reserve' to statement of income
2025	₱22,926,720,000	₱1,135,196,097	₱955,138,455	(₱955,138,455)	₱—	₱—
2024	₱32,928,625,000	₱1,422,942,642	₱245,660,826	(₱245,660,826)	₱—	₱—



The Company's financial instruments designated as hedged items in cash flow hedge relationships follow:

	2025	2024
Floating/fixed rate dollar-denominated notes		
Change in value used for calculating hedge ineffectiveness	(P955,138,455)	(P245,660,826)
Cash flow hedge reserve	124,804,573	(591,549,268)

The movements in cash flow hedge reserve follow:

	2025	2024
Beginning balance	(P788,732,358)	(P1,034,393,184)
Net unrealized gain on cash flow hedges	955,138,455	245,660,826
Ending balance (gross of tax)	166,406,097	(788,732,358)
Deferred tax	(41,601,524)	197,183,090
Ending balance (net of tax)	P124,804,573	(P591,549,268)

16. Deposits on Lease Contracts

Deposits on lease contracts consist of deposits from lessees and customers of finance lease receivables to serve as security for the prompt and faithful performance of the terms and conditions of the contracts. Such deposits are applied as lease payments at the end of the lease term subject to terms and conditions of the contract. This account also consists of guaranteed deposits from lessees of the Company's vehicles which are collected upfront and to be refunded by the latter upon the end of lease term or forfeited upon pre-termination and refundable bid bond deposit which are collected from regular bidders of repossessed units and to be refunded if the bidder will no longer participate in Company's bidding.

	2025	2024
Deposits on lease contracts	P57,802,506	P53,910,920
Refundable bid bond deposits	21,100,000	19,800,000
	P78,902,506	P73,710,920

The maturity information of deposits on lease contracts follow:

	2025	2024
Within 1 year	P2,798,748	P3,023,260
Beyond 1 year but not beyond 5 years	55,003,758	50,887,660
	P57,802,506	P53,910,920

The maturity information of refundable bid bond deposits follow:

	2025	2024
Within 1 year	P—	P—
Beyond 1 year but not beyond 5 years	21,100,000	19,800,000
	P21,100,000	P19,800,000



17. Retirement Plan

The Company has a funded, noncontributory benefit retirement plan covering all its employees with regular employment status. Changes in net retirement liability in 2025 are as follows:

	April 1, 2024	Net benefit cost in statement of comprehensive income				Benefits paid	Remeasurements in other comprehensive income			March 31, 2025
		Current service cost*	Net interest*	Contributions	Subtotal		Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in financial assumptions	Subtotal	
Present value of defined benefit obligation	₱177,056,359	₱18,895,972	₱11,048,317	₱—	₱29,944,289	(₱9,851,879)	₱—	₱9,566,871	₱9,566,871	₱206,715,940
Fair value of plan assets	(88,225,914)	—	(7,269,569)	(66,398,750)	(73,668,319)	9,851,879	2,504,330	—	2,504,330	(149,538,324)
Net defined benefit liability	₱88,830,445	₱18,895,972	₱3,778,748	(₱66,395,750)	(₱43,724,030)	₱—	₱2,504,330	₱9,566,871	₱12,071,201	₱57,177,616

*Current service cost and net interest are included in 'Compensation and fringe benefits'

Changes in net retirement liability in 2024 are as follows:

	April 1, 2023	Net benefit cost in statement of comprehensive income				Benefits paid	Remeasurements in other comprehensive income			March 31, 2024
		Current service cost*	Net interest*	Contributions	Subtotal		Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in financial assumptions	Subtotal Current service cost*	
Present value of defined benefit obligation	₱153,716,209	₱17,832,345	₱9,868,581	₱—	₱27,700,926	(₱14,946,687)	₱—	₱10,585,911	₱10,585,911	₱177,056,359
Fair value of plan assets	(71,196,792)	—	(4,733,045)	(20,000,000)	(24,733,045)	14,946,687	(7,242,764)	—	(7,242,764)	(88,225,914)
Net defined benefit liability (Note 17)	₱82,519,417	₱17,832,345	₱5,135,536	(₱20,000,000)	₱2,967,881	₱—	(₱7,242,764)	₱10,585,911	₱3,343,147	₱88,830,445

*Current service cost and net interest are included in 'Compensation and fringe benefits'



Under the plan, all covered officers and employees are entitled to a retirement benefit equal to 200.00% of gross monthly salary for every credited service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2025	2024
Cash in banks	₱109,257	₱378,112
Financial assets at FVTPL		
Government securities	106,582,048	66,590,070
Unitized investment trust funds	42,893,336	20,366,959
Accrued interest receivable	–	991,262
Other receivables	–	14,149
Total assets	149,584,641	88,340,552
Accounts payable	–	(18,314)
Accrued expenses	(46,317)	(96,324)
Fair value of plan assets	₱149,538,324	₱88,225,914

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

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

	2025	2024
Discount rates	6.22%	6.24%
Future salary increases	6.00%	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	2025		2024	
	Percentage	Amount	Percentage	Amount
Discount rates	+100 bps	(₱10,244,676)	+100 bps	(₱9,141,596)
	-100 bps	11,393,408	-100 bps	10,159,706
Future salary increases	+100 bps	11,305,755	+100 bps	10,083,595
	-100 bps	(10,357,578)	-100 bps	(9,244,049)

The Company's retirement plan is administered by Metrobank Metropolitan Bank & Trust Company (MBTC) Trust Banking Group (the Retirement Plan Trustee). The Retirement Plan Trustee is responsible for matching the plan assets and the plan liabilities as well as the general administration of the retirement plan and management of the retirement fund, and the ultimate control, disposition, or management of the money received or contributed.



The Company expects to contribute ₱58.56 million to the defined pension plan in fiscal year 2026.

The Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Company's discretion. However, in the event a benefit claim arises, and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable by the Company to the retirement fund.

The average duration of the defined benefit obligation at the end of the reporting period is 5.2 years and 5.5 years in 2025 and 2024, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2025	2024
Within 1 year	₱44,920,363	₱33,304,835
More than 1 year to 5 years	138,951,326	117,331,258
More than 5 years	130,818,260	131,362,164

18. Service Fees and Other Income

This account consists of:

	2025	2024
Service and other fees	₱586,067,175	₱308,184,658
Operating lease revenues	316,304,040	178,655,552
Loss on disposal of assets held for sale (Note 8)	(192,780,298)	(51,380,646)
Recoveries from accounts written off	104,629,838	172,739,062
Gain on disposal of property and equipment (Note 9)	844,613	67,912
	₱815,065,368	₱608,266,538

Service and other fees include income from late payments and service charges. Late payment charges are those imposed on customers upon default of their amortization payments. Service charges are collected from processing and registration fees.

This account also includes loss on disposal of assets held for sale amounted to ₱192.78 million and ₱51.38 million in 2025 and 2024, respectively.

19. Income Taxes

Provision for income tax consists of:

	2025	2024
Current		
Regular	₱665,103,967	₱553,465,808
Final	27,792,074	36,201,823
	692,896,041	589,667,631
Deferred	3,672,821	89,177,040
	₱696,568,862	₱678,844,671



The components of net deferred tax assets follow:

	2025	2024
Deferred tax assets:		
Allowance for credit and impairment losses	₱598,449,213	₱511,084,951
Lease liabilities	26,153,518	38,651,314
Retirement liability	14,294,404	22,207,612
Unamortized past service cost	11,622,766	1,072,350
Accrued expenses	8,722,457	8,284,434
Transportation equipment - depreciation	1,358,418	442,409
Unrealized foreign exchange loss	224,940	120,284
Cash flow hedge reserve loss	—	197,183,090
Modification loss on loans and receivables	—	4,461,159
	660,825,716	783,507,602
Deferred tax liabilities:		
Unamortized debt issue cost	179,707,445	88,512,195
Cash flow hedge reserve gain	41,601,525	—
Right-of-use assets	32,085,809	48,226,276
Unrealized foreign exchange gain	234,502	133,060
	253,629,281	136,871,531
	₱407,196,435	₱646,636,071

In 2025, provision (benefit) for deferred income tax charged directly to cash flow hedge reserve and actuarial loss on retirement amounted to ₱238.78 million and (₱7.91 million), respectively. In 2024, provision (benefit) for deferred income tax charged directly to cash flow hedge reserve and actuarial loss on retirement amounted to ₱61.42 million and (₱2.32 million), respectively.

Under current tax regulations, the maximum amount of entertainment, amusement and recreation (EAR) expenses allowable as deduction from gross income for purposes of income tax computation shall not exceed 1.00% of the gross revenue of the Company. EAR expenses incurred in 2025 and 2024 amounted to ₱3.94 million and ₱3.05 million, respectively.

The reconciliation of provision for income tax computed at the statutory corporate income tax rate to provision for income tax shown in the statements of comprehensive income follows:

	2025	2024
Statutory income tax rate	₱599,160,232	₱632,060,123
Adjustments for:		
Nondeductible expenses and others	104,356,648	64,885,459
Interest income subjected to final tax	(6,948,018)	(18,100,911)
	₱696,568,862	₱678,844,671

Relevant Tax Regulations

On March 26, 2021, Republic Act no. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by law effective July 1, 2020. With the implementation of CREATE, interest expense allowed as a deductible expense shall be reduced by 20.00% of the interest income subjected to final tax, compared to the 33.00% reduction prior to the CREATE.



On June 20, 2023, the BIR issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the MCIT rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021. Consequently, the Company recognized MCIT using the effective rate of 2.00% and 1.75% for the taxable year ended March 31, 2025 and March 31, 2024, respectively.

20. Lease Commitments

Company as a Lessee

The Company leases the premises occupied by its office space, business centers and warehouse for periods ranging from 2 to 5 years renewable under certain terms and conditions. The lease contracts include annual rent escalations from 5% to 10%.

As of March 31, 2025 and 2024, the carrying amount of lease liabilities are as follows:

	2025	2024
Balance at the beginning of the year	₱154,605,255	₱77,826,859
Additions	38,172,389	172,797,916
Accretion of interest	6,088,602	6,826,378
Payments	(94,252,176)	(102,845,898)
	₱104,614,070	₱154,605,255

The following are the amounts recognized in statements of comprehensive income:

	2025	2024
Depreciation expense of right-of-use assets included in property and equipment (Note 9)	₱103,246,566	₱99,955,954
Rent expense related to short-term leases	75,008,581	44,519,713
Interest expense on lease liabilities	6,088,602	6,826,378
	₱184,343,749	₱151,302,045

The maturity analysis of lease liabilities is disclosed in Note 25, *Financial Risk Management Objectives and Policies*.

Future minimum rentals payable under non-cancelable operating leases are as follows:

	2025	2024
Within one year	₱91,473,969	₱84,698,405
After one year but not more than five years	16,255,550	97,217,357
	₱107,729,519	₱181,915,762

Company as Lessor

The Company has also entered into leases of vehicles under FSL and KINTO. These non-cancelable leases have remaining lease term ranging from 1 to 5 years. As of March 31, 2025 and 2024, there is no contingent rental income. Rental income of the Company related to these property leases amounting to ₱316.30 million and ₱178.66 million in 2025 and 2024, respectively is presented under the 'Service fees and other income' in the statements of comprehensive income (see Note 18).



Future minimum rentals receivable under non-cancelable operating leases are as follows:

	2025	2024
Within one year	₱299,585,869	₱307,812,873
After one year but not more than five years	389,578,543	602,135,930
	₱689,164,412	₱909,948,803

21. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence (referred to as affiliates).

In the normal course of business, the Company enters into transactions with its related parties principally consisting of advances and other borrowings. Under RA No. 8556, *Financing Company Act*, the Company's amount of credit accommodation to its directors, officers, stockholders and other related parties should not exceed 15.00% of its net worth. In 2025 and 2024, the Company has complied with this regulatory requirement.

The Company has several business relationships with related parties. The terms of the transactions with such parties are listed below on substantially the same terms, including interest and collaterals as those prevailing at the time for comparable transactions with other parties, and are usually settled in cash. These transactions also did not involve more than the nominal risk of collectability or present other unfavorable conditions.

The year-end account balances with respect to related parties included in the financial statements follow:

Category	Net movement for the year	Outstanding Balance	2025 Nature/Terms and Conditions
Stockholder			
TFSC (Ultimate Parent Company)			
Accounts payable	₱101,348	₱772,128	Amount payable to TFSC relating to billing for the support services being provided to the Company
Management and other professional fees	1,543,954	–	Expense incurred relating to billing for the support services provided by TFSC to the Company
Subsidiaries of the Stockholder			
TMFNL			
Loans payable	(1,357,500,000)	2,860,500,000	Loan availment with interest ranging from 4.59% to 6.78%
Interest expense	129,410,744	–	Interest expense on Foreign Loans
Accrued interest payable	(2,278,865)	17,677,348	Accrued interest payable to TMFNL USD
MBTC			
Cash in bank	(152,869,030)	347,780,846	Demand deposit account with annual interest of 0.0625%
Interest income	(91)	–	Interest earned from the deposit account

(Forward)



2025			
Category	Net movement for the year	Outstanding Balance	Nature/Terms and Conditions
Loans payable	₱5,750,000,000	₱16,500,000,000	Loan payments on loans availed with interest rates ranging from 3.70% to 6.78%.
Interest expense	778,454,246	–	Interest expense on bank loans
Accrued interest payable	52,023,998	121,154,299	Accrued Interest payable to MBTC
Philippine Savings Bank (PS Bank)			
Cash in bank	(1,770,412)	3,371,673	Demand deposit account with annual interest of 0.25%
Interest income	(6,170)	–	Interest earned from the deposit account
Federal Land, Inc.			
Accounts payable	(294,768)	509,270	Accrual for water, electricity and other maintenance fees.
Occupancy	73,036,108	–	Expenses incurred pertaining to office rent
Toyota Motor Philippines Corporation			
Vehicle (Lease rental asset)	(40,293,863)	48,402,167	Lease Rental Asset - Outstanding Balance
Computer Software Expense	876,960	–	Expense incurred pertaining to Computer Software and Maintenance (TAAP Fee)
AXA Philippines Life and General Insurance Corporation			
Car Insurance	879,136	–	Expenses incurred pertaining to car insurance policy and group life insurance
Toyota Mobility Solutions			
FSL Repairs and Maintenance	37,839,008	–	FSL Vehicle Repaid and Maintenance
Key Management Personnel			
Salaries and wages			
Salaries and other short-term benefits	113,694,256	–	Salaries and other short-term benefits for its key management personnel
Post-employment benefits	51,908,086	–	The post-employment benefits for its key management personnel
2024			
Category	Net movement for the year	Outstanding Balance	Nature/Terms and Conditions
Stockholder			
TFSC (Ultimate Parent Company)			
Accounts payable	₱72,548	₱670,780	Amount payable to TFSC relating to billing for the support services being provided to the Company
Management and other professional fees	1,433,170	–	Expense incurred relating to billing for the support services provided by TFSC to the Company
Subsidiaries of the Stockholder			
TMFNL			
Loans payable	(2,577,000,000)	4,218,000,000	Loan availment with interest ranging from 3.35% to 6.78%
Interest expense	164,189,945	–	Interest expense on Foreign Loans
Accrued interest payable	8,327,005	19,956,212	Accrued interest payable to TMFNL USD
MBTC			
Cash in bank	257,524,484	500,649,876	Demand deposit account with annual interest of 0.125%
Interest income	(180)	–	Interest earned from the deposit account

(Forward)



Category	2024		Nature/Terms and Conditions
	Net movement for the year	Outstanding Balance	
Loans payable	₱3,150,000,000	₱10,750,000,000	Loan payments on loans availed with interest rates ranging from 3.20% to 6.55%.
Interest expense	434,864,520	–	Interest expense on bank loans
Accrued interest payable	30,161,876	69,130,301	Accrued Interest payable to MBTC
Philippine Savings Bank (PS Bank)			
Cash in bank	2,323,134	5,142,085	Demand deposit account with annual interest of 0.25%
Interest income	(7,454)	–	Interest earned from the deposit account
Federal Land, Inc.			
Accounts payable	(6,103,996)	804,038	Accrual for office rental and maintenance fee
Occupancy	59,491,973	–	Expenses incurred pertaining to office rent
Toyota Motor Philippines Corporation			
Lease Rental Asset (Vehicle)	4,069,294	88,696,030	Lease Rental Asset - Outstanding Balance
Computer Software Expense	589,120	–	Expense incurred pertaining to Computer Software and Maintenance (TAAP Fee)
FSL Repairs & Maintenance	1,792,710	–	Expenses incurred pertaining to FSL Vehicle Repair and Maintenance
AXA Philippines Life and General Insurance Corporation			
Car insurance	997,509	–	Expenses incurred pertaining to Company's vehicle insurance policy
Prepaid expense			Advance payment of car insurance
Key Management Personnel			
Salaries and wages			
Salaries and other short-term benefits	91,664,451	–	Salaries and other short-term benefits for its key management personnel
Post-employment benefits	32,632,644	–	The post-employment benefits for its key management personnel

Relationship with the following Toyota dealers is mainly for the purchase of Toyota vehicles on behalf of our borrowers.

- Toyota Abad Santos
- Toyota Manila Bay
- Toyota Cubao
- Toyota Dasmariñas
- Toyota Marikina

Relationship with the following Toyota dealers is mainly for car repairs and maintenance

- Toyota Makati
- Toyota Bicutan
- Toyota Sta. Rosa
- Toyota Manila Bay
- Toyota Makati, Inc.
- Toyota Sta. Rosa Laguna, Inc.
- Toyota San Fernando



- Lexus Manila, Inc.
- Toyota Tarlac
- Toyota Plaridel

Existing banking regulations limit the amount of individual loans to directors, officers, stockholders, and related interests (DOSRI), 70.00% of which must be secured, to the total of their respective deposits. Such limit does not apply to loans secured by assets considered as non-risk as defined in the regulations. In the aggregate, loans to DOSRI generally should not exceed the respective total regulatory capital or 15.00% of total loan portfolio, whichever is lower.

Under Section 131-Q, particularly item “o” of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), related parties shall cover the BSP Supervised Financial Institution's (BSFIs) subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the BSFI exerts direct/indirect control over or that exerts direct/indirect control over the BSFI; the BSFI's directors, officers, stockholders, and its related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the BSFI, hence, is identified as a related party.

The above definition shall also include direct or indirect linkages to a BSFI identified as follows:

- (1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
- (2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
- (3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
- (4) Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

Section 131-Q, item “p”, further defined Related party transactions (RPTs) as transactions or dealings with related parties of the BSFI, including its trust department regardless of whether or not a price is charged. These shall include, but not limited, to the following:

- (1) On- and off-balance sheet credit exposures and claims and write-offs;
- (2) Investments and/or subscriptions for debt/equity issuances;
- (3) Consulting, professional, agency and other service arrangements/contracts;
- (4) Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
- (5) Construction arrangements/ contracts;
- (6) Lease arrangements/contracts;
- (7) Trading and derivative transactions;
- (8) Borrowings, commitments, fund transfers and guarantees;
- (9) Sale, purchase or supply of any goods or materials; and
- (10) Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

As of March 31, 2025 and 2024, the Company has no DOSRI accounts.



Transactions with Retirement Plan

Under PFRS Accounting Standards, certain post-employment benefit plans are considered as related parties. The carrying value of the fund which approximates its fair value follows:

	2025	2024
Cash in banks	₱109,257	₱378,112
Financial assets at FVTPL		
Government securities	106,582,048	66,590,070
Unitized investment trust funds	42,893,336	20,366,959
Accrued interest receivable	—	991,262
Other receivables	—	14,149
Total assets	149,584,641	88,340,552
Accounts payable	—	(18,314)
Accrued expenses	(46,317)	(96,324)
Fair value of plan assets	₱149,538,324	₱88,225,914

As of March 31, 2025 and 2024, the cash in banks of the Company's retirement plan is with MBTC Trust Banking Group.

22. Maturity Analysis of Assets and Liabilities

The following tables present the assets and liabilities as of March 31, 2025 and 2024 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2025			2024		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Assets						
Cash on hand and in banks	₱2,537,277,355	₱-	₱2,537,277,355	₱2,304,529,949	₱-	₱2,304,529,949
Due from BSP	2,689,111,050	-	2,689,111,050	5,777,954,719	-	5,777,954,719
SPURA	715,000,000	-	715,000,000	-	-	-
Loans and receivables						
Receivables from customers						
Receivables financed	7,760,791,135	11,277,121,209	19,037,912,344	6,570,640,785	10,128,686,851	16,699,327,636
Finance lease receivables	58,671,662,586	109,943,493,511	168,615,156,097	52,316,736,555	100,398,861,222	152,715,597,777
Other receivables	-	-	-	-	-	-
Receivables from clients	118,734,022	-	118,734,022	153,698,355	-	153,698,355
Receivables from employees	10,885,657	22,893,756	33,779,413	10,997,598	19,939,909	30,937,507
Accrued interest receivable	788,012	-	788,012	2,656,667	-	2,656,667
Others	758,349	-	758,349	1,188,863	-	1,188,863
Derivative asset	-	1,255,109,073	1,255,109,073	-	1,961,305,601	1,961,305,601
Other assets	-	-	-	-	-	-
Security deposits	-	41,979,336	41,979,336	-	32,102,484	32,102,484
	72,505,008,166	122,540,596,885	195,045,605,051	67,138,403,491	112,540,896,067	179,679,299,558
Nonfinancial Assets						
Assets held for sale	1,765,788,033	-	1,765,788,033	695,958,492	-	695,958,492
Property and equipment	-	1,962,577,178	1,962,577,178	-	1,815,707,266	1,815,707,266
Software costs	-	1,063,711,801	1,063,711,801	-	894,150,606	894,150,606
Deferred tax assets	-	407,196,435	407,196,435	-	646,636,071	646,636,071
Other assets	-	-	-	-	-	-
Prepaid expenses	155,403,847	-	155,403,847	94,772,691	-	94,772,691
Creditable withholding taxes	3,625,298	-	3,625,298	2,853,485	-	2,853,485
	1,924,817,178	3,433,485,414	5,358,302,592	793,584,668	3,356,493,943	4,150,078,611
Less: Unearned finance and lease						
Income	14,366,601,298	16,956,763,062	31,323,364,360	12,095,954,221	15,431,764,858	27,527,719,079
Allowance for credit and impairment losses	354,491,928	2,039,304,922	2,393,796,850	212,162,209	1,832,177,594	2,044,339,803
Accumulated depreciation and amortization	-	1,211,502,893	1,211,502,893	-	833,782,195	833,782,195
	₱59,708,732,118	₱105,766,511,422	₱165,475,243,540	₱55,623,871,729	₱97,799,665,363	₱153,423,537,092



	2025			2024		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Liabilities						
Loans payable						
Bank loans	₱24,864,785,586	₱71,386,371,716	₱96,251,157,302	₱17,026,843,867	₱59,190,260,726	₱76,217,104,593
Fixed rate notes	4,674,000,000	9,113,949,983	13,787,949,983	3,626,000,000	6,298,576,534	9,924,576,534
Notes payable	9,677,394,610	281,304,881	9,958,699,491	8,774,130,842	176,108,654	8,950,239,496
Bonds payable from BTMU Japan	1,423,085,750	-	1,423,085,750	4,204,939,388	1,394,301,176	5,599,240,564
Bank loan from Mizuho Singapore	-	-	-	2,810,091,853	-	2,810,091,853
Bank loan from TNB Singapore	1,430,098,430	-	1,430,098,430	2,808,619,703	-	2,808,619,703
Bank loan from JBIC	2,573,180,055	-	2,573,180,055	-	5,896,051,421	5,896,051,421
Bank loan from TMFNL	1,428,569,022	1,426,550,514	2,855,119,536	1,406,000,000	2,798,659,822	4,204,659,822
Bonds payable from SMBC	1,422,388,800	8,397,628,290	9,820,017,090	-	-	-
Bonds payable from SMBC Japan	-	1,122,598,404	1,122,598,404	2,812,000,000	6,817,151,730	9,629,151,730
Bank loan from TSB Hongkong	-	-	-	1,401,182,980	-	1,401,182,980
Bank loan from Shizuoka	-	-	-	1,112,855,605	-	1,112,855,605
Bank loan from SMTB	-	1,424,873,670	1,424,873,670	-	1,397,263,858	1,397,263,858
	47,493,502,253	93,153,277,458	140,646,779,711	45,982,664,238	83,968,373,921	129,951,038,159
Derivative liability	-	119,912,975	119,912,975	-	538,362,959	538,362,959
Accounts payable and other liabilities						
Accounts payable	2,009,158,947	-	2,009,158,947	2,684,170,895	-	2,684,170,895
Accrued interest payable	439,724,322	671,162,984	1,110,887,306	332,526,095	660,045,175	992,571,270
Accrued expenses	436,938,925	-	436,938,926	554,168,994	-	554,168,994
Deposits on lease contracts	318,000	78,584,506	78,902,506	690,600	73,020,320	73,710,920
Lease liability	63,415,882	41,198,189	104,614,070	54,805,263	99,799,992	154,605,255
	50,443,058,329	94,064,136,112	144,507,194,441	49,609,026,085	85,339,602,367	134,948,628,452
Nonfinancial Liabilities						
Income tax payable	150,885,066	-	150,885,066	66,496,531	-	66,496,531
Accounts payable and other liabilities						
Accrued expenses	277,010,848	-	277,010,848	243,767,171	-	243,767,171
Withholding tax payable	71,873,841	-	71,873,841	72,987,622	-	72,987,622
Retirement liability	-	57,177,616	57,177,616	-	88,830,445	88,830,445
Others	4,213,944	-	4,213,944	3,311,593	-	3,311,593
	503,983,699	57,177,616	561,161,315	386,562,917	88,830,445	475,393,362
	₱50,947,042,028	₱94,121,313,728	₱145,068,355,756	₱49,995,589,002	₱85,428,432,812	₱135,424,021,814

23. Fair Value Measurement

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

Cash on hand and in banks, Due from BSP and SPURA – Due to the short-term nature of the instruments, the fair values approximate the carrying amounts as of the reporting date.

Loans and receivables – Fair value was computed using the discounted cash flow method. The discount rate used was the Bloomberg Valuation (BVAL) rate plus 450 bps in 2025 and 450 bps 2024.

Derivative financial instruments – The fair values of cross-currency interest rate swap transactions are derived using market observable inputs, primarily foreign exchange rates and interest rate curves prevailing at the reporting date. In estimating the fair value, the Company uses the discounted cash flow model.

Loans payable – Fair value was computed using the discounted cash flow method. The discount rate used was the zero curve for BVAL rate plus 200 bps in 2025 and 2024.

Accounts payable and other liabilities – Due to the short-term nature of the transactions, the fair value approximates the carrying amount as of the reporting date.

Lease liabilities – Fair value of lease liabilities is measured using the BVAL rate as of the reporting date plus the spread which is the derived difference between the actual market rate and the BVAL rate.



The following tables summarize the carrying amount and fair values of the financial assets and liabilities, analyzed based on the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

		2025			
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value:					
Financial assets:					
Derivative asset	₱1,255,109,073	₱—	₱1,255,109,073	₱—	₱1,255,109,073
Financial liabilities:					
Derivative liability	119,912,975	—	119,912,975	—	119,912,975
Assets and liabilities for which fair value is disclosed:					
Financial assets:					
Loans and receivables					
Receivables financed - net	16,255,966,946	—	—	17,438,804,544	17,438,804,544
Finance lease receivables - net	140,073,737,135	—	—	154,428,081,060	154,428,081,060
Financial liabilities:					
Loans payable					
Bank loans	96,251,157,302	—	—	100,340,996,532	100,340,996,532
Fixed rate notes	13,787,949,983	—	—	14,198,811,727	14,198,811,727
Notes payable	9,958,699,491	—	—	9,148,113,365	9,148,113,365
Bonds payable from SMBC	9,820,017,090	—	—	10,585,089,609	10,585,089,609
Bank loan from TMFNL	2,855,119,536	—	—	2,856,742,082	2,856,742,082
Bank loan from JBIC	2,573,180,055	—	—	2,521,504,313	2,521,504,313
Bank loan from TNB	1,430,098,430	—	—	1,341,117,513	1,341,117,513
Bank loan from SMTB	1,424,873,670	—	—	1,366,527,001	1,366,527,001
Bonds payable from BTMU	1,423,085,750	—	—	1,328,091,770	1,328,091,770
Bank loan from SMBC JPY	1,122,598,404	—	—	1,101,989,171	1,101,989,171
Deposits on lease contracts	78,902,506	—	—	78,902,506	78,902,506
Lease liability	104,614,070	—	—	104,614,070	104,614,070
2024					
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value:					
Financial assets:					
Derivative asset	₱1,961,305,601	₱—	₱1,961,305,601	₱—	₱1,961,305,601
Financial liabilities:					
Derivative liability	538,362,959	—	538,362,959	—	538,362,959
Assets and liabilities for which fair value is disclosed:					
Financial assets:					
Loans and receivables					
Receivables financed - net	14,279,411,941	—	—	15,112,545,935	15,112,545,935
Finance lease receivables - net	127,607,794,393	—	—	138,188,292,234	138,188,292,234
Financial liabilities:					
Loans payable					
Bank loans	76,217,104,593	—	—	72,993,486,682	72,993,486,682
Fixed rate notes	9,924,576,534	—	—	9,342,886,494	9,342,886,494
Notes payable	8,950,239,496	—	—	8,309,569,042	8,309,569,042
Bonds payable from BTMU	5,599,240,564	—	—	4,703,967,966	4,703,967,966
Bonds payable from SMBC	9,629,151,730	—	—	9,346,864,969	9,346,864,969
Bank loan from TMFNL	4,204,659,822	—	—	3,866,368,810	3,866,368,810
Bank loan from JBIC	5,896,051,421	—	—	4,996,883,425	4,996,883,425
Bank loan from TNB	2,808,619,703	—	—	2,292,530,026	2,292,530,026
Bank loan from Mizuho	2,810,091,853	—	—	2,454,686,322	2,454,686,322
Bank loan from TSB	2,514,038,585	—	—	2,638,841,567	2,638,841,567
Bank loan from SMTB	1,397,263,858	—	—	1,495,453,271	1,495,453,271
Deposits on lease contracts	73,710,920	—	—	73,710,920	73,710,920
Lease liability	154,605,255	—	—	154,605,255	154,605,222

As of March 31, 2025 and 2024, no transfers were made among the three levels in fair value hierarchy.



24. Capital Management and Financial Performance Ratios

Capital Stock

	Shares		Amount	
	2025	2024	2025	2024
Authorized				
Common stock - ₱100 par value	90,000,000	90,000,000	₱9,000,000,000	₱9,000,000,000
Common stock issued and outstanding				
Balance at beginning and end of year	87,000,000	87,000,000	8,700,000,000	8,700,000,000

Issuance of Stocks

On September 28, 2018, BSP approved the increase in authorized capital stock to ₱9.00 billion (90,000,000 shares with par value of ₱100.00). Consequently, the Company filed the application with the SEC on December 11, 2018 and was approved on January 25, 2019. 18,000,000 shares were issued at par on February 4, 2019.

On December 23, 2021, TFSC and GT Capital infused additional capital amounting to ₱1.20 billion and ₱800.0 million, respectively. Total capital infusion amounted to ₱2.00 billion (20,000,000 shares with par value of ₱100.00) recognized as capital stock under equity. Share issuance cost amounted to ₱20.00 million.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and 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 e dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended March 31, 2025 and 2024.

The Company considers the following as capital:

	2025	2024
Capital stock	₱8,700,000,000	₱8,700,000,000
Retained earnings	11,620,079,533	9,920,007,468
	₱20,320,079,533	₱18,620,007,468

The Company monitors capital using debt-to-equity ratio. The Company targets a debt-to-equity ratio not exceeding 10.00:1. Based on the above capital consideration, the Company's debt-to equity ratio is 7.11:1 and 7.52:1 as of March 31, 2025 and 2024, respectively.

Under the Financing Company Act, the Company is mandated to maintain the following capital requirements:

- Minimum paid-up capital of ₱10.00 million; and
- Additional capital requirements of ₱1.00 million for each branch established in Metro Manila, ₱0.50 million for branches established in other classes of cities and ₱0.20 million for branches established in municipalities.

As of March 31, 2025 and 2024, the Company was in compliance with this minimum paid-up capital.



Regulatory qualifying capital

The Company has started its operations as a quasi-bank effective April 1, 2009. Thus, the Company began to actively manage its capital in accordance with regulatory requirements of BSP. The primary objective of which is to ensure that the Company maintains adequate capital to cover risks inherent to its quasi-banking activities without prejudice to optimizing shareholder's value.

Under existing BSP regulations, the capital accounts of the Company should not be less than an amount equal to 10.00% of its risk assets. Risk assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The following table sets the Company's regulatory capital as reported to BSP as at March 31, 2025 and 2024 (amounts in thousands):

	2025	2024
CET1 capital	₱19,485,417	₱16,911,746
Tier 1 capital	19,485,417	16,911,746
Tier 2 capital	1,519,070	1,198,284
Gross qualifying capital	₱21,004,487	₱18,110,030
Total risk weighted assets	₱164,474,167	₱149,310,358
CET1 ratio	11.85%	11.33%
Tier 1 ratio	11.85%	11.33%
Risk-based CAR	12.77%	12.13%

As of March 31, 2025 and 2024, the Company was in compliance with the minimum CAR, as reported to the BSP.

Appropriation of Retained Earnings

Under the existing regulations of the BSP, in cases when the computed allowance for credit losses on Stage 1 accounts is less than the required 1% general loan loss provision, the deficiency shall be recognized as appropriation of retained earnings. General provision recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in retained earnings shall be considered as Tier 2 capital subject to limit provided under the Capital Adequacy Ratio framework.

As of March 31, 2025, total appropriated retained earnings that complies with the above BSP requirement amounted to ₱921.47 million.

25. Financial Risk Management Objectives and Policies

The Company's principal financial instruments are composed of cash in banks, due from BSP, SPURA, loans and receivables, derivative asset, loans payable, derivative liability, lease liabilities, accounts payable and accrued expenses. These financial instruments are used in operations. Financial instruments used in financing are bank loans, subordinated debt and notes payable. The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk.



Risk Management Framework

The Company serves customers of Toyota vehicles through financing and leasing services. Enterprise Risk Management (ERM) enables the Company to achieve corporate objectives while operating within the boundary of its risk appetite through a well-defined and established risk management framework.

The BOD oversees the Company's overall risk management strategy through the various committees created as follows:

- a. **Executive Committee**
The Executive Committee establishes and oversees execution of business strategies and has the accountability to identify and manage the embedded financial and operational risks.
- b. **Risk Oversight Committee**
The Risk Oversight Committee provides independent views from the business units and ensures effective implementation of risk management framework through regular reviews of the Company's performance against approved tolerance for each risk indicator. The committee also monitors key and emerging risks as well as reviews and assesses the impact of business strategies, opportunities and initiatives on overall risk position.
- c. **Audit Committee**
The Audit Committee through the Internal Audit Department provides independent assurance of robustness of processes and methodologies against practice.
- d. **Credit Committee**
The Credit Committee manages the credit risk associated with counterparty borrowers and sets out objectives related to overall quality and diversification of the company's portfolio.
- e. **Asset and Liability Committee (ALCO)**
The ALCO oversees the management of liquidity risks and ensures that funds are properly allocated to the right product at the right price to ensure healthy net interest and operating margins. Loan pricing is set by the ALCO on a quarterly basis and is driven by market factors, the Toyota Financial Services Philippines' (TFSPH) position and the operating risks as well as credit risk scores of various borrowers. ALCO also monitors available sources of funds under disrupted market conditions.

Risk Management Structure

The Company's organizational structure includes the Risk Management Department (RMD), responsible for developing, recommending and implementing policies and strategies of Enterprise Risk Management (ERM). It is also in charge of periodically monitoring and reporting to management, regional TFSC Risk Management Group and the BOD through the Risk Oversight Committee, the state of the company-wide risk position and effectiveness of the ERM framework.

Risk Management Strategy

The Executive Committee establishes and oversees execution of business strategies and has the accountability to identify and manage the embedded risks. Business strategies and business plans are thus aligned with the risk appetite approved by the Risk Oversight Committee and BOD, defined in the form of risk tolerances for a set of selected key risk indicators. These plans are executed by management and are reviewed by the President. Quarterly performances and risks are reviewed together with the appropriate Board Committees.



Risk Monitoring and Reporting

All material events that may negatively impact the Company's earnings, corporate value and reputation are identified and assessed for frequency, severity and causation. Both top down and bottom up risk assessment methodologies are done through the deployed processes and practical standards.

RMD oversees a formal process to monitor and report enterprise-wide risk exposures. These are discussed with business units and management. On a quarterly and on as needed basis, RMD and BOD Risk Oversight Committee review risk reports for significant trends.

Risk Control and Mitigation

As part of its market risk mitigation activities, the Company uses derivatives to manage exposures resulting from changes in foreign currencies and appropriate hedging activities to manage its interest rate exposures. Credit risks are reduced through the use of chattel mortgages and insurance protection. Concentration risks are managed by setting exposure limits. Concentration reports are provided to management on a monthly basis and to various related committees on a quarterly basis. Limits approved by the Risk Oversight Committee and the BOD, undergo at least an annual review or as needed.

Operational risks are controlled and mitigated through the set-up of an appropriate organizational structure, supported by human resource allocation, staff training and education, combination of robust policies, procedures and standards, information technology and periodic performance measurement.

The Company's risk management policies are summarized below:

Credit Risk

Credit risk is the risk that the Company suffers losses when a counterparty to a credit transaction fails to meet its financial obligation.

The Credit Committee oversees the management of credit risks. The Credit Review Unit under the RMD provides an objective appraisal of the credit approved loans and applications for potential or identified loan problems. It also ensures that the credit policies and procedures are adequate to meet the demands of the business. Its function also involves the review of the Company's loan portfolio, including the development of a strategy to achieve its desired portfolio mix and risk profile based on a risk-adjusted return on capital. It also reviews and controls identified concentration of credit risks in order to manage the Company's sensitivity to developments affecting a particular industry or geographic location. It also manages the Company's credit risk rating systems which use a combination of quantitative and qualitative factors to assess the general credit worthiness and changes in credit quality of the prospective and existing borrowers, respectively.

Loan amounts that exceed the approval limit of the Credit Department head are brought up to the Credit Committee. Loan amounts that exceed the limit of Credit Committee are elevated to the Executive Committee and recommended to the BOD for approval.

All DOSRI loans are subject to approval of the BOD. All such loans are on commercial arm's length basis. BSP Circular No. 560 states that "the total outstanding loans, other credit accommodations and guarantees to each of the company's subsidiaries and affiliates shall not exceed 10.00% of the net worth".

The credit policy manual defines the evaluation process in order to provide an objective assessment of credit worthiness of counterparties. The credit policy manual undergoes a minimum of annual review.



Investment grade pertains to cash in banks, deposited or invested in BSP and other banks based on a mark-to-market value exposure to each counterparty. For receivables financed and finance lease receivables using the credit rating system, investment grade pertains to receivables predicted as low risk; non-investment grade pertains to receivables predicted as normal to high risk.

Maximum exposure to credit risk

The tables below provide the analysis of the maximum exposure to credit risk of the Company's loans and receivables, excluding those where the carrying values reflected in the statement of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancement.

2025				
	Gross Maximum Exposure*	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Receivables financed	₱16,255,966,946	₱29,042,682,101	₱176,005,625	₱16,079,961,321
Finance lease receivables	140,073,737,135	176,442,138,189	6,637,459,500	133,436,277,635
	₱156,329,704,081	₱205,484,820,290	₱6,813,465,125	₱149,516,238,956

*Before allowance for credit losses

2024				
	Gross Maximum Exposure*	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Receivables financed	₱14,279,411,941	₱23,425,844,765	₱219,699,049	₱14,059,712,892
Finance lease receivables	127,607,794,393	146,443,607,160	7,400,808,744	120,206,985,649
	₱141,887,206,334	₱169,869,451,925	₱7,620,507,793	₱134,266,698,541

*Before allowance for credit losses

The carrying values of the other financial assets represent the maximum exposure to credit risk as of March 31, 2025 and 2024.

Concentration of risks of financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.



Concentration by industry

An analysis of concentrations of credit risk for financial assets at the reporting date based on carrying amount is shown below:

	2025					
	Loans and Receivables	Other Loans and Receivables	Residual Value	Loans and Advances to Banks*	Derivative Assets	Total
Community, social and personal activities	₱36,738,154,683	₱35,755,191	₱152,400	₱—	₱—	₱36,774,062,274
Wholesale and retail trade	28,028,890,551	26,073,973	—	—	—	28,054,964,524
Financial intermediaries	5,913,983,315	45,214,724	—	5,938,618,684	1,255,109,073	13,152,925,796
Transportation, storage and communication	13,901,704,660	11,274,757	—	—	—	13,912,979,417
Real estate, renting and business activities	12,348,385,614	9,089,522	—	—	—	12,357,475,136
Education	10,693,908,497	3,845,238	—	—	—	10,697,753,735
Manufacturing (various industries)	9,026,384,375	10,939,301	—	—	—	9,037,323,676
Hotels and restaurants	7,119,949,053	4,018,295	—	—	—	7,123,967,348
Construction	4,623,489,468	3,914,787	—	—	—	4,627,404,255
Agricultural, hunting and forestry	3,294,338,217	2,602,996	—	—	—	3,296,941,213
Electricity, gas and water	1,786,471,244	811,678	—	—	—	1,787,282,922
Mining and quarrying	548,349,415	519,334	—	—	—	548,868,749
Others	22,305,376,989	—	165,600	—	—	22,305,542,589
	156,329,386,081	154,059,796	318,000	5,938,618,684	1,255,109,073	163,677,491,634
Less: allowance for credit and impairment losses	2,045,577,946	218,498	—	235,102	—	2,046,031,546
	₱154,283,808,135	₱153,841,298	₱318,000	₱5,938,383,582	₱1,255,109,073	₱161,631,460,088

* Comprised of Cash in banks, Due from BSP and SPURA

** Comprised of Derivative assets

	2024					
	Loans and Receivables	Other Loans and Receivables	Residual Value	Loans and Advances to Banks	Derivative Assets	Total
Community, social and personal activities	₱34,517,399,843	₱2,640,378	₱152,400	₱—	₱—	₱34,520,192,621
Wholesale and retail trade	24,414,940,073	128,284,335	210,800	—	—	24,543,435,208
Education	5,416,188,701	49,514,727	—	8,079,117,753	1,961,305,601	15,506,126,782
Transportation, storage and communication	11,814,951,241	1,338,101	—	—	—	11,816,289,342
Real estate, renting and business activities	10,969,134,307	1,165,996	—	—	—	10,970,300,303
Manufacturing (various industries)	10,457,994,896	467,581	—	—	—	10,458,462,477
Financial intermediaries	7,875,478,366	309,697	161,800	—	—	7,875,949,863
Hotels and restaurants	5,687,533,477	227,358	—	—	—	5,687,760,835
Agricultural, hunting and forestry	3,866,767,322	340,394	—	—	—	3,867,107,716
Construction	3,000,877,486	118,114	—	—	—	3,000,995,600
Electricity, gas and water	1,577,598,057	38,902	—	—	—	1,577,636,959
Mining and quarrying	485,087,119	15,005	—	—	—	485,102,124
Others	21,802,564,846	4,020,804	165,600	—	—	21,806,751,250
	141,886,515,734	188,481,392	690,600	8,079,117,753	1,961,305,601	152,116,111,080
Less: allowance for credit and impairment losses	1,921,357,350	218,498	—	235,102	—	1,921,810,950
	₱139,965,158,384	₱188,262,894	₱690,600	₱8,078,882,651	₱1,961,305,601	₱150,194,300,130

* Comprised of Cash in banks, Due from BSP and SPURA



Concentration by geographical location

The distribution of the Company's financial assets by geographical location as of March 31, 2025 and 2024 follows:

	2025					
	Loans and Receivables	Other Loans and Receivables	Residual Value	Loans and Advances to Banks*	Derivative Assets	Total
Metro Manila	₱40,901,764,969	₱67,513,773	₱165,600	₱5,938,618,684	₱—	₱46,908,063,026
Luzon (except Metro Manila)	81,017,892,712	63,289,906	152,400	—	—	81,081,335,018
Visayas	18,856,779,911	6,356,827	—	—	—	18,863,136,738
Mindanao	15,552,948,488	16,899,292	—	—	—	15,569,847,780
Foreign	—	—	—	—	1,255,109,073	1,255,109,073
	156,329,386,080	154,059,798	318,000	5,938,618,684	1,255,109,073	163,677,491,635
Less: Allowance for credit and impairment losses	2,045,577,947	218,498	—	235,102	—	2,046,031,547
	₱154,283,808,133	₱153,841,300	₱318,000	₱5,938,383,582	₱1,255,109,073	₱161,631,460,088

* Comprised of Cash in banks, Due from BSP and SPURA

** Comprised of Derivative assets

	2024					
	Loans and Receivables	Other Loans and Receivables	Residual Value	Loans and Advances to Banks*	Derivative Assets	Total
Metro Manila	₱38,847,564,404	₱97,385,030	₱165,600	₱8,079,117,753	₱—	₱47,024,232,787
Luzon (except Metro Manila)	74,350,853,241	65,324,838	525,000	—	—	74,416,703,079
Visayas	14,972,024,158	9,984,724	—	—	—	14,982,008,882
Mindanao	13,716,073,931	15,786,800	—	—	—	13,731,860,731
Foreign	—	—	—	—	1,961,305,601	1,961,305,601
	141,886,515,734	188,481,392	690,600	8,079,117,753	1,961,305,601	152,116,111,080
Less: Allowance for credit and impairment losses	1,921,357,350	218,498	—	235,102	—	1,921,810,950
	₱139,965,158,384	₱188,262,894	₱690,600	₱8,078,882,651	₱1,961,305,601	₱150,194,300,130

* Comprised of Cash in banks, Due from BSP and SPURA

** Comprised of Derivative assets and Financial assets at FVOCI

Credit quality

The credit quality of the financial assets was determined as follows:

- *Cash on hand and in banks, Due from BSP and SPURA* - Investment grade pertains to cash in banks, cash equivalents placed, deposited or invested in local banks from issuer with a credit rating of AAA, AA and A.
- *Receivables financed and finance lease receivables* - Using the credit rating system, investment grade pertains to receivables predicted as low risk; non-investment grade pertains to receivables predicted as normal to high risk; past due but not impaired pertains to receivables that are delinquent but are not subject to impairment; and past due and credit impaired pertains to receivables that are delinquent and non-performing. Allowance for credit and impairment losses is classified into investment and non-investment grade based on the credit rating system.
- *Other receivables* - Investment grade pertains to receivables predicted as low risk; non-investment grade pertains to receivables predicted as normal; past due but not impaired pertains to receivables predicted as medium risk; and past due and impaired are the receivable considered to be high risk and delinquent.



Credit quality per class of financial assets

The following tables provide information regarding the credit risk exposure of the Company by classifying financial assets according to the Company's credit ratings of the counterparties.

	2025			Total
	Stage 1	Stage 2	Stage 3	
Cash in banks				
Investment grade	₱2,534,507,635	₱—	₱—	₱2,534,507,635
Due from BSP				
Investment grade	2,689,111,050	—	—	2,689,111,050
SPURA				
Investment grade	715,000,000	—	—	715,000,000
Receivables financed - net*				
Investment grade	15,112,946,875	359,202	—	15,113,306,077
Non-investment grade	827,920,507	89,536,685	—	917,457,192
Past due but not impaired	—	89,396,284	—	89,396,284
Past due and impaired	—	—	135,807,393	135,807,393
Finance lease receivables - net**				
Investment grade	120,770,506,122	2,926,277	—	120,773,432,399
Non-investment grade	13,879,400,565	1,224,835,753	—	15,104,236,318
Past due but not impaired	—	1,205,444,741	—	1,205,444,741
Past due and impaired	—	—	2,990,623,678	2,990,623,678
Receivables from clients				
Investment grade	14,286,448	832	—	14,287,280
Non-investment grade	2,917,594	761,310	—	3,678,904
Past due but not impaired	—	100,767,838	—	100,767,838
Receivables from employees				
Investment grade	33,779,413	—	—	33,779,413
Past due and impaired	—	—	—	—
Accrued interest receivable				
Investment grade	788,012	—	—	788,012
Others				
Investment grade	758,349	—	—	758,349
	₱156,581,922,570	₱2,714,028,922	₱3,126,431,071	₱162,422,382,563

* Net of Unearned finance income

** Net of Unearned lease income

	2024			Total
	Stage 1	Stage 2	Stage 3	
Cash on hand and in banks - net *				
Investment grade	₱2,301,163,034	₱—	₱—	₱2,301,163,034
Due from BSP				
Investment grade	5,777,954,719	—	—	5,777,954,719
Receivables financed - net**				
Investment grade	13,663,023,224	26,267,623	—	13,689,290,847
Non-investment grade	275,054,412	72,716,449	—	347,770,861
Past due but not impaired	—	111,089,781	—	111,089,781
Past due and impaired	—	—	131,260,452	131,260,452
Finance lease receivables - net***				
Investment grade	117,521,395,099	276,976,144	—	117,798,371,243
Non-investment grade	3,882,246,295	1,033,138,831	—	4,915,385,126
Past due but not impaired	—	1,470,740,539	—	1,470,740,539
Past due and impaired	—	—	3,423,297,485	3,423,297,485
Receivables from clients				
Investment grade	53,613,002	240,633	—	53,853,635
Non-investment grade	15,288,403	2,562,539	—	17,850,942
Past due but not impaired	—	81,993,777	—	81,993,777
Receivables from employees				
Investment grade	30,937,507	—	—	30,937,507
Past due and impaired	—	—	—	—
Accrued interest receivable				
Investment grade	2,656,667	—	—	2,656,667
Others				
Investment grade	1,188,863	—	—	1,188,863
	₱143,524,521,225	₱3,075,726,316	₱3,554,557,937	₱150,154,805,478

* Excludes Cash on hand

** Net of Unearned finance income

*** Net of Unearned lease income



Analysis of movement of gross carrying amounts

The credit quality by class of the Company's loans and receivables from customers (gross of allowance for credit losses) as of March 31, 2025 and 2024 follows:

	2025			
	Stage 1	Stage 2	Stage 3	Total
Receivables financed				
Balances as of April 1, 2024	₱13,938,077,636	₱210,073,853	₱131,260,452	₱14,279,411,941
New assets originated or purchased	9,139,031,311	34,514,984	12,800,083	9,186,346,377
Assets derecognized or repaid/recovered	(4,244,846,321)	(115,943,943)	(52,766,750)	(4,413,557,013)
Transfer to Stage 1	103,640,348	(83,689,956)	(19,950,392)	-
Transfer to Stage 2	(200,807,866)	210,006,893	(9,198,727)	-
Transfer to Stage 3	(57,987,584)	(53,521,554)	111,509,139	-
Accounts written off	-	-	(12,348,338)	(12,348,338)
Accounts written off - interest	-	-	(1,940,623)	(1,940,623)
	18,677,107,524	201,439,976	159,364,844	19,037,912,344
Unearned interest and discount	(2,736,240,141)	(22,147,806)	(23,557,451)	(2,781,945,398)
Balance at March 31, 2025	15,940,867,383	179,292,170	135,807,393	16,255,966,946
Finance lease receivables				
Balances as of April 1, 2024	121,403,641,394	2,780,855,514	3,423,297,485	127,607,794,393
New assets originated or purchased	70,853,494,701	783,528,136	374,497,175	72,011,520,012
Assets derecognized or repaid/recovered	(28,074,205,751)	(1,523,203,471)	(857,683,100)	(30,455,092,322)
Transfer to Stage 1	1,447,030,293	(1,217,136,318)	(229,893,975)	-
Transfer to Stage 2	(2,312,229,586)	2,430,807,768	(118,578,182)	-
Transfer to Stage 3	(1,164,773,873)	(432,070,275)	1,596,844,148	-
Accounts written off	-	-	(444,684,702)	(444,684,702)
Accounts written off - interest	-	-	(104,381,284)	(104,381,284)
	162,152,957,178	2,822,781,354	3,639,417,565	168,615,156,097
Unearned interest and discount	(27,502,898,090)	(389,574,584)	(648,946,288)	(28,541,418,962)
Balance at March 31, 2025	134,650,059,088	2,433,206,770	2,990,471,277	140,073,737,135
Other receivables				
Balances as of April 1, 2024	103,684,443	84,796,949	-	188,481,392
New assets originated or purchased	21,713,179	2,981,945	-	24,695,124
Assets derecognized or repaid/recovered	(48,517,895)	(10,598,825)	-	(59,116,720)
Transfer to Stage 1	390,095	(390,095)	-	-
Transfer to Stage 2	(17,691,661)	17,691,661	-	-
Transfer to Stage 3	-	-	-	-
Balance at March 31, 2025	59,578,161	94,481,635	-	154,059,796
Total loans and receivables - gross				
Balances as of April 1, 2024	135,445,403,473	3,075,726,316	3,554,557,937	142,075,687,726
New assets originated or purchased	80,014,239,191	821,025,065	387,297,258	81,222,561,514
Assets derecognized or repaid/recovered	(32,367,569,968)	(1,649,746,239)	(910,449,849)	(34,927,766,056)
Transfer to Stage 1	1,551,060,736	(1,301,216,369)	(249,844,367)	-
Transfer to Stage 2	(2,530,729,113)	2,658,506,022	(127,776,909)	-
Transfer to Stage 3	(1,222,761,456)	(485,591,829)	1,708,353,285	-
Accounts written off	-	-	(457,033,040)	(457,033,040)
Accounts written off - interest	-	-	(106,321,907)	(106,321,907)
	180,889,642,863	3,118,702,966	3,798,782,408	187,807,128,237
Unearned interest and discount	(30,239,138,231)	(411,722,390)	(672,503,739)	(31,323,364,360)
Balance at March 31, 2025	₱150,650,504,632	₱2,706,980,576	₱3,126,278,669	₱156,483,763,877



An analysis of changes in loans and receivables as of March 31, 2024 follows:

	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables financed				
Balances as of April 1, 2023	₱7,630,659,997	₱5,683,044,658	₱137,914,016	₱13,451,618,671
New assets originated or purchased	8,565,718,754	58,917,625	2,642,278	8,627,278,657
Assets derecognized or repaid/recovered	(5,014,281,785)	(316,705,769)	(27,266,989)	(5,358,254,543)
Transfer to Stage 1	5,313,169,237	(5,242,958,108)	(70,211,129)	—
Transfer to Stage 2	(117,720,998)	119,169,916	(1,448,918)	—
Transfer to Stage 3	(63,710,573)	(63,775,906)	127,486,479	—
Accounts written off	—	—	(18,893,835)	(18,893,835)
Accounts written off – interest	—	—	(2,421,314)	(2,421,314)
	16,313,834,632	237,692,416	147,800,588	16,699,327,636
Unearned interest and discount	(2,375,756,996)	(27,618,563)	(16,540,136)	(2,419,915,695)
Balance at March 31, 2024	13,938,077,636	210,073,853	131,260,452	14,279,411,941
Finance lease receivables				
Balances as of April 1, 2023	66,070,434,402	64,148,311,694	4,405,913,352	134,624,659,448
New assets originated or purchased	64,372,816,408	614,919,350	423,567,018	65,411,302,776
Assets derecognized or repaid/recovered	(41,510,690,442)	(4,462,033,356)	(831,550,931)	(46,804,274,729)
Transfer to Stage 1	59,492,591,467	(57,470,749,224)	(2,021,842,243)	—
Transfer to Stage 2	(1,675,547,107)	1,716,661,894	(41,114,787)	—
Transfer to Stage 3	(1,309,542,770)	(1,359,634,867)	2,669,177,637	—
Accounts written off	—	—	(416,176,153)	(416,176,153)
Accounts written off - interest	—	—	(99,913,565)	(99,913,565)
	145,440,061,958	3,187,475,491	4,088,060,328	152,715,597,777
Unearned interest and discount	(24,036,420,564)	(406,619,977)	(664,762,843)	(25,107,803,384)
Balance at March 31, 2024	121,403,641,394	2,780,855,514	3,423,297,485	127,607,794,393
Other receivables				
Balances as of April 1, 2023	67,040,242	90,670,894	—	157,711,136
New assets originated or purchased	61,164,921	41,687,420	—	102,852,341
Assets derecognized or repaid/recovered	(15,531,429)	(56,550,656)	—	(72,082,085)
Transfer to Stage 1	485,069	(485,069)	—	—
Transfer to Stage 2	(9,474,360)	9,474,360	—	—
Transfer to Stage 3	—	—	—	—
Balance at March 31, 2024	103,684,443	84,796,949	—	188,481,392
Total loans and receivables - gross				
Balances as of April 1, 2023	73,768,134,641	69,922,027,246	4,543,827,368	148,233,989,255
New assets originated or purchased	72,999,700,083	715,524,395	426,209,296	74,141,433,774
Assets derecognized or repaid/recovered	(46,540,503,656)	(4,835,289,781)	(858,817,920)	(52,234,611,357)
Transfer to Stage 1	64,806,245,773	(62,714,192,401)	(2,092,053,372)	—
Transfer to Stage 2	(1,802,742,465)	1,845,306,170	(42,563,705)	—
Transfer to Stage 3	(1,373,253,343)	(1,423,410,773)	2,796,664,116	—
Accounts written off	—	—	(435,069,988)	(435,069,988)
Accounts written off - interest	—	—	(102,334,879)	(102,334,879)
	161,857,581,033	3,509,964,856	4,235,860,916	169,603,406,805
Unearned interest and discount	(26,412,177,560)	(434,238,540)	(681,302,979)	(27,527,719,079)
Balance at March 31, 2024	₱135,445,403,473	₱3,075,726,316	₱3,554,557,937	₱142,075,687,726

Collateral and other credit enhancements

The Company holds collateral against loans and receivables in the form of chattel mortgages. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is assessed to be impaired.

The following table shows the fair value of collateral held against loans and receivables:

	2025	2024
Against neither past due nor impaired	₱200,942,314,095	₱165,112,916,499
Against past due and impaired accounts	4,542,506,195	4,756,535,426
	₱205,484,820,290	₱169,869,451,925



It is the Company's policy to dispose assets acquired in an orderly fashion. The proceeds of the sale of the foreclosed assets classified as assets held for sale are used to reduce or repay the outstanding claim.

Liquidity Risk

Liquidity risk is the risk of encountering difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity of the Company's operations are managed with highest degree of accuracy, supported by sufficient, locally available, committed and uncommitted sources of funds for shorter periods and a sound and conservative funding plan with an appropriate internal authorization for longer periods. The funding structure is diversified as to financial instruments adopted, geographical markets approached and funding maturities in order to maintain stable access to low cost funds.

The ALCO oversees the management of liquidity risks. The Company's Treasury Department has the primary responsibility for managing the Company's sources of funding and is tasked with ensuring that the Company has adequate liquidity at all times. As part of this function, the Treasury Department prepares an annual funding plan that places the highest priority on liquidity and diversity of funding structure. The Department also prepares an annual contingency funding plan based on stress scenarios which include inability to access the debt market for an extended period. As such, computation of the Key Risk Indicators and setting of appropriate limits, such as Days until Alternative Funding, Balance Sheet Liquidity Ratio, Short-Term, provides management the means to adopt measures that will strengthen its liquidity position.

The Company's principal source of funding are borrowings from international and domestic banks amounting to ₱115.48 billion and ₱95.85 billion as of March 31, 2025 and 2024, respectively, with maturity periods ranging from 2 month to 5 years in 2025 and 2024. The Company also issues bonds totaling to ₱26.15 billion and ₱25.15 billion as of March 31, 2025 and 2024, respectively with maturity periods ranging from 2 years to 5 years in 2025 and 2024.

The Company maintains what it believes to be a sufficient cash level. In addition, the Company manages its liquidity by managing the maturity profile of its outstanding loans.

Analysis of financial assets and liabilities by remaining contractual maturities

The following tables set forth the financial assets and liabilities based on undiscounted future cash flows of the Company as of March 31, 2025 and 2024 into their relevant maturity groups based on the remaining period at reporting dates to their contractual maturities.

	2025						Total
	On demand	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 12 months	Beyond 1 year	
Financial Assets							
Cash in banks	₱2,534,507,635	₱—	₱—	₱—	₱—	₱—	₱2,534,507,635
Due from BSP	2,689,111,050	—	—	—	—	—	2,689,111,050
SPURA	—	715,000,000	—	—	—	—	715,000,000
Receivables from customers							
Receivables financed	—	799,861,662	1,388,324,181	2,023,224,372	3,549,380,920	11,277,121,209	19,037,912,344
Finance lease receivable	—	6,938,773,413	9,877,138,989	14,807,016,208	27,048,733,977	109,943,493,511	168,615,156,098
Other receivables							
Receivables from clients	118,734,022	—	—	—	—	—	118,734,022
Receivables from employees	82,225	1,282,228	2,204,994	2,473,230	4,842,980	22,893,756	33,779,413
Accrued interest receivable	—	788,012	—	—	—	—	788,012
Other receivables	—	758,349	—	—	—	—	758,349
Derivative asset:							
Receive leg	—	50,214,143	2,835,304,877	4,204,151,801	6,957,960,658	20,647,345,875	34,694,977,354
Pay leg	—	93,604,356	2,802,793,920	3,967,161,274	6,475,786,116	19,686,606,439	33,025,952,105
	₱5,342,434,932	₱8,600,282,163	₱16,905,766,961	₱25,004,026,885	₱44,036,704,651	₱161,577,460,790	₱261,466,676,382

(Forward)



2025							
	On demand	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 12 months	Beyond 1 year	Total
Financial Liabilities							
Loans payable							
Bank loans	P-	P4,710,743	P18,343,062	P66,417,962	P107,203,619	P544,063,737	P740,739,123
Bank loan from Mizuho	-	-	-	-	-	-	-
Bonds payable from BTMU	-	-	-	-	4,418,672	-	4,418,672
Fixed rate notes	-	12,020,413	-	-	26,437,154	69,799,675	108,257,242
Notes payable	-	17,142,625	57,833,795	29,981,083	15,327,114	2,994,444	123,279,061
Bank loan from TNB	-	-	11,824,095	-	-	-	11,824,095
Bonds payable from SMBC	-	-	-	1,542,486	-	67,479,593	69,022,079
Bonds payable from SMBC JPY	-	-	-	-	-	2,152,192	2,152,192
Bank loan from TSB	-	-	-	-	-	-	-
Bank loans from TMFNL Loans	-	-	-	-	6,318,587	11,358,760	17,677,347
Bank loans from JBIC	-	-	16,757,417	-	15,506,613	-	32,264,030
Bank loans from SMTB	-	-	-	-	-	1,253,464	1,253,464
Accounts payable and other liabilities							
Accounts payable	1,782,120,012	227,038,934	-	-	-	-	2,009,158,946
Accrued interest payable and other expenses	-	96,195,516	104,758,369	97,941,531	175,211,759	699,101,866	1,173,209,041
Lease liabilities	-	8,838,138	-	9,028,031	45,549,713	41,198,189	104,614,071
Deposits on lease contracts	318,000	-	-	-	-	78,584,506	78,902,506
Derivative liability:							
Receive leg	-	16,916,860	58,207,424	98,028,219	173,368,194	10,219,566,358	10,566,087,055
Pay leg	-	35,900,813	84,608,973	124,460,808	249,000,236	10,784,907,100	11,278,877,930
	P1,782,438,012	P418,764,042	P352,333,135	P427,400,120	P818,341,661	P22,522,459,884	P26,321,736,854
2024							
	On demand	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 12 months	Beyond 1 year	Total
Financial Assets							
Cash in banks	P2,301,163,034	P-	P-	P-	P-	P-	P2,301,163,034
Due from BSP	5,777,954,719	-	-	-	-	-	5,777,954,719
Receivables from customers							
Receivables financed	89,913,020	632,757,330	1,117,775,308	1,658,608,942	3,071,586,185	10,128,686,851	16,699,327,636
Finance lease receivable	1,763,909,590	4,621,852,646	8,350,090,196	12,809,598,903	24,771,285,220	100,398,861,222	152,715,597,777
Other receivables							
Receivables from clients	153,698,355	-	-	-	-	-	153,698,355
Receivables from employees	101,916	1,298,106	1,814,088	3,792,781	3,990,707	19,939,909	30,937,507
Accrued interest receivable	-	2,656,667	-	-	-	-	2,656,667
Other receivables	-	1,188,863	-	-	-	-	1,188,863
Derivative asset:							
Receive leg	-	1,424,147,164	1,464,979,490	91,570,320	9,985,072,912	11,622,790,773	24,588,560,659
Pay leg	-	(1,255,581,982)	(1,408,180,923)	(202,569,010)	(6,733,783,441)	(10,769,227,699)	(20,369,343,055)
	P10,086,740,634	P5,428,318,794	P9,526,478,159	P14,361,001,936	P31,098,151,583	P111,401,051,056	P181,901,742,162
Financial Liabilities							
Loans payable							
Bank loans	P-	P830,869,406	P1,733,791,609	P6,260,959,458	P8,994,124,369	P60,974,103,870	P78,793,848,712
Bank loan from Mizuho	-	1,235,705,214	-	1,408,750,000	-	-	2,644,455,214
Bonds payable from BTMU	-	-	1,204,349,580	8,468,885	2,477,946,079	1,386,992,368	5,077,756,912
Fixed rate notes	-	2,500,000,000	97,745,764	-	1,126,000,000	6,359,000,000	10,082,745,764
Notes payable	-	1,471,952,048	2,634,089,579	2,003,993,934	2,667,746,412	181,519,287	8,959,301,260
Bank loan from TNB	-	12,759,450	-	12,759,450	1,233,440,249	1,216,994,850	2,475,953,999
Bonds payable from SMBC	-	33,135,515	-	109,048,189	2,627,039,108	7,330,188,186	10,099,410,998
Bank loan from TSB	-	1,529,062	-	40,545,562	2,808,541,426	-	2,850,616,050
Bank loans from TMFNL Loans	-	-	29,650,587	29,756,135	1,311,329,962	2,805,932,588	4,176,669,272
Bank loans from JBIC	-	-	31,841,073	-	31,509,585	5,336,398,994	5,399,749,652
Bank loans from SMTB	-	-	19,473,100	19,905,835	38,513,465	1,538,088,600	1,615,981,000
Accounts payable and other liabilities							
Accounts payable	2,833,043,852	242,492,303	-	-	-	-	3,075,536,155
Accrued interest payable and other expenses	-	31,528,945	47,734,800	69,195,959	108,208,489	704,299,594	960,967,787
Lease liabilities	-	1,312,710	6,531,023	33,324,077	34,455,765	86,801,212	162,424,787
Deposits on lease contracts	690,600	-	-	-	-	70,020,320	70,710,920
Derivative liability:							
Receive leg	-	(36,819,662)	(66,097,427)	(1,550,731,235)	(1,311,146,961)	(9,034,264,521)	(11,999,059,806)
Pay leg	-	55,719,756	95,306,633	1,612,416,010	1,681,959,144	9,348,467,580	12,793,869,123
	P2,833,734,452	P6,380,184,747	P5,834,416,321	P10,058,392,259	P23,829,667,092	P88,304,542,928	P137,240,937,799

Market Risk

Market risk is exposure to changes in market rates that may adversely affect the Company value and ability to meet obligations as they mature. Market risks cover interest rate and foreign exchange risks.

Interest rate risk

Interest rate risk arises from interest margin compression due to an adverse movement in the market interest rates. This risk applies only to accrual positions as the Company has no trading portfolio.



The ALCO establishes and oversees the Company's interest rate risk as part of the market risk management program. In considering interest rate exposures, the Company measures its risk profile in terms of asset and debt/derivative notional size, asset yields and market rates, maturity profile, prepayment and re-pricing characteristics. Interest rate risks exposures are evaluated using a variety of techniques and measures, each of which are based on projecting asset and liability cash flows under interest rate and market price scenarios.

Interest rate risk exposures are reported via portfolio hedge ratio. This tool highlights the level of gap in amounts in fixed rates of interest between assets and liabilities, as a measure of exposure to interest rate changes, the critical components of which are notional size, maturities and re-pricing profiles.

The Company also measures the potential impact of bps yield curve parallel shift on the expected earnings. This tool gives a measure of expected earnings at risk as a result of interest rate risk exposure.

The table below demonstrates the sensitivity of net interest income (NII) using the earnings at risk (EAR) model. NII sensitivity was computed by calculating the changes in the banking book gaps assuming a parallel shift in the yield curve.

	2025		2024	
	+100 bps	-100 bps	+100 bps	-100 bps
Forecasted NI	₱6,612,075	(₱6,612,075)	₱5,769,767	(₱5,769,767)
Sensitivity of NII	1.38%	(1.38%)	0.88%	(0.88%)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the value of foreign currencies which include volatility in exchange rates, correlations across currencies and changes in currency regime.

The Company's foreign exchange risk results primarily from movements of the PHP against the USD with respect to USD-denominated financial assets (such as cash and cash equivalents) and USD-denominated financial liabilities (such as accounts payable and other liabilities). As of March 31, 2025 and 2024, the Company has outstanding cross currency swaps (CCS) which were entered into to hedge the foreign currency risk of the foreign loans, presented in "Loans payable", (see Note 13). These hedges are accounted for as cash flow hedges. Effectively, the Company converted the foreign loans into Philippine Peso-denominated fixed rate borrowings using the CCS agreements. Accordingly, the gains or losses arising from foreign currency risk on the outstanding foreign loans are expected to be offset by the changes in the value of the CCS agreements. As a result of the cash flow hedge, the overall impact of the foreign currency risk in the Company is not material.

26. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7, *Financial Instruments: Disclosures*, require the Company to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements.



The effects of these arrangements are disclosed below:

March 31, 2025						
Financial instruments recognized attend of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Financial assets						
Cross-currency interest rate swaps	₱1,255,109,073	₱-	₱1,255,109,073	₱263,305,860	₱-	₱991,803,213
SPURA	715,000,000	-	715,000,000	-	715,000,000	-
	1,970,109,073	-	1,970,109,073	263,305,860	715,000,000	991,803,213
Financial liabilities						
Cross-currency interest rate swaps	₱119,912,975	₱-	₱119,912,975	₱263,305,860	₱-	₱383,218,835
March 31, 2024						
Financial instruments recognized attend of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Financial assets						
Cross-currency interest rate swaps	₱1,961,305,601	₱-	₱1,961,305,601	₱999,299,990	₱-	₱962,005,611
SPURA	-	-	-	-	-	-
	₱1,961,305,601	₱-	₱1,961,305,601	₱999,299,990	₱-	₱962,005,611
Financial liabilities						
Cross-currency interest rate swaps	₱538,362,959	₱-	₱538,362,959	₱999,299,990	₱-	₱1,537,662,949

27. Notes to Statements of Cash Flows

Noncash investing activities pertain to transfer of repossessed vehicles classified as assets held for sale to property and equipment amounting to ₱3.53 million and ₱9.28 million in 2025 and 2024, respectively. It also includes foreclosure of repossessed vehicles classified as assets held for sale amounting to ₱6.00 billion and ₱5.42 billion in 2025 and 2024, respectively (see Note 8).

Changes in liabilities arising from financing activities

	March 31, 2024	Additions	Net Cash flows*	Foreign exchange movements and amortization of debt issue costs	Accretion of interest	March 31, 2025
Loans payable	₱129,951,038,159	₱-	₱11,504,592,430	(₱808,850,878)	₱-	140,646,779,711
Lease liability	154,605,255	38,172,389	(94,252,176)	-	6,088,602	104,614,070
Total liabilities from financing activities	₱130,105,643,414	₱38,172,389	₱11,410,340,254	(₱808,850,878)	₱6,088,602	₱140,751,393,781

*Represent net of availments and payments

	March 31, 2023	Additions	Net Cash flows*	Foreign exchange movements and amortization of debt issue costs	Accretion of interest	March 31, 2024
Loans payable	₱114,589,134,537	₱-	₱15,232,099,657	₱129,803,965	₱-	₱129,951,038,159
Lease liability	77,826,859	172,797,916	(102,845,898)	-	6,826,378	154,605,255
Total liabilities from financing activities	₱114,666,961,396	₱172,797,916	₱15,129,253,759	₱129,803,965	₱6,826,378	₱130,105,643,414

*Represent net of availments and payments

The Company classifies interest paid as cash flows under operating activities.



28. Supplementary Information Required Under Subsection 4190Q.4 of Manual of Regulations for Non-Bank Financial Institutions (MORNBFI)

Presented below is the supplementary information required by BSP under Appendix Q-33 of BSP Circular No. 1075 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

A. Capital position

The Company has started its operations as a quasi-bank effective April 1, 2009. Thus, the Company began to actively manage its capital in accordance with regulatory requirements of BSP. The primary objective of which is to ensure that the Company maintains adequate capital to cover risks inherent to its quasi-banking activities without prejudice to optimizing shareholder's value.

Under existing BSP regulations, the capital accounts of the Company should not be less than an amount equal to 10.00% of its risk assets. Risk assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The following table sets the Company's regulatory capital as reported to BSP as at March 31, 2025 and 2024 (amounts in thousands):

	2025	2024
CET1 capital	₱19,485,417	₱16,911,746
Tier 1 capital	19,485,417	16,911,746
Tier 2 capital	1,519,070	1,198,284
Gross qualifying capital	₱21,004,487	₱18,110,030
Total risk weighted assets	₱164,474,167	₱149,310,358
CET1 ratio	11.85%	11.33%
Tier 1 ratio	11.85%	11.33%
Risk-based CAR	12.77%	12.13%

B. Leverage ratio

On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Basel III Leverage Ratio Framework which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 under BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. The leverage ratio shall not be less than 5.00% computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies). The Company's leverage ratio is 11.67% and 10.95% as of March 31, 2025 and 2024, respectively.



C. Total exposure measure

An analysis of concentrations of credit risk for loans and receivable (gross of allowance for credit losses) of the Company as of March 31, 2025 and 2024 are as follows:

	2025		2024	
	Amount	%	Amount	%
Other community and personal activities	₱36,738,154,683	23.50%	₱34,517,399,843	24.33%
Wholesale and retail trade	28,028,890,551	17.93%	24,414,940,073	17.21%
Social work activities	22,305,376,989	14.27%	21,802,564,846	15.36%
Transportation, storage and communication	13,901,704,660	8.89%	11,814,951,241	8.33%
Real estate, renting and business activities	12,348,385,614	7.90%	10,969,134,307	7.73%
Education	10,693,908,497	6.84%	10,457,994,896	7.37%
Manufacturing	9,026,384,375	5.77%	7,875,478,366	5.55%
Hotels and restaurants	7,119,949,053	4.55%	5,687,533,477	4.01%
Financial intermediaries	5,913,983,315	3.78%	5,416,188,701	3.82%
Construction	4,623,489,468	2.96%	3,866,767,322	2.73%
Agricultural, hunting and forestry, fishing	3,294,338,217	2.11%	3,000,877,486	2.11%
Electricity, gas and water	1,786,471,244	1.14%	1,577,598,057	1.11%
Mining and quarrying	548,349,415	0.35%	485,087,119	0.34%
	₱156,329,386,081	100.00%	₱141,886,515,734	100.00%

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio.

D. Breakdown of total loans as to security

All of the Company's receivables from customers are secured by chattel mortgage. The following table shows the breakdown of secured receivables from customers as of March 31, 2025 and 2024:

	2025		2024	
	Amount	%	Amount	%
Secured by:				
Chattel mortgage	₱16,255,966,945	10.40	₱14,279,411,941	10.06
Contract of lease*	140,073,419,135	89.60	127,607,103,793	89.94
	₱156,329,386,080	100.00	₱141,886,515,734	100.00

**For leasing accounts, official receipt and certificate of registration is under the name of the Company; thus, ownership is retained by the Company until such time that accounts have been fully settled.*

E. Breakdown of total loans as to status

Generally, non-performing loans (NPLs) refer to loans whose principal and/or interest is unpaid for more than ninety (90) days after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semiannual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.



The following table shows the breakdown of receivables from customer net of unearned interest and discount and excluding residual value of leased assets as to performing and non-performing as of March 31, 2025 and 2024:

	2025	2024
Performing loans		
Finance lease receivables	₱137,451,143,772	₱124,183,806,308
Receivables financed	16,144,887,050	14,148,151,489
	153,596,030,822	138,331,957,797
NPLs		
Finance lease receivables	2,622,275,363	3,423,297,485
Receivables financed	111,079,895	131,260,452
	2,733,355,258	3,554,557,937
Total	₱156,329,386,080	₱141,886,515,734

The Company considered the loans as NPL, even if not considered impaired if any principal and/or interest is unpaid for more than ninety (90) days from the contractual due date.

F. Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, which include guidelines on minimum liquidity ratio (MLR). To promote short-term resilience to liquidity shocks, banks/ QBs shall maintain a stock of liquid assets proportionate to their on- and off-balance sheet liabilities. The prudential MLR requirement applies to all thrift banks (TBs), rural/ cooperative banks and QBs that are not subsidiaries of universal or commercial banks. A prudential MLR of 20.00% shall apply to banks/quasi banks (QB) on an ongoing basis absent a period of financial stress. The liquidity ratio is expressed as a percentage of the banks/QBs eligible stock of liquid assets to its total qualifying liabilities. The Company's MLR is 45.22% and 72.44% for March 31, 2025 and 2024 respectively.

Under BSP Circular No. 996, MLR is expressed as a percentage of a covered institution's eligible stock of liquid assets to its total qualifying liabilities. The stock of liquid assets is required to be unencumbered and readily liquefiable, while the qualifying liabilities include both on-balance sheet and off-balance sheet commitments. Based on impact studies, BSP believes that covered institutions will be able to readily adjust to the new standard.

The method for computing the MLR was revised per BSP Circular No. 1035 issued on March 15, 2019. The 20.00% MLR aims to ensure that stand-alone thrift, rural and cooperative banks and QBs set aside a liquidity buffer that will enable them to withstand liquidity stress events. It relates a bank/QB's eligible liquid assets to its qualifying liabilities. The revised MLR computation converges with the LCR framework as interbank placements are now counted as eligible liquid assets. Moreover, the amount of qualifying liabilities has been adjusted through the application of conversion factors as shown in the table below:

Liability	Conversion factor
Retail current and regular savings deposits with outstanding balance per account of PhP500,000 and below	50.00%
Deposits where the account holder has no contractual or legal discretion to withdraw said deposit or pre-terminate the account within the next 30 calendar days (e.g., negotiable certificates of deposits)	0.00%
Borrowings that are non-callable in, or have contractual maturity dates beyond, the next 30 calendar days	0.00%
Obligations arising from operational expenses	0.00%



G. Financial performance indicator

Basic ratios that measure the financial performance of the Company follow:

	2025	2024
Return on average equity (ROE)	8.85%	10.89%
Return on average asset (ROA)	1.07%	1.28%
Net interest margin over average earning assets	4.50%	4.72%

ROE is calculated by dividing net income after tax by the average total capital accounts. The average total capital accounts are determined by averaging the balances at the end of the current and previous fiscal years. ROA is calculated by dividing net income after tax by the average total assets. The average total assets are determined by averaging the balances at the end of the current and previous fiscal years.

H. Capital instruments

As of March 31, 2025 and 2024, the Company's capital instrument pertains to common stock amounting to ₱8.70 billion.

I. Information on related party loans

Under BSP Regulatory Manual Section 4357S, *Direct/Indirect Borrowings; Ceilings*, the Company should not directly or indirectly make a loan to any directors, officers, stockholders and related interests. As of March 31, 2025 and 2024, the Company has no DOSRI account.

J. Aggregate amount of secured liabilities and asset pledged as security

As of March 31, 2025 and 2024, other than SPURA, the Company did not pledge as security any of its assets and did not have secured liabilities.

K. Commitments and contingencies

As of March 31, 2025 and 2024, the Company has derivative financial instruments with notional amount of ₱22.93 billion and ₱32.93 billion, respectively. There are no other contingencies and commitments arising from off-balance sheet items.

29. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes for the year ended March 31, 2025:

Gross Receipts Tax

The Company is subject to GRT on its gross income from Philippine sources. GRT is imposed on interest, commissions and discounts from lending activities at 5.00% or 1.00%, depending on the remaining maturities of instruments from which such receipts are derived, and at 7.00% on non-lending fees and commissions, trading and foreign exchange gains and other items constituting gross income.

Details of the Company's income and GRT accounts in 2025 are as follows:

	Gross Receipts	GRT
Income derived from lending activities	₱14,651,691,137	₱732,584,557
Other income	854,051,125	57,004,371
	₱15,505,742,262	₱789,588,928



Taxes and Licenses

For the year ended March 31, 2025, 'Taxes and licenses' account of the Company consists of:

Gross receipt taxes	₱789,588,928
Documentary stamps taxes	68,632,362
Local taxes	31,189,779
Others	49,376,835
	<u>₱938,787,904</u>

Others include fringe benefits tax, Land Transportation Office registration and SEC registration fee.

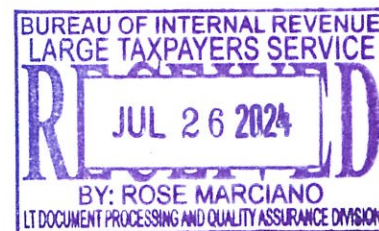
Withholding Taxes

	Total	
	Remittances	Balance
Expanded withholding taxes	₱320,628,635	₱32,539,701
Final withholding taxes	347,213,002	30,013,997
Withholding taxes on compensation and benefits	49,881,604	9,320,142
	<u>₱717,723,241</u>	<u>₱71,873,840</u>



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Toyota Financial Services Philippines Corporation
32F, GT Tower
Ayala Ave. cor. HV Dela Costa St.
Makati City



Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Toyota Financial Services Philippines Corporation (the Company), which comprise the statements of financial position as at March 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

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 are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

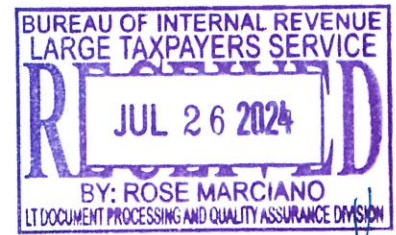
Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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





Auditor's Responsibilities for the Audit of the Financial Statements

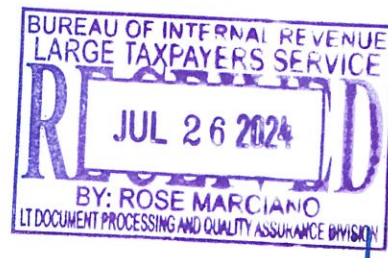
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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.





- 3 -

Reports on the Supplementary Information Required Under Subsection 4190Q.4 of the Manual of Regulations for Non-bank Financial Institutions (MORNBFI) and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Subsection 4190Q.4 of the MORNBFI in Note 26 and Revenue Regulations 15-2010 in Note 27 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Toyota Financial Services Philippines Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño

Glenda C. Anisco-Niño

Partner

CPA Certificate No. 114462

Tax Identification No. 225-158-629

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079897, January 5, 2024, Makati City

July 4, 2024



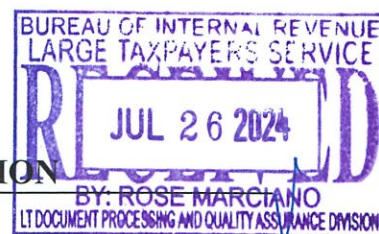
TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF FINANCIAL POSITION

	March 31	
	2024	2023
ASSETS		
Cash on hand and in banks (Notes 4, 10 and 20)	₱2,304,294,847	₱1,507,322,197
Due from Bangko Sentral ng Pilipinas (Note 4)	5,777,954,719	5,187,676,595
Securities purchased under resale agreement (Note 5)	–	1,034,162,082
Loans and receivables (Notes 6 and 10)	140,154,111,878	122,859,763,860
Assets held for sale (Notes 7 and 10)	579,558,223	311,775,407
Property and equipment (Note 8)	1,275,939,613	679,892,724
Software costs (Note 9)	594,007,480	416,824,571
Deferred tax assets (Note 18)	646,636,071	794,909,198
Derivative asset (Note 13)	1,961,305,601	1,976,750,691
Other assets (Note 9)	129,728,660	121,438,311
	₱153,423,537,092	₱134,890,515,636
LIABILITIES AND EQUITY		
LIABILITIES		
Loans payable (Note 11)	₱129,951,038,159	₱114,589,134,537
Derivative liability (Note 13)	538,362,959	542,583,875
Income tax payable (Note 15)	66,496,531	127,868,863
Lease liabilities (Note 19)	154,605,255	77,826,859
Deposits on lease contracts (Note 14)	73,710,920	37,003,786
Accounts payable and other liabilities (Notes 12, 17 and 20)	4,639,807,990	3,549,199,849
	135,424,021,814	118,923,617,769
EQUITY		
Capital stock - ₱100 par value		
Authorized - 90,000,000 shares,		
issued and outstanding - 87,000,000 shares Note 22	8,700,000,000	8,700,000,000
Retained earnings (Note 22)	9,920,007,468	8,070,611,649
Cash flow hedge reserve (Note 13)	(591,549,268)	(775,794,888)
Actuarial loss on retirement plan (Note 17)	(28,942,922)	(27,918,894)
	17,999,515,278	15,966,897,867
	₱153,423,537,092	₱134,890,515,636

See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME



	Years Ended March 31	
	2024	2023
INTEREST INCOME		
Loans and receivables (Note 6)	₱12,899,220,633	₱11,227,113,491
Due from Bangko Sentral ng Pilipinas (Note 4)	80,603,579	121,514,908
Securities purchased under resale agreement (Note 5)	99,233,932	35,206,322
Cash in banks (Notes 4 and 20)	1,171,603	978,537
TOTAL INTEREST INCOME	13,080,229,747	11,384,813,258
INTEREST EXPENSE		
Loans payable and derivatives (Note 11)	6,785,638,699	5,213,349,695
Lease liabilities (Note 19)	6,826,378	4,727,362
TOTAL INTEREST EXPENSE	6,792,465,077	5,218,077,057
NET INTEREST INCOME	6,287,764,670	6,166,736,201
SERVICE FEES AND OTHER INCOME (Note 16)	608,266,538	296,354,280
OPERATING EXPENSES		
Provision for credit and impairment losses (Note 10)	1,193,045,977	1,268,383,822
Taxes and licenses	797,818,858	716,016,498
Compensation and fringe benefits (Notes 17 and 20)	493,109,627	432,718,096
Sales and marketing	433,225,052	345,904,109
Litigation and collection	423,534,917	491,223,401
Depreciation and amortization (Notes 8 and 9)	351,513,326	220,334,432
Occupancy (Notes 19 and 20)	215,740,913	182,530,709
Computer hardware and software expenses	182,811,697	162,048,025
Credit investigation	84,744,660	92,151,128
Supervision fees	49,318,040	43,925,971
Contractual services	38,013,942	23,251,569
Postage, cable and telegram	20,042,197	15,371,288
Management and professional fees (Note 20)	19,607,457	12,246,249
Transportation and travel	18,966,608	20,382,288
Entertainment, amusement and recreation (Note 18)	3,054,295	1,785,114
Others	43,243,152	27,344,018
	4,367,790,718	4,055,616,717
INCOME BEFORE INCOME TAX	2,528,240,490	2,407,473,764
PROVISION FOR INCOME TAX (Note 18)	678,844,671	615,272,551
NET INCOME	1,849,395,819	1,792,201,213
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss), net of tax, to be reclassified to profit or loss in subsequent periods:		
Net movement in cash flow hedge reserve (Note 13)	184,245,620	(128,861,365)
Other comprehensive loss, net of tax, not to be reclassified to profit or loss in subsequent periods:		
Actuarial loss on retirement plan (Note 17)	(1,024,028)	(7,857,424)
Change in fair value reserves on financial assets at FVOCI	–	(950,000)
	183,221,592	(137,668,789)
TOTAL COMPREHENSIVE INCOME	₱2,032,617,411	₱1,654,532,424

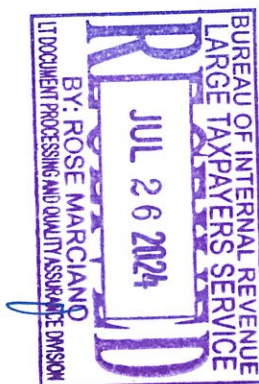
See accompanying Notes to Financial Statements.



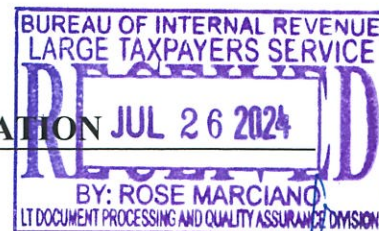
TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF CHANGES IN EQUITY

For the Years Ended March 31, 2024 and 2023						
	Capital Stock (Note 22)	Retained Earnings (Note 22)	Fair Value Reserves on Financial Assets at FVOCI	Cash Flow Hedge Reserve (Note 13)	Actuarial Loss on Retirement Plan (Note 17)	Total
Balances at April 1, 2023	₱8,700,000,000	₱8,070,611,649	₱—	(₱775,794,888)	(₱27,918,894)	₱15,966,897,867
Total comprehensive income (loss) for the year	—	1,849,395,819	—	184,245,620	(1,024,028)	2,032,617,411
Balances at March 31, 2024	₱8,700,000,000	₱9,920,007,468	₱—	(₱591,549,268)	(₱28,942,922)	₱17,999,515,278
Balances at April 1, 2022	₱8,700,000,000	₱6,278,410,436	₱950,000	(₱646,933,523)	(₱20,061,470)	₱14,312,365,443
Total comprehensive income (loss) for the year	—	1,792,201,213	(950,000)	(128,861,365)	(7,857,424)	1,654,532,424
Balances at March 31, 2023	₱8,700,000,000	₱8,070,611,649	₱—	(₱775,794,888)	(₱27,918,894)	₱15,966,897,867

See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF CASH FLOWS



	Years Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱2,528,240,490	₱2,407,473,764
Adjustments for:		
Amortization of debt issue cost on loans payable (Note 11)	386,688,965	113,281,249
Depreciation and amortization (Notes 8 and 9)	351,513,326	220,334,432
Interest expense on lease liabilities (Note 19)	6,826,378	4,727,362
Provision for impairment losses on property and equipment (Notes 8 and 10)	6,128,584	—
Gain on sale of property and equipment (Note 16)	(67,912)	(178,958)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	(17,294,348,018)	(12,631,813,161)
Assets held for sale (Note 7)	(277,062,673)	131,219,691
Other assets	(13,140,618)	(23,770,484)
Increase in:		
Deposits on lease contracts	36,707,134	21,030,225
Accounts payable and other liabilities	1,107,264,994	1,741,741,369
Net cash used in operations	(13,161,249,350)	(8,015,954,511)
Income taxes paid	(651,039,963)	(549,593,598)
Contribution to retirement fund	(20,000,000)	—
Net cash used in operating activities	(13,832,289,313)	(8,565,548,109)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 8)	(724,545,272)	(484,470,599)
Software (Note 9)	(259,115,274)	(166,073,975)
Proceeds from sale of:		
Property and equipment	39,784,792	15,557,864
Net cash used in investing activities	(943,875,754)	(634,986,710)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of loans payable	65,463,304,143	54,935,171,992
Settlement of loans payable	(50,231,204,486)	(46,395,798,120)
Payment of lease liabilities (Note 19)	(102,845,898)	(99,189,715)
Net cash provided by financing activities	15,129,253,759	8,440,184,157
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	353,088,692	(760,350,662)

(Forward)



	Years Ended March 31	
	2024	2023
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash on hand and in banks	₱1,507,322,197	₱1,357,717,580
Due from Bangko Sentral ng Pilipinas	5,187,676,595	6,580,524,994
Securities purchased under resale agreement	1,034,162,082	551,268,962
	7,729,160,874	8,489,511,536
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 4 and 5)		
Cash on hand and in banks	2,304,294,847	1,507,322,197
Due from Bangko Sentral ng Pilipinas	5,777,954,719	5,187,676,595
Securities purchased under resale agreement	—	1,034,162,082
	₱8,082,249,566	₱7,729,160,874
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱17,429,911,084	₱14,271,132,030
Interest paid	5,258,001,763	3,749,880,500

See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION

NOTES TO FINANCIAL STATEMENTS



1. Corporate Information

Toyota Financial Services Philippines Corporation (the Company) is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 2002. The Company's registered address is 32F GT Tower, Ayala Ave. cor. HV Dela Costa St. Makati City. The Company has a corporate life of 50 years.

The Company serves customers of Toyota vehicles through financing and leasing services, as well as Toyota dealers, through inventory stock financing. On May 8, 2008, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) granted the Company its quasi-banking license, which enables the Company to diversify its sources of funds, as well as offer a wider range of financing products to its growing customers and perform other quasi-banking functions effective April 1, 2009.

The following table sets forth the ownership structure of the Company:

	Percentage of ownership
Toyota Financial Services Corporation (TFSC)	60.00%
GT Capital Holdings, Inc. (GT Capital)	40.00%

The Company's ultimate parent company is TFSC, a financial services company based in Japan.

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on July 4, 2024.

2. Material Accounting Policy Information

Basis of Preparation

The accompanying financial statements of the Company have been prepared using the historical cost basis except for derivative financial instruments, which have been measured at fair value.

The accompanying financial statements are presented in Philippine peso (₱), which is also the Company's functional currency.

All values are rounded to the nearest peso unless otherwise stated.

The accompanying financial statements provide comparative information in respect of the previous period.

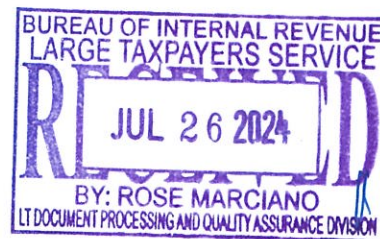
Statement of Compliance

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

Presentation of Financial Statements

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (noncurrent) is presented in Note 15.





Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at April 1, 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

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

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.





The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect the future adoption of the said pronouncements will have a significant impact on the Company financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Material Accounting Policy Information

Foreign Currency Translations

The Company translates its foreign currency-denominated monetary assets and liabilities using the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date; income and expenses are translated at BAP weighted average rates prevailing at transaction dates.

Foreign exchange gains or losses arising from foreign currency transactions and revaluation of foreign currency-denominated assets and liabilities are credited to or charged to profit or loss in the year in which the rates change.

Fair Value Measurement

The Company measures financial assets at FVOCI, and derivatives at fair value at each statement of financial position date. Also, fair values of other financial assets and liabilities are disclosed in Note 21.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.



The principal or the most advantageous market must be accessible to the Company.

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and fair value hierarchy as explained above.

Financial Instruments - Initial Recognition and Measurement

Date of recognition

The Company recognizes financial instruments when, and only when, the Company becomes a party to the contractual terms of the financial instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, the date that an asset is delivered to or by the Company. Deposits on finance lease, amounts due to banks and loans are recognized when cash is received by the Company or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for FVTPL investments and liabilities, the initial measurement of financial instruments includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial instruments depends on the contractual terms and the business model for managing the instruments. Subsequent to initial recognition, the Company may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.



Under PFRS 9, the classification of a financial asset depends on the characteristics of its contractual cash flows and the business model under which the asset is held. The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test).

Derivatives recorded at FVTPL

The Company uses derivative financial instruments such as cross-currency interest rate swaps to hedge its foreign currency and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from the changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized as other comprehensive income (OCI).

Hedge accounting

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; and
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements, including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.



Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in OCI under the cash flow hedge reserve account, while the ineffective portion is recognized directly in profit or loss. Refer to Note 13 for details.

Amounts recognized in OCI is transferred to profit or loss, when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a nonfinancial asset or nonfinancial liability, the amounts recognized in OCI are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in OCI is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in OCI remains in OCI until the forecast transaction or firm commitment affects profit or loss. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statements of financial position captions 'Cash in banks', 'Due from Bangko Sentral ng Pilipinas', 'Securities purchased under resale agreement' and 'Loans and receivables'.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statements of comprehensive income. Gains and losses are recognized in statements of comprehensive income when these financial assets are derecognized or impaired, as well as through the amortization process. The expected credit loss (ECL) are recognized in the statements of comprehensive income under 'Provision for credit and impairment losses'.

Other financial liabilities carried at amortized cost

Issued financial instruments or their components, which are not designated at FVTPL, are classified as loans payable, accounts payable and other liabilities and deposits on lease contracts where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial assets to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities not qualified and not designated as FVTPL are subsequently measured at amortized cost using the effective interest amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.



Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In this case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Provision for credit and impairment losses' in the statements of comprehensive income.

Modification of financial assets

The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Company considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Company also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Company considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.



When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be purchased/originated as credit impaired (POCI).

Financial liabilities

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Securities Purchased Under Resale Agreement (SPURA)

Securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The Company is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The corresponding cash paid, including accrued interest, is recognized in the statement of financial position as 'Securities purchased under resale agreement', and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Impairment of Financial Assets

PFRS 9 requires the Company to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective of the impairment standard is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from



default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 - credit exposures that are considered “performing” and with no significant increase in credit risk since initial recognition or with low credit risk.
- Stage 2 - credit exposures that are considered “under-performing” or not yet non-performing but with significant increase in credit risk since initial recognition.

For credit-impaired financial instruments:

- A financial instrument is classified as Stage 3 financial instruments when it is in default or there is 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 loan or a portfolio of loans. The ECL model requires that ECL with 100.00% probability of default (PD) be recognized for impaired financial instruments.
- A “cooling off period” was incorporated to regulate backward movement within stages. This criterion specifies that accounts that become credit impaired (hit 90+ days past due) need to remain in Stage 3 until they have made all payments of balance and interest continuously for at least 6 months to move into Stage 1.

Definition of “default” and “cure”

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes over 90 days past due on its contractual payments. An account shall be considered past due or delinquent when upon the payment due date, the borrower failed to settle the amount. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer in default. Defaults are characterized by financial assets that have objective evidence of impairment at the reporting date and as such classified under Stage 3.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and the borrower has exhibited a satisfactory track record of consistent payments for six months. Cured accounts are classified under Stage 1.

Significant increase in credit risk (SICR)

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors. Considering the nature of its loan products and the profile of its borrowers, the Company uses the aging information in evaluating whether the credit risk of a particular exposure deemed to have increased significantly since initial recognition. If contractual payments are more than thirty (30) days past due, the exposure is deemed to exhibit SICR. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

ECL parameters and methodologies

The Expected Credit Loss (ECL) combines the three verticals of Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD) along with the macro-economic overlay given ECL’s forward looking nature under PFRS9 and gives an estimate of the expected future loss out of the entire portfolio present as of a snapshot month.



The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current performance of individual accounts reflected in the parameters of the model. The Company segmented its credit exposures based on corporate and individual portfolio to comply with the regulatory guidelines for individual and entities. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD or 'Exposure at Default' is another vertical in the ECL computation. It explains how much exposure i.e., the balance that an account (or in a segment) carries at the time of default.

Loss Given Default, or LGD, is the expected proportion of amount that the financial institution may lose from a borrower's outstanding debts in the event of the borrower defaulting. Theoretically, net loss is computed by subtracting the recoveries made post default from the default amount.

Economic overlays and multiple economic scenarios

The Company incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to multiple future macroeconomic atmosphere expectations. A range of economic indicators were considered for the economic inputs. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

In compliance with PFRS 9, the Company developed ECL parameters and methodologies, using historical data as well as forward-looking inputs and assumptions.

Residual Value of Leased Assets and Deposits on Lease Contracts

The residual value of leased assets is the estimated proceeds from the disposal of the leased asset at the end of the lease term which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease. At the end of the lease term, the residual value is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash in banks, cash equivalents and securities purchased under resale agreement with original maturities of three months or less from date of placements and that are subject to insignificant risks of changes in value. Due from BSP includes statutory reserves required by the BSP, which the Company considers as cash equivalents wherein drawings can be made to meet cash requirements as allowed by the BSP.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and impairment loss, if any.

The initial cost of property and equipment consists of its purchase price, any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after an item of property and equipment has been put into operation, such as repairs and maintenance, are normally charged to operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are



capitalized as an additional cost of property and equipment. When the property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts and any resulting gain or loss is reflected in profit or loss.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the property and equipment assets as follows:

Vehicles	2-5 years
Furniture, fixtures and equipment	3-5 years
Transportation equipment	3-5 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset is written down to its recoverable amount.

Leases

Company as lessee

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys, the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for a short-term leases and lease of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Company recognizes right-of-use assets (included in 'Property and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Related leasehold improvements are depreciated on straight line basis over the shorter of the lease term and estimated useful lives as follows:

Head office space and business centers	3-5 years
Warehouses	2-3 years

ii. Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable,



variable lease payments that depend on an index per rate, and amount expected to be paid under residual value guarantees. The lease payments also include the exercise price of purchase option reasonably certain to be exercised by the Company and payment of penalties terminating a lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate (IBR) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Determining the lease term of contracts with renewal options

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

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

iii. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of residential units for officers, business centers and warehouses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain purchase option). It also applies the leases of low-value assets recognition to leases of equipment that are considered low value (i.e., below ₱0.25 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as lessor

The Company recognizes assets held under a finance lease in its statement of financial position as a receivable at an amount equal to the net investment in the lease. The lease payments received from the lessee are treated as repayments of principal and finance income. Initial direct costs that are incremental and directly attributable to negotiating and arranging the lease are included in the measurement of the net investment in the lease at inception and reflected in the calculation of the implicit interest rate.

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.



The Company recognizes rental income on its operating lease of vehicles. Recoverable deposit is collected from the client and computed at 10.00% of the unit price and recognized under 'Deposits on lease contracts'. This is collected upfront and to be refunded on end-of-term. While on pre-termination, the full amount is forfeited and will be recognized as service charge under 'Service fees and other income'. There are two product group under it to segregate types of services to be offered for corporate and individual clients, i.e. full-service lease and net operating lease, respectively.

Full-service lease (FSL)

FSL is a leasing product that offers all-inclusive package. Customer will pay fixed monthly rental inclusive of all major cost of vehicle ownership (such as periodic and preventive maintenance, annual comprehensive insurance, vehicle registration and fleet management). FSL, or its current name, Kinto One, caters corporate clients and individuals.

The monthly rental income amount is classified as 'Operating lease revenues' under 'Service Fees and Other Income', while the related expenses are presented under 'Others' under operating expenses in the statement of comprehensive income.

Net operating lease (NOL)

NOL is a lease wherein maintenance and comprehensive insurance are not included in the monthly rental calculation. These are at the expense of the lessee.

Assets Held for Sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, available for immediate sale and its sale is highly probable. An asset classified as held for sale is measured at the lower of fair value less costs to sell and its carrying amount.

Any impairment loss on write-down of the asset to fair value less costs to sell is recognized in profit or loss. Any gain on subsequent increase in fair value less costs to sell is also recognized in profit or loss, but not in excess of the cumulative impairment loss already recognized on the asset.

Assets held for sale of the Company consists mainly of motor vehicles foreclosed from borrowers or lessees who have defaulted on their installment or lease payments.

Intangible Assets

This consists of software costs, stated at acquisition cost and is amortized on a straight-line basis over estimated useful life of five (5) years.

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Other Assets

Other assets consist of prepaid expenses, security deposits and withholding tax receivables.

Prepaid expenses are advanced payments for occupancy costs and employee benefits. Security deposits are rental deposits for the Company's office space, warehouses and residential units for officers.

Prepaid expenses and security deposits are recognized in the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. Amortization of prepayments is recognized monthly on a straight-line basis.



Withholding tax receivable pertains to creditable withholding tax (CWT). CWT is recognized by virtue of Republic Act (RA) No. 8424 relative to the withholding on income subject to expanded and final withholding tax on compensation, value-added tax and other percentage taxes. CWT is recognized when the counterparty withheld certain taxes payable to the taxation authority and is reduced to the extent of that CWT will not be realized, through the use of an allowance account.

Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets (i.e., ROU, property and equipment, assets held for sale, software cost and other assets) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is recognized under 'Provision for credit and impairment losses' in the statement of comprehensive income.

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

Retirement Cost

The Company has a funded, noncontributory defined benefit retirement plan covering all its employees with regular employment status. The defined benefit liability (asset) is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. 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 plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.



Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Remeasurements comprising of actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. The following specific recognition criteria must also be met before revenue is recognized:

Revenue under PFRS 15

Gain or loss on sale of nonfinancial assets

Income from sale of properties (i.e., assets held for sale and property and equipment) is recognized when control of such services or properties are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those properties.

Other income

Other income is recognized when earned. Income is recognized upon completion of the earning process.

Revenue outside PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.



Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, the Company calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Service fees

Service fees earned for the provision of transaction services such as processing fees are recognized upon completion of the underlying transaction.

Recoveries of accounts written off

Recoveries of accounts written off are recognized as income upon actual collection.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Foreign exchange gain/loss

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.

Expense Recognition

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

Borrowing costs

Borrowing costs for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statement of comprehensive income using the EIR of the financial liabilities to which they relate.

Income Taxes

Current taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred taxes

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of MCIT and unused NOLCO can be utilized.



The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered. Deferred tax, however, is not recognized on temporary differences that arise 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.

Deferred tax assets and liabilities are measured at the tax rate that is 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 reporting date.

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in profit or loss.

Deferred tax assets and tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

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

Contingencies

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

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against 'Retained earnings'. Retained earnings represent accumulated net income of the Company, net of dividends paid.



Dividends

Dividends are recognized as a liability and deducted from equity when declared and approved by the BOD of the Company and of the BSP. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Events after the Reporting Period

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

3. **Significant Accounting Judgments and Estimates**

The preparation of the accompanying financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

a. Finance leases - Company as a lessor

The Company has entered into finance leases of vehicles with its customers. The Company has determined that it transfers all the significant risks and rewards of ownership as the lease terms are for the major part of the economic life of these properties which are leased out on finance leases.

b. Operating leases - Company as a lessor

The Company has entered into leases of vehicles under FSL. The Company has determined, based on an evaluation of the terms and condition of the arrangements (i.e., the lessor shall at all-time be and remain the sole and exclusive owner of the motor vehicle and no title shall pass to the lessee. The lessor may sell, transfer, convey, assign, pledge, hypothecate, or otherwise dispose of its right hereunder in a whole or in part without notice to the lessee. The lessee has no option to purchase the vehicle at the end of the term), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases

c. Determining whether it is reasonably certain that a renewal and termination option will be exercised

The Company has entered into lease on premises it uses for its operation. The Company has determined the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain or whether not to exercise the option to renew or to terminate the lease. That it is considers all relevant such as leasehold improvement and location that create economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

d. Estimating the IBR for lease liabilities

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Company would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in similar economic environment. The Company estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying values of the Company's ROU assets and lease liability are disclosed in Notes 2, 8 and 19, respectively.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of condition date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a. Impairment of financial assets

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- The criteria for assessing if there has been a significant increase in credit risk.
- The definition of default, which is consistent with regulatory requirements;
- Segmentation of the portfolio into individual and corporate;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs; and
- Incorporation of expert judgement in the selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

For the year ended March 31, 2024, the Company re-developed new ECL models to capture changes in the credit risk profile and behaviors of its loan exposures and modelled such in the estimation of the expected credit losses. This resulted in new PD and LGD rates that reflect the most recent default experience and recovery expectations, respectively.



Furthermore, the Company revisited its inputs and assumptions related to the following:

- The set of macro-economic variables affecting the default of its individual and corporate loan portfolios; and
- The selection and weighting of macro-economic scenarios.

The management also applied its expert credit judgment in evaluating the economic forecasts and reflect such in the overlay and scenario weighting. Considerations included expectations of economic recovery based on available market and published data, changes of monetary policies of the Philippine government and timing thereof, among others.

The allowance for credit losses of financial assets as of March 31, 2024 and 2023 are disclosed in Notes 4, 6 and 10. Please refer to Notes 4 and 6 for the information on the carrying values of the financial assets subject to impairment.

b. *Fair value of derivatives*

The fair values of derivatives that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Refer to Note 13 for the information on the fair value of the financial instrument.

c. *Valuation of assets held for sale*

The Company's assets held for sale are carried at the lower of its carrying amount and fair value less costs to sell. Fair value is based on the valuation performed by the internal appraiser. Valuation of assets held for sale is ascertained using the market data approach, wherein current sales prices of identical vehicles, together with the valuation opinions of conversant appraisers are accumulated, compared and thoroughly analyzed. As of March 31, 2024 and 2023, assets held for sale is disclosed in Note 7.

d. *Recognition of deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company has been in a taxable income position over the past several years. The Company believes, based on its expected future taxable income that it is highly probable for temporary differences to be realized in the future.

As of March 31, 2024 and 2023, the carrying value of the recognized net deferred tax assets is disclosed in Note 18.



capitalized as an additional cost of property and equipment. When the property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts and any resulting gain or loss is reflected in profit or loss.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the property and equipment assets as follows:

Vehicles	2-5 years
Furniture, fixtures and equipment	3-5 years
Transportation equipment	3-5 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset is written down to its recoverable amount.

Leases

Company as lessee

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys, the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for a short-term leases and lease of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Company recognizes right-of-use assets (included in 'Property and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Related leasehold improvements are depreciated on straight line basis over the shorter of the lease term and estimated useful lives as follows:

Head office space and business centers	3-5 years
Warehouses	2-3 years

ii. Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable,



variable lease payments that depend on an index per rate, and amount expected to be paid under residual value guarantees. The lease payments also include the exercise price of purchase option reasonably certain to be exercised by the Company and payment of penalties terminating a lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate (IBR) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Determining the lease term of contracts with renewal options

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

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

iii. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of residential units for officers, business centers and warehouses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain purchase option). It also applies the leases of low-value assets recognition to leases of equipment that are considered low value (i.e., below ₱0.25 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as lessor

The Company recognizes assets held under a finance lease in its statement of financial position as a receivable at an amount equal to the net investment in the lease. The lease payments received from the lessee are treated as repayments of principal and finance income. Initial direct costs that are incremental and directly attributable to negotiating and arranging the lease are included in the measurement of the net investment in the lease at inception and reflected in the calculation of the implicit interest rate.

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.



The Company recognizes rental income on its operating lease of vehicles. Recoverable deposit is collected from the client and computed at 10.00% of the unit price and recognized under 'Deposits on lease contracts'. This is collected upfront and to be refunded on end-of-term. While on pre-termination, the full amount is forfeited and will be recognized as service charge under 'Service fees and other income'. There are two product group under it to segregate types of services to be offered for corporate and individual clients, i.e. full-service lease and net operating lease, respectively.

Full-service lease (FSL)

FSL is a leasing product that offers all-inclusive package. Customer will pay fixed monthly rental inclusive of all major cost of vehicle ownership (such as periodic and preventive maintenance, annual comprehensive insurance, vehicle registration and fleet management). FSL, or its current name, Kinto One, caters corporate clients and individuals.

The monthly rental income amount is classified as 'Operating lease revenues' under 'Service Fees and Other Income', while the related expenses are presented under 'Others' under operating expenses in the statement of comprehensive income.

Net operating lease (NOL)

NOL is a lease wherein maintenance and comprehensive insurance are not included in the monthly rental calculation. These are at the expense of the lessee.

Assets Held for Sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, available for immediate sale and its sale is highly probable. An asset classified as held for sale is measured at the lower of fair value less costs to sell and its carrying amount.

Any impairment loss on write-down of the asset to fair value less costs to sell is recognized in profit or loss. Any gain on subsequent increase in fair value less costs to sell is also recognized in profit or loss, but not in excess of the cumulative impairment loss already recognized on the asset.

Assets held for sale of the Company consists mainly of motor vehicles foreclosed from borrowers or lessees who have defaulted on their installment or lease payments.

Intangible Assets

This consists of software costs, stated at acquisition cost and is amortized on a straight-line basis over estimated useful life of five (5) years.

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Other Assets

Other assets consist of prepaid expenses, security deposits and withholding tax receivables.

Prepaid expenses are advanced payments for occupancy costs and employee benefits. Security deposits are rental deposits for the Company's office space, warehouses and residential units for officers.

Prepaid expenses and security deposits are recognized in the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. Amortization of prepayments is recognized monthly on a straight-line basis.



Withholding tax receivable pertains to creditable withholding tax (CWT). CWT is recognized by virtue of Republic Act (RA) No. 8424 relative to the withholding on income subject to expanded and final withholding tax on compensation, value-added tax and other percentage taxes. CWT is recognized when the counterparty withheld certain taxes payable to the taxation authority and is reduced to the extent of that CWT will not be realized, through the use of an allowance account.

Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets (i.e., ROU, property and equipment, assets held for sale, software cost and other assets) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is recognized under 'Provision for credit and impairment losses' in the statement of comprehensive income.

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

Retirement Cost

The Company has a funded, noncontributory defined benefit retirement plan covering all its employees with regular employment status. The defined benefit liability (asset) is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. 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 plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.



Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Remeasurements comprising of actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. The following specific recognition criteria must also be met before revenue is recognized:

Revenue under PFRS 15

Gain or loss on sale of nonfinancial assets

Income from sale of properties (i.e., assets held for sale and property and equipment) is recognized when control of such services or properties are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those properties.

Other income

Other income is recognized when earned. Income is recognized upon completion of the earning process.

Revenue outside PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.



Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, the Company calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Service fees

Service fees earned for the provision of transaction services such as processing fees are recognized upon completion of the underlying transaction.

Recoveries of accounts written off

Recoveries of accounts written off are recognized as income upon actual collection.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Foreign exchange gain/loss

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.

Expense Recognition

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

Borrowing costs

Borrowing costs for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statement of comprehensive income using the EIR of the financial liabilities to which they relate.

Income Taxes

Current taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred taxes

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of MCIT and unused NOLCO can be utilized.



The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered. Deferred tax, however, is not recognized on temporary differences that arise 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.

Deferred tax assets and liabilities are measured at the tax rate that is 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 reporting date.

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in profit or loss.

Deferred tax assets and tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

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

Contingencies

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

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against 'Retained earnings'. Retained earnings represent accumulated net income of the Company, net of dividends paid.



Dividends

Dividends are recognized as a liability and deducted from equity when declared and approved by the BOD of the Company and of the BSP. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Events after the Reporting Period

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

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

a. Finance leases - Company as a lessor

The Company has entered into finance leases of vehicles with its customers. The Company has determined that it transfers all the significant risks and rewards of ownership as the lease terms are for the major part of the economic life of these properties which are leased out on finance leases.

b. Operating leases - Company as a lessor

The Company has entered into leases of vehicles under FSL. The Company has determined, based on an evaluation of the terms and condition of the arrangements (i.e., the lessor shall at all-time be and remain the sole and exclusive owner of the motor vehicle and no title shall pass to the lessee. The lessor may sell, transfer, convey, assign, pledge, hypothecate, or otherwise dispose of its right hereunder in a whole or in part without notice to the lessee. The lessee has no option to purchase the vehicle at the end of the term), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases

c. Determining whether it is reasonably certain that a renewal and termination option will be exercised

The Company has entered into lease on premises it uses for its operation. The Company has determined the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain or whether not to exercise the option to renew or to terminate the lease. That it considers all relevant such as leasehold improvement and location that create economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

d. Estimating the IBR for lease liabilities

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Company would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in similar economic environment. The Company estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying values of the Company's ROU assets and lease liability are disclosed in Notes 2, 8 and 19, respectively.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of condition date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a. Impairment of financial assets

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- The criteria for assessing if there has been a significant increase in credit risk.
- The definition of default, which is consistent with regulatory requirements;
- Segmentation of the portfolio into individual and corporate;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs; and
- Incorporation of expert judgement in the selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

For the year ended March 31, 2024, the Company re-developed new ECL models to capture changes in the credit risk profile and behaviors of its loan exposures and modelled such in the estimation of the expected credit losses. This resulted in new PD and LGD rates that reflect the most recent default experience and recovery expectations, respectively.



Furthermore, the Company revisited its inputs and assumptions related to the following:

- The set of macro-economic variables affecting the default of its individual and corporate loan portfolios; and
- The selection and weighting of macro-economic scenarios.

The management also applied its expert credit judgment in evaluating the economic forecasts and reflect such in the overlay and scenario weighting. Considerations included expectations of economic recovery based on available market and published data, changes of monetary policies of the Philippine government and timing thereof, among others.

The allowance for credit losses of financial assets as of March 31, 2024 and 2023 are disclosed in Notes 4, 6 and 10. Please refer to Notes 4 and 6 for the information on the carrying values of the financial assets subject to impairment.

b. *Fair value of derivatives*

The fair values of derivatives that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Refer to Note 13 for the information on the fair value of the financial instrument.

c. *Valuation of assets held for sale*

The Company's assets held for sale are carried at the lower of its carrying amount and fair value less costs to sell. Fair value is based on the valuation performed by the internal appraiser. Valuation of assets held for sale is ascertained using the market data approach, wherein current sales prices of identical vehicles, together with the valuation opinions of conversant appraisers are accumulated, compared and thoroughly analyzed. As of March 31, 2024 and 2023, assets held for sale is disclosed in Note 7.

d. *Recognition of deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company has been in a taxable income position over the past several years. The Company believes, based on its expected future taxable income that it is highly probable for temporary differences to be realized in the future.

As of March 31, 2024 and 2023, the carrying value of the recognized net deferred tax assets is disclosed in Note 18.



4. Cash on hand and in banks and Due from Bangko Sentral ng Pilipinas

Cash on hand and in banks

This account consists of:

	2024	2023
Cash on hand	₱3,366,915	₱2,713,237
Cash in banks (Note 20)	2,301,163,034	1,504,844,062
	2,304,529,949	1,507,557,299
Allowance for credit losses (Note 10)	(235,102)	(235,102)
	₱2,304,294,847	₱1,507,322,197

Cash in banks earn annual interest ranging from 0.10% to 0.13% in 2024 and 2023.

Interest earned on cash in banks amounted to ₱1.17 million and ₱0.98 million in 2024 and 2023, respectively.

Due from BSP

This account consists of:

	2024	2023
Overnight deposits	₱3,985,000,000	₱1,119,000,000
Demand deposits	1,792,954,719	2,068,676,595
Term deposits	–	2,000,000,000
	₱5,777,954,719	₱5,187,676,595

Due from BSP includes non-interest-bearing demand deposit account in 2024 and 2023. It also includes overnight deposit facility that earns annual interest ranging from 5.75% to 6.00% in 2024 and from 1.50% to 5.75% in 2023 and term deposit facility that earns annual interest ranging from 6.38% to 6.74% in 2024 and from 1.83% to 6.77% in 2023. Total interest earned on Due from BSP amounted to ₱80.60 million and ₱121.51 million in 2024 and 2023, respectively.

On June 23, 2023, the BSP issued BSP Circular No. 1175, Series of 2023 informing the public that the Monetary Board, in its Resolution No. 727 dated June 8, 2023, approved the reduction in the reserve requirement ratios of deposit and deposit substitute liabilities of banks and non-bank financial institutions with quasi banking functions.

The Circular amended Section 251 of the Manual of Regulations for Banks, as amended by BSP Circular No. 1154 dated 14 September 2022, on the required reserves against deposit and deposit substitute liabilities. The Circular lowered the Reserve Requirement (RR) of universal banks and commercial banks from 12% to 9.5%, digital banks from 8.0% to 6.0%, thrift banks from 3.0% to 2.0%, and rural and cooperative banks from 2.0% to 1.0%.

Deposit substitutes are subjected to required reserves equivalent to 9.5% in 2024 and 12.0% in 2023. The required reserves shall be kept in the form of deposits maintained in the Demand Deposit Account (DDA) with the BSP and any government securities which were previously used as compliance until they mature. The Company is in compliance with such regulations as of March 31, 2024 and 2023.

The total available reserves booked under 'Due from BSP' amounted to ₱1.79 billion and ₱2.07 billion as of March 31, 2024 and 2023, respectively.



The allowance for credit losses pertains to cash in banks. No allowance for credit losses was recognized for Due from BSP as of March 31, 2024 and 2023.

5. Securities Purchased Under Resale Agreement (SPURA)

This account consists of government securities purchased under reverse repurchase agreement with the BSP as counterparty. These government securities, with face value amounting to nil and ₱1.03 billion million as of March 31, 2024 and 2023, respectively, were pledged in favor of the Company as collateral for SPURA equivalent to the face value of the government securities.

The annual interest is ranging from 6.14% to 6.54% in 2024 and from 1.50% to 6.25% in 2023.

Total interest earned on SPURA amounted to ₱99.23 million and ₱35.21 million for the years ended March 31, 2024 and 2023, respectively.

6. Loans and Receivables

This account consists of:

	2024	2023
Receivables from customers		
Receivables financed	₱16,699,327,636	₱13,451,618,671
Unearned finance income	(2,419,915,695)	(1,872,816,225)
	14,279,411,941	11,578,802,446
Finance lease receivables		
Finance lease receivables	152,714,907,177	134,623,842,648
Residual value of leased assets	690,600	816,800
	152,715,597,777	134,624,659,448
Unearned lease income	(25,107,803,384)	(21,489,393,686)
	127,607,794,393	113,135,265,762
	141,887,206,334	124,714,068,208
Other receivables		
Receivables from clients	153,698,355	132,368,459
Receivables from employees	30,937,507	23,819,916
Accrued interest receivable	2,656,667	1,173,283
Others	1,188,863	349,478
	188,481,392	157,711,136
Allowance for credit losses (Note 10)	(1,921,575,848)	(2,012,015,484)
	₱140,154,111,878	₱122,859,763,860

Receivables financed earn fixed interest ranging from 6.85% to 18.44% in 2024 and from 6.48% to 18.44% in 2023 while finance lease receivables earn fixed interest ranging from 6.02% to 16.73% in 2024 and from 4.51% to 18.53% in 2023.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-



time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

Based on the Company's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. As of March 31, 2024 and 2023, the unamortized modification losses arising from Bayanihan 1 Act and Bayanihan 2 Act, netted against the outstanding balance of Loans receivables, amounted to ₱17.84 million and ₱66.97 million, respectively. The accretion of modification losses, presented under Interest income on loans and receivables amounted to ₱47.57 million in 2024 and ₱91.29 million in 2023.

Interest income on loans and receivables consists of:

	2024	2023
Finance lease receivables	₱11,617,816,206	₱10,124,302,921
Accretion of modification losses	46,593,950	89,853,664
	11,664,410,156	10,214,156,585
Receivables financed	1,233,830,355	1,011,524,583
Accretion of modification losses	980,122	1,432,323
	1,234,810,477	1,012,956,906
	₱12,899,220,633	₱11,227,113,491

Section 9(f) of RA No. 8556 requires that a 100.00% allowance for credit losses should be set up for the following:

- clean loans and advances past due for a period of more than 6 months;
- past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50.0%, without the borrower offering additional collateral for the loans;
- past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;
- when borrower and his co-maker or guarantor, are insolvent or where their whereabouts are unknown, or their earnings power is permanently impaired;
- accrued interest receivable that remain uncollected after six months from the maturity date of such loans to which it accrues; and
- accounts receivable past due for 361 days or more.

As of March 31, 2024 and 2023 the Company's allowance for credit losses for loans and receivables is in compliance with the requirements of RA No. 8556.



7. Assets Held for Sale

The rollforward analysis of this account follows:

	2024	2023
Cost		
Balance at beginning of year	₱385,759,090	₱574,910,952
Additions (Note 25)	5,421,488,685	4,851,656,712
Transfers (Notes 8 and 25)	(9,279,857)	(2,461,948)
Disposal	(5,102,009,426)	(5,038,346,626)
Balance at end of year	695,958,492	385,759,090
Allowance for impairment losses (Note 10)		
Balance at beginning of year	73,983,683	131,915,854
Provision for impairment losses	843,573,034	941,220,630
Reversal of allowance upon disposal	(801,156,448)	(999,152,801)
Balance at end of year	116,400,269	73,983,683
Net book value	₱579,558,223	₱311,775,407

The Company's assets held for sale consist of repossessed collateral from customers who have defaulted in their respective loan accounts. These are actively marketed for sale and are expected to be sold within one year from the date of its classification as assets held for sale.

'Gain (loss) on disposal of assets held for sale' amounted to (₱51.38 million) and ₱8.80 million in 2024 and 2023, respectively (Note 16).

8. Property and Equipment

The composition and movements in this account follow:

	2024					
	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Vehicles	ROU Assets	Total
Cost						
Balances at beginning of year	₱130,393,440	₱286,259,931	₱100,803,752	₱428,037,502	₱262,689,180	₱1,208,183,805
Acquisitions	47,948,389	61,741,377	46,382,936	568,472,570	177,648,185	902,193,457
Transfers (Notes 7 and 25)	—	—	9,279,857	—	—	9,279,857
Disposals/Expired	—	(81,389,335)	(54,943,916)	(5,426,952)	(162,189,650)	(303,949,853)
Balances at end of year	178,341,829	266,611,973	101,522,629	991,083,120	278,147,715	1,815,707,266
Accumulated depreciation and amortization						
Balances at beginning of year	85,555,101	229,675,248	30,667,206	34,917,219	147,476,307	528,291,081
Depreciation and amortization	15,317,230	27,910,847	20,528,420	105,868,510	99,955,954	269,580,961
Disposals/Expired	—	(80,914,407)	(16,448,191)	(4,680,725)	(162,189,650)	(264,232,973)
Balances at end of year	100,872,331	176,671,688	34,747,435	136,105,004	85,242,611	533,639,069
Allowance for impairment losses						
Balances at beginning of year	—	—	—	—	—	—
Provision for impairment losses	—	—	—	6,128,584	—	6,128,584
Balances at end of year	—	—	—	6,128,584	—	6,128,584
Net book value	₱77,469,498	₱89,940,285	₱66,775,194	₱848,849,532	₱192,905,104	₱1,275,939,613



	2023					
	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Vehicles	ROU Assets	Total
Cost						
Balances at beginning of year	₱97,381,278	₱242,739,924	₱95,903,286	₱64,320,850	₱208,876,374	₱709,221,712
Acquisitions	33,012,162	43,520,007	40,891,578	367,046,852	97,586,798	582,057,397
Transfers (Notes 7 and 25)	—	—	2,461,948	—	—	2,461,948
Disposals/Expired	—	—	(38,453,060)	(3,330,200)	(43,773,992)	(85,557,252)
Balances at end of year	130,393,440	286,259,931	100,803,752	428,037,502	262,689,180	1,208,183,805
Accumulated depreciation and amortization						
Balances at beginning of year	₱73,327,243	₱201,581,889	₱35,489,204	₱9,845,876	₱114,378,504	₱434,622,716
Depreciation and amortization	12,227,858	28,093,359	18,917,473	25,274,278	76,871,796	161,384,764
Disposals/Expired	—	—	(23,739,471)	(202,935)	(43,773,993)	(67,716,399)
Balances at end of year	85,555,101	229,675,248	30,667,206	34,917,219	147,476,307	528,291,081
Net book value	₱44,838,339	₱56,584,683	₱70,136,546	₱393,120,283	₱115,212,873	₱679,892,724

Vehicles include transportation equipment leased out to lessees under operating lease arrangements.

The Company has lease contracts for its head office, warehouses and business centers. With the exception of the short-term leases and leases of low-value underlying assets, each lease is reflected on the statements of financial position as ROU asset and a lease liability (Note 19).

As of March 31, 2024 and 2023, property and equipment amounting to ₱253.64 million and ₱282.86 million, respectively, are fully depreciated but are still being used.

As of March 31, 2024 and 2023, the Company has no property and equipment pledged as collateral nor commitments to purchase any Property and Equipment.

9. Software Costs and Other Assets

Software Costs

Movements in software costs follow:

	2024	2023
Cost		
Balances at beginning of year	₱635,035,332	₱468,961,357
Additions	259,115,274	166,073,975
Balances at end of year	894,150,606	635,035,332
Accumulated amortization		
Balances at beginning of year	218,210,761	159,261,093
Amortization	81,932,365	58,949,668
Balance at end of year	300,143,126	218,210,761
Net book value	₱594,007,480	₱416,824,571

In 2024 and 2023, significant additions mainly pertain to the development and enhancement of myToyota Wallet, a new mobile payment solution of the Company, and the continuous development of Kinto One application software.

Amortization of software costs is included in the 'Depreciation and amortization' in the statements of comprehensive income.



Other Assets

This account consists of:

	2024	2023
Prepaid expenses	₱94,772,691	₱92,472,834
Security deposits	32,102,484	26,994,080
Creditable withholding taxes	2,853,485	1,971,397
	₱129,728,660	₱121,438,311

Prepaid expenses mainly consist of prepayments on office and warehouse rent, information technology-related costs, local business permit taxes and electronic documentary stamps.

10. Allowance for Credit and Impairment Losses

This account consists of:

	2024	2023
Cash in banks (Note 4)	₱235,102	₱235,102
Loans and receivables (Note 6):		
Receivables financed	95,314,053	79,085,521
Finance lease receivables	1,826,043,297	1,932,711,465
Other receivables	218,498	218,498
	1,921,575,848	2,012,015,484
Assets held for sale (Note 7)	116,400,269	73,983,683
Property and equipment (Note 8)	6,128,584	—
Balance at end of year	₱2,044,339,803	₱2,086,234,269

As of March 31, 2024 and 2023, the allowance for credit losses for cash in banks amounting to ₱235,102 is classified under Stage 1.

An analysis of changes in the ECL allowances for receivables from customers as of March 31, 2024 follows:

	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables financed				
Balances as of April 1, 2023	₱16,982,803	₱24,176,086	₱37,926,632	₱79,085,521
Newly originated assets that remained in Stage 1 as at March 31, 2024	20,512,183	—	—	20,512,183
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2024	—	3,196,165	640,180	3,836,345
Assets derecognized or repaid	(14,520,417)	(9,007,628)	(26,169,710)	(49,697,755)
Transfer to Stage 1	11,097,102	(11,071,739)	(25,363)	—
Transfer to Stage 2	(7,159,629)	7,808,716	(649,087)	—
Transfer to Stage 3	(9,960,889)	(13,154,816)	23,115,705	—
Accounts written off	(2,964,082)	(2,336,305)	(13,593,448)	(18,893,835)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	29,903,670	16,378,916	14,189,008	60,471,594
Balance at March 31, 2024	43,890,741	15,989,395	35,433,917	95,314,053

(Forward)



	2024			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balances as of April 1, 2023	₱261,172,289	₱380,546,129	₱1,290,993,047	₱1,932,711,465
Newly originated assets that remained in Stage 1 as at March 31, 2024	176,537,953	–	–	176,537,953
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2024	–	47,412,830	101,951,170	149,364,000
Assets derecognized or repaid	(180,991,375)	(176,757,299)	(883,145,804)	(1,240,894,478)
Transfer to Stage 1	157,503,477	(157,002,008)	(501,469)	–
Transfer to Stage 2	(102,043,508)	105,219,768	(3,176,260)	–
Transfer to Stage 3	(192,064,422)	(239,951,324)	432,015,746	–
Accounts written off	(14,774,807)	(13,021,988)	(388,379,358)	(416,176,153)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	376,754,849	311,734,155	536,011,506	1,224,500,510
Balance at March 31, 2024	482,094,456	258,180,263	1,085,768,578	1,826,043,297
Other receivables				
Balance as of April 1, 2023 and March 31, 2024	–	–	218,498	218,498
Allowance for credit losses for loans and receivables - Total				
Balances as of April 1, 2023	278,155,092	404,722,215	1,329,138,177	2,012,015,484
Newly originated assets that remained in Stage 1 as at March 31, 2024	197,050,136	–	–	197,050,136
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2024	–	50,608,995	102,591,350	153,200,345
Assets derecognized or repaid	(195,511,792)	(185,764,927)	(909,315,514)	(1,290,592,233)
Transfer to Stage 1	168,600,579	(168,073,747)	(526,832)	–
Transfer to Stage 2	(109,203,137)	113,028,484	(3,825,347)	–
Transfer to Stage 3	(202,025,311)	(253,106,140)	455,131,451	–
Accounts written off	(17,738,889)	(15,358,293)	(401,972,806)	(435,069,988)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	406,658,519	328,113,071	550,200,514	1,284,972,104
	₱525,985,197	₱274,169,658	₱1,121,420,993	₱1,921,575,848

An analysis of changes in the ECL allowances for receivables from customers as of March 31, 2023 follows:

	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables financed				
Balances as of April 1, 2022	₱9,747,108	₱12,314,105	₱78,376,061	₱100,437,274
Newly originated assets that remained in Stage 1 as at March 31, 2023	6,654,557	–	–	6,654,557
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2023	–	7,944,844	1,439,691	9,384,535
Assets derecognized or repaid	(3,999,598)	(4,458,152)	(39,289,335)	(47,747,085)
Transfer to Stage 1	15,698,369	(6,006,025)	(9,692,344)	–
Transfer to Stage 2	(4,494,903)	13,909,256	(9,414,353)	–
Transfer to Stage 3	(487,304)	(997,530)	1,484,834	–
Accounts written off	–	(98,320)	(20,102,505)	(20,200,825)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	(6,135,426)	1,567,908	35,124,583	30,557,065
Balance at March 31, 2023	16,982,803	24,176,086	37,926,632	79,085,521

(Forward)



	2023			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balances as of April 1, 2022	₱207,596,919	₱190,435,446	₱1,588,603,228	₱1,986,635,593
Newly originated assets that remained in Stage 1 as at March 31, 2023	75,500,612	—	—	75,500,612
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2023	—	146,461,904	126,045,201	272,507,105
Assets derecognized or repaid	(93,411,230)	(86,490,952)	(700,836,953)	(880,739,135)
Transfer to Stage 1	165,341,471	(74,241,017)	(91,100,454)	—
Transfer to Stage 2	(82,679,129)	172,390,853	(89,711,724)	—
Transfer to Stage 3	(25,116,112)	(12,934,327)	38,050,439	—
Accounts written off	(7,108,113)	(3,970,149)	(371,159,986)	(382,238,248)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	21,047,871	48,894,371	791,103,296	861,045,538
Balance at March 31, 2023	261,172,289	380,546,129	1,290,993,047	1,932,711,465
Other receivables				
Balance as of April 1, 2022 and March 31, 2023	—	—	218,498	218,498
Allowance for credit losses for loans and receivables - Total				
Balances as of April 1, 2022	217,344,026	202,749,551	1,667,197,787	2,087,291,364
Newly originated assets that remained in Stage 1 as at March 31, 2023	82,155,169	—	—	82,155,169
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2023	—	154,406,748	127,484,893	281,891,641
Assets derecognized or repaid	(97,410,828)	(90,949,104)	(740,126,288)	(928,486,220)
Transfer to Stage 1	181,039,839	(80,247,041)	(100,792,798)	—
Transfer to Stage 2	(87,174,032)	186,300,109	(99,126,077)	—
Transfer to Stage 3	(25,603,415)	(13,931,857)	39,535,272	—
Accounts written off	(7,108,113)	(4,068,469)	(391,262,491)	(402,439,073)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	14,912,446	50,462,278	826,227,879	891,602,603
	₱278,155,092	₱404,722,215	₱1,329,138,177	₱2,012,015,484

Below is the breakdown of provision for credit and impairment losses:

	2024	2023
Loans and receivables (Note 6)		
Finance lease receivables	₱309,507,985	₱328,314,120
Receivables financed	35,122,367	(1,150,928)
	344,630,352	327,163,192
Assets held for sale (Note 7)	842,287,041	941,220,630
Vehicle under operating lease (Note 8)	6,128,584	—
	₱1,193,045,977	₱1,268,383,822

With the foregoing level of allowance for credit and impairment losses, management believes that the Company has sufficient allowance to absorb any losses that may be incurred from the non-collection or nonrealization of its receivables and assets held for sale.



11. Loans Payable

This account consists of the Company's borrowings, net of unamortized debt transaction costs:

	2024	2023
Domestic bank loans (Note 20)	₱76,217,104,593	₱54,367,370,750
Fixed rate notes	9,924,576,534	9,967,524,446
Notes payable	8,950,239,496	7,251,163,062
Bonds payable		
Bank of Tokyo - Mitsubishi UFJ, Ltd. - Japan Branch (Note 13)	5,599,240,564	9,175,524,410
Sumitomo Mitsui Banking Corporation - Japan Branch (Note 13)	9,629,151,730	7,951,867,674
Foreign bank loans		
Toyota Motor Finance - Netherlands B.V.	4,204,659,822	6,769,806,557
Japan Bank for International Cooperation	5,896,051,421	5,686,599,230
The Norinchukin Bank - Singapore Branch (Note 13)	2,808,619,703	5,426,139,071
Mizuho Bank Ltd. - Singapore Branch (Note 13)	2,810,091,853	5,421,185,182
The Shizuoka Bank, Ltd. - Hongkong Branch	2,514,038,585	2,571,954,155
Sumitomo Mitsui Trust Bank, Limited	1,397,263,858	—
	₱129,951,038,159	₱114,589,134,537

As of March 31, 2024 and 2023, the unamortized debt transaction costs on loans payable amounted to ₱674.50 million and ₱618.84 million, respectively.

As of March 31, 2024 and 2023, the outstanding loans payable are unsecured.

Bank loans

Domestic bank loans bear annual interest rates ranging from 3.70% to 7.20% in 2024 and 2.97% to 8.70% in 2023. As of March 31, 2024 and 2023, the Company's bank loans have maturity periods of 5 months to 5 years and 7 months to 5 years, respectively.

Fixed rate notes

On April 25, 2023 and November 22, 2023, the Company issued additional retail fixed rates notes amounting to ₱4.00 billion and ₱3.49 billion, respectively.

As of March 31, 2024 and 2023, the Company's retail fixed rate notes bear interest rates ranging from 3.90% to 7.01% and 2.39% to 3.90%, respectively and have maturity period of 24 to 34 months and 18 to 24 months, respectively.

Notes payable

Notes payable pertains to retail notes issued by the Company that bear annual interest rates ranging from 2.50% to 6.63% in 2024 and 2.00% to 6.25% in 2023. As of March 31, 2024 and 2023, the Company's notes payable have maturity period of 1 month to 3 years.



Bonds payable to Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) - Japan Branch

The private bonds were subscribed by BTMU Japan Branch under various subscription agreements as follows:

2024				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)*
Series 8	March 9, 2021	March 7, 2025	25.00 million	1,401.00 million
Series 9	June 15, 2021	June 14, 2024	25.00 million	1,404.70 million
Series 10	November 18, 2021	November 18, 2024	25.00 million	1,401.77 million
Series 13	March 14, 2023	March 13, 2026	25.00 million	1,391.77 million

*Outstanding balance is net of documentary stamp tax and deferred charges.

2023				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)*
Series 7	July 7, 2020	July 7, 2023	25.00 million	1,355.67 million
Series 8	March 9, 2021	March 7, 2025	25.00 million	1,348.86 million
Series 9	June 15, 2021	June 14, 2024	25.00 million	1,351.47 million
Series 10	November 18, 2021	November 18, 2024	25.00 million	1,348.32 million
Series 11	January 19, 2022	January 19, 2024	25.00 million	1,352.55 million
Series 12	March 22, 2022	March 22, 2024	20.00 million	1,080.55 million
Series 13	March 14, 2023	March 13, 2026	25.00 million	1,348.50 million

*Outstanding balance is net of documentary stamp tax and deferred charges.

Interest on the private bond issue is payable quarterly based on the 3-month Modified Following Business Day Convention for Series 8 without spread.

Interest on the private bond issue is payable quarterly based on the 3-month Modified Following Business Day Convention for series 9, 10 and 13 without spread.

The Company also entered into a cross-currency interest rate swap agreements with BTMU Manila Branch which was designated by the Company as a cash flow hedge (see Note 13).

Bonds payable to Sumitomo Mitsui Banking Corporation (SMBC) - Japan Branch

The Company and SMBC Japan Branch entered into a bond purchase agreement where SMBC Japan Branch is the "Purchaser" of the entire amount of bonds. Details of the loan are as follows:

2024				
	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Series 3	November 20, 2020	November 20, 2024	25.00 million	1,396.33 million
Series 4	September 15, 2021	September 15, 2026	25.00 million	1,372.13 million
Series 5	February 7, 2022	February 7, 2025	25.00 million	1,396.06 million
Series 6	September 22, 2022	September 22, 2025	25.00 million	1,382.27 million
Series 7	November 28, 2022	November 27, 2026	25.00 million	1,358.65 million
Series 8	February 15, 2024	February 12, 2027	25.00 million	1,362.35 million
Series 9	March 25, 2024	March 24, 2027	25.00 million	1,361.36 million

*Outstanding balance is net of documentary stamp tax and deferred charges.



2023				
	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Series 2	September 17, 2020	September 19, 2023	25.00 million	1,352.18 million
Series 3	November 20, 2020	November 20, 2024	25.00 million	1,334.46 million
Series 4	September 15, 2021	September 15, 2026	25.00 million	1,311.91 million
Series 5	February 7, 2022	February 7, 2025	25.00 million	1,337.83 million
Series 6	September 22, 2022	September 22, 2025	25.00 million	1,320.04 million
Series 7	November 28, 2022	November 27, 2026	25.00 million	1,295.45 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable semi -annually based on 6-month Modified Following Business Day Convention for Series 3 without spread.

Interest is payable semi -annually based on 6-month Modified Following Business Day Convention for Series 4 to 9 without spread.

Bank loan to Toyota Motor Finance – Netherlands (TMFNL)

The Company and TMFNL entered into a term loan agreement where TMFNL granted the Company a committed term loan facility. Details of the loan are as follows:

2024				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 3	November 24, 2021	November 24, 2025	25.00 million	1,401.84 million
Tranche 4	December 15, 2021	December 13, 2024	25.00 million	1,403.64 million
Tranche 5	November 17, 2022	May 18, 2026	25.00 million	1,399.18 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

2023				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 1	June 10, 2020	June 13, 2023	25.00 million	1,358.32 million
Tranche 2	January 26, 2021	January 26, 2024	25.00 million	1,356.43 million
Tranche 3	November 24, 2021	November 24, 2025	25.00 million	1,352.47 million
Tranche 4	December 15, 2021	December 13, 2024	25.00 million	1,353.40 million
Tranche 5	November 17, 2022	May 18, 2026	25.00 million	1,349.19 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable quarterly based on 3-month Modified Following Business Day Convention without spread for Tranches 3 to 5.



Bank loan from Japan Bank for International Cooperation (JBIC)

The Company and JBIC entered into a term loan agreement where JBIC granted the Company a committed term loan facility in a maximum aggregate amount of US\$105.00 million. Details of the loan are as follows:

2024				
	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 1	July 13, 2021	May 12, 2025	75.00 million	4,213.05 million
Tranche 2	January 25, 2022	December 8, 2025	30.00 million	1,683.00 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

2023				
	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 1	July 13, 2021	May 12, 2025	75.00 million	4,063.51 million
Tranche 2	January 25, 2022	December 8, 2025	30.00 million	1,623.09 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable semi-annually based on 6-month Modified Following Business Day Convention without spread.

Bank loan from The Norinchukin Bank (TNB) - Singapore Branch

The Company and TNB Singapore Branch entered into a term loan agreement where TNB Singapore Branch granted the Company a committed term loan facility. Details of the loan are as follows:

2024				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 5	October 21, 2020	October 21, 2024	25.00 million	1,403.40 million
Tranche 7	April 21, 2021	April 21, 2025	25.00 million	1,405.22 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

2023				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 4	June 19, 2019	June 19, 2023	25.00 million	1,358.40 million
Tranche 5	October 21, 2020	October 21, 2024	25.00 million	1,356.13 million
Tranche 6	October 26, 2020	October 26, 2023	25.00 million	1,357.54 million
Tranche 7	April 21, 2021	April 21, 2025	25.00 million	1,354.07 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable quarterly based on 3-month Modified Following Business Day Convention without spread for Tranche 5 and 7.



Bank loan from Mizuho Bank Ltd. - Singapore Branch

The Company and Mizuho Singapore Branch entered into various term loan agreement where Mizuho Singapore Branch granted the Company a committed term loan facility. Details of the loan are as follows:

2024				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 10	April 13, 2021	April 15, 2024	25.00 million	1,405.88 million
Tranche 11	July 26, 2022	July 26, 2024	25.00 million	1,404.21 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

2023				
	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 8	September 8, 2020	September 8, 2023	25.00 million	1,357.57 million
Tranche 9	February 23, 2021	February 23, 2024	25.00 million	1,356.14 million
Tranche 10	April 13, 2021	April 15, 2024	25.00 million	1,355.65 million
Tranche 11	July 26, 2022	July 26, 2024	25.00 million	1,351.83 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable quarterly based on 3-month Modified Following Business Day Convention: PH, NY and SG Holidays without spread for Tranches 10 to 11.

The Company also entered into a cross-currency interest rate swap agreements with Mizuho Singapore Branch which was designated by the Company as a cash flow hedge (see Note 13).

Bank loan from The Shizuoka Bank, Ltd. (TSB) - Hongkong Branch

On January 21, 2021, the Company and TSB Hongkong Branch entered into a term loan agreement where TSB Hongkong Branch granted the Company a committed term loan facility in a maximum aggregate amount of JPY3 billion. Details of the loan are as follows:

2024				
	Date drawn	Maturity Date	Principal Amount (in JPY)	Outstanding Balance (in PHP)
Tranche 2	January 21, 2021	January 21, 2025	3.00 billion	1,112.86 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

2023				
	Date drawn	Maturity Date	Principal Amount (in JPY)	Outstanding Balance (in PHP)
Tranche 2	January 21, 2021	January 21, 2025	3.00 billion	1,222.88 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable quarterly based on 3-month Modified Following Business Day Convention without spread.



On February 21, 2023, the Company and TSB Hongkong Branch entered into a term loan agreement where TSB Hongkong Branch granted the Company a committed term loan facility in a maximum aggregate amount of US\$25.00 million. Details of the loan are as follows:

	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 3	February 21, 2023	February 21, 2025	25.00 million	1,401.18 million

**Outstanding balance is net of documentary stamp tax and deferred charges.*

Interest is payable quarterly based on 6-month Modified Following Business Day Convention without spread.

Interest expense on loans payable consists of:

	2024	2023
Bank loans	₱3,752,630,218	₱2,647,553,746
Fixed rate notes	571,006,136	447,769,796
Notes payable	468,597,325	207,374,181
Bonds payable from BTMU	405,999,661	352,042,228
Bonds payable from SMBC	447,742,563	334,333,823
Bank loan from TMFNL – Netherlands	294,010,576	283,110,007
Bank loan from JBIC	226,010,844	224,610,369
Bank loan from TNB Singapore Branch	167,918,489	288,139,768
Bank loan from TSB Hongkong Branch	144,700,700	101,962,942
Bank loan from Mizuho Singapore Branch	253,785,553	300,794,662
Bank loan from SMTB	53,236,634	–
Bank loan from RBL Nagoya Branch	–	25,658,173
	₱6,785,638,699	₱5,213,349,695

The interest expense on loans payable includes amortization of debt issue costs amounting to ₱388.30 million and ₱371.50 million in 2024 and 2023, respectively.

12. Accounts Payable and Other Liabilities

This account consists of:

	2024	2023
Accounts payable (Note 20)	₱2,684,170,895	₱1,819,712,578
Accrued interest payable (Note 20)	992,571,270	713,014,179
Accrued expenses	797,936,165	872,871,986
Retirement liability (Note 17)	88,830,445	82,519,417
Withholding tax payable	72,987,622	58,397,990
Others	3,311,593	2,683,699
	₱4,639,807,990	₱3,549,199,849

Accounts payable includes trade payable to dealers which are non-interest-bearing. Payable to dealers pertain to proceeds for the purchase of the vehicle by the customer through financing.

Accrued expenses pertain to accruals of gross receipts tax (GRT) and fringe benefit tax, unbilled utilities, employees' compensated leaves and absences and BSP annual supervision fees.



Others consist of Social Security System, Medicare, employees' compensation premium and home development mutual fund payable.

13. Derivatives

The breakdown of derivative asset (liability) as of March 31, 2024 and 2023 follows:

	2024	2023
Derivative asset	₱1,961,305,601	₱1,976,750,691
Derivative liability	(538,362,959)	(542,583,875)
	₱1,422,942,642	₱1,434,166,816

The movements in fair value changes of the derivative asset (liability) follow:

	2024	2023
Beginning balance	₱1,434,166,816	₱260,761,969
Net movement in nominal amount	(256,885,000)	1,345,220,000
Net changes in fair value of derivatives	245,660,826	(171,815,153)
	₱1,422,942,642	₱1,434,166,816

Currency swap agreements with Mizuho Bank, Ltd. Manila Branch

The Company entered into a currency swap agreement with Mizuho Manila Branch to hedge foreign currency in the foreign currency availed from Mizuho Singapore branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
June 6, 2018	Tranche 6	1.32 billion	Pays fixed interest rate of 6%-7% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.50% from June 6, 2018-June 6, 2022.	2024: ₱- 2023: 34.50	2024: ₱- 2023: -
July 24, 2019	Tranche 7	1.28 billion	Pays fixed interest rate of 5%-6% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.70% from July 24, 2019-July 25, 2022.	2024: ₱- 2023: 4.18	2024: ₱- 2023: -
September 8, 2020	Tranche 8	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.80% from September 8, 2020-September 8, 2023.	2024: (₱161.11) 2023: 74.62	2024: ₱- 2023: 161.11
February 23, 2021	Tranche 9	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month USD ICE LIBOR from February 23, 2021-February 23, 2024.	2024: (₱113.26) 2023: 69.58	2024: ₱- 2023: 113.26
April 13, 2021	Tranche 10	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from April 13, 2021-April 15, 2024.	2024: ₱86.17 2023: 73.74	2024: ₱181.43 2023: 95.26



Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
July 26, 2022	Tranche 11	₱1.41 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from July 26, 2022-July 26, 2024.	2024: ₱65.69 2023: (79.71)	2024: (₱14.02) 2023: (79.71)

Currency swap agreements with BTMU Manila Branch

The Company entered into a currency swap agreement with BTMU Manila Branch to hedge foreign currency in the foreign currency availed from BTMU Japan branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
July 27, 2020	Series 7	1.24 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus .040% from July 27, 2020-July 23, 2023.	2024: (₱137.66) 2023: 79.83	2024: ₱- 2023: 137.66
March 9, 2021	Series 8	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from March 9, 2021-March 7, 2025.	2024: ₱74.16 2023: 60.33	2024: ₱150.05 2023: 75.89
June 15, 2021	Series 9	1.19 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from June 15, 2021-June 14, 2024.	2024: ₱77.39 2023: 58.61	2024: ₱206.16 2023: 128.77
November 18, 2021	Series 10	1.25 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from November 18, 2021-November 18, 2024.	2024: ₱72.81 2023: 57.49	2024: ₱128.26 2023: 55.45
January 19, 2022	Series 11	1.28 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from January 19, 2022-January 19, 2024.	2024: (₱49.83) 2023: 66.77	2024: ₱- 2023: 49.83
March 22, 2022	Series 12	1.05 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from March 22, 2022-March 22, 2024.	2024: (₱18.44) 2023: 51.16	2024: ₱- 2023: 18.44
March 14, 2023	Series 13	₱1.05 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from March 14, 2023-March 13, 2026.	2024: ₱3.42 2023: 25.42	2024: ₱28.84 2023: 25.42



Currency swap agreements with The Hongkong and Shanghai Banking Corporation (HSBC) Manila Branch

The Company entered into a currency swap agreement with HSBC Manila Branch to hedge foreign currency in the foreign currency availed from RBL Nagoya Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
July 19, 2018	Tranche 1	₱1.33 billion	Pays fixed interest rate of 6%-7% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.65% from July 19, 2018-July 19, 2022.	2024: ₱- 2023: 62.70	2024: ₱- 2023:-

Currency swap agreements with Australia and New Zealand Banking Group Limited (ANZ) Manila Branch

The Company entered into a currency swap agreement with ANZ Manila Branch to hedge foreign currency in the foreign currency availed from TNB Singapore Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
August 28, 2018	Tranche 1	₱1.33 billion	Pays fixed interest rate of 6%-7% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.80% from August 28, 2018-August 30, 2022.	2024: ₱- 2023: 57.56	2024: ₱- 2023:-
June 19, 2019	Tranche 4	1.30 billion	Pays fixed interest rate of 5%-6% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from June 19, 2019-June 19, 2023.	2024: (₱54.72) 2023: 73.95	2024: ₱- 2023: 54.72
October 21, 2020	Tranche 5	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from October 21, 2020-October 21, 2024.	2024: ₱69.83 2023: 53.82	2024: 169.78 2023: 99.95
October 26, 2020	Tranche 6	1.22 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from October 26, 2020-October 26, 2023.	2024: (₱124.49) 2023: 67.71	2024: ₱- 2023: 124.49
April 21, 2021	Tranche 7	₱1.21 billion	Pays fixed interest rate of 5%-6% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from April 21, 2021-April 21, 2025.	2024: ₱68.29 2023: 56.98	2024: ₱148.808 2023: ₱80.52



Currency swap agreements with SMBC Manila Branch

The Company entered into a currency swap agreement with SMBC Manila Branch to hedge foreign currency in the foreign currency availed from SMBC Japan Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
September 17, 2020	Series 2	1.21 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 6-month USD ICE LIBOR from September 17, 2020-September 19, 2023.	2024: (P129.05) 2023: 75.44	2024: P- 2023: 129.05
November 20, 2020	Series 3	1.21 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 6-month USD ICE LIBOR from November 20, 2020-November 20, 2024.	2024: P72.78 2023: 55.65	2024: P164.68 2023: 91.90
September 15, 2021	Series 4	1.25 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from September 15, 2021 to September 15, 2026.	2024: P29.45 2023: 30.63	2023: P79.75 2023: 50.29
February 7, 2022	Series 5	1.28 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from February 7, 2022-February 7, 2025.	2024: P68.87 2023: 55.94	2024: P93.59 2023: 24.72
September 16, 2022	Series 6	1.43 billion	Pays fixed interest rate of 5%-6% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from September 22, 2022-September 22, 2025.	2024: P45.49 2023: (103.90)	2024: (P58.41) 2023: (103.90)
November 28, 2022	Series 7	P1.43 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from November 28, 2022-November 27, 2026.	2024: P23.01 2023: (124.32)	2024: (P101.31) 2023: (P124.32)
February 15, 2024	Series 8	P1.40 billion	Pays fixed interest rate of 5%-6% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from February 15, 2024-February 12, 2027.	2024: (P20.59) 2023: -	2024: (P20.59) 2023: -
March 25, 2024	Series 9	P1.39 billion	Pays fixed interest rate of 5%-6% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from March 15, 2024-March 24, 2027.	2024: (P7.86) 2023: -	2024: (P7.86) 2023: -

Currency swap agreement with Standard Chartered Bank (SCB) Manila Branch

The Company entered into a currency swap agreement with SCB Manila Branch to hedge foreign currency in the foreign currency availed from TSB Singapore Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
October 24, 2019	Tranche 1	P1.28 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from October 24, 2019-October 24, 2022.	2024: P- 2023: (8.6)	2024: P- 2023: -



Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
January 21, 2021	Tranche 2	1.39 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from January 21, 2021-January 21, 2025.	2024: (P142.23) 2023: (46.93)	2024: (250.10) 2023: (107.87)
February 21, 2023	Tranche 3	P1.38 billion	Pays fixed interest rate of 6%-7% p.a. and receives floating interest rate at 6-month Modified Following Business Day Convention from February 21, 2023 to February 21, 2025.	2024: P39.31 2023: (12.64)	2024: P26.67 2023: (12.64)

Currency swap agreement with Citibank, N.A. Manila Branch

The Company entered into a currency swap agreement with Citibank Manila Branch to hedge foreign currency in the foreign currency availed from Toyota Motor Finance Netherland and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
June 10, 2020	Tranche 1	P1.25 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 1.37% from June 10, 2020-June 13, 2023.	2024: (P119.10) 2023: 62.13	2024: P- 2023: P119.10
January 26, 2021	Tranche 2	1.20 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from January 26, 2021-January 26, 2024.	2024: (P129.51) 2023: 63.62	2024: P- 2023: 129.51
November 24, 2021	Tranche 3	1.27 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from November 24, 2021-November 24, 2025.	2024: P50.66 2023: 48.83	2024: P75.59 2023: 24.93
December 15, 2021	Tranche 4	1.26 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from December 15, 2021-December 13, 2024.	2024: P87.41 2023: (37.34)	2024: P123.19 2023: 35.78
November 17, 2022	Tranche 5	1.44 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from November 17, 2022 to May 18, 2026.	2024: P28.96 2023: (108.19)	2024: (P79.23) 2023: (108.19)

The Company entered into a currency swap agreement with MUFG Manila Branch to hedge foreign currency in the foreign currency availed from Japan Bank for International Cooperation and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
July 13, 2021	Tranche 1	P3.75 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from July 13, 2021-May 12, 2025.	2024: P179.27 2023: 147.91	2024: P329.96 2023: 150.69



Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
January 25, 2022	Tranche 2	1.54 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 6-month Modified Following Business Day Convention January 25, 2022 to December 8, 2025.	2024: 60.51 2023: 51.64	2024: ₱54.56 2023: (5.95)

The Company entered into a currency swap agreement with HSBC Manila Branch to hedge foreign currency in the foreign currency availed from Sumitomo Mitsui Trust Bank, Limited and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
September 23, 2023	Tranche 1	₱1.42 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from September 26, 2023-September 28, 2026.	2024: (₱6.85) 2023: -	2024: (₱6.85) 2023: -

The cross-currency interest rate swaps are initially recognized at a fair value of zero (0) at inception date since the cash flow hedge was designated for hedge accounting. Such derivative financial instruments are subsequently remeasured at fair value.

The credit risk standing of the Company and the counterparty-banks are both good, and at reporting date, there are no known or significant events or circumstances that would adversely affect the credit risk standings of both counter parties. The terms of the hypothetical derivative match the critical terms of the hedged item.

The Company identified the possible sources of ineffectiveness:

- the timing of the interest payments wherein actual interest payments for the underlying loan and the swap; and
- the maturity date of the underlying loan does not coincide with the maturity date of the cross-currency interest rate swaps or non-renewal of the cross-currency interest rate swaps.

The Company does neither foresee nor intend to change the timing of the interest payments. Also, non-renewal of cross-currency interest rate swaps shall only transpire if and only if the market conditions on renewal date becomes favorable to the Company. There were no other sources of ineffectiveness in these hedge relationships as of March 31, 2024 and 2023.

An economic relationship exists between the hedged items and hedging instrument as the critical terms of the loan and the derivative match.

Hedge effectiveness is assessed at inception of the hedge, at each reporting date, and upon a significant change in the circumstances affecting the hedge effectiveness. At reporting date, hedge ratio is calculated for the hedging instrument. As of the inception and reporting date, the hedge ratio is 1:1 or 100.00.



As of March 31, 2024 and 2023, the Company has the following instruments with maturities of 1 to 5 years to hedge exposures to changes in interest rates and foreign exchange currency rates:

	2024	2023
Cross-currency interest rate swaps		
Nominal amount	₱32,928,625,000	₱40,888,250,000
Average foreign exchange rate	50.08	49.36
Average fixed interest rate	4.99%	4.63%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness as of and for the years ended March 31, 2024 and 2023 were as follows:

Cross-currency interest rate swaps	Nominal amount	Carrying amount	Changes in fair values	Changes in the value of the hedging instrument recognized in OCI	Hedge ineffectiveness recognized in statement of income	Amount reclassified from the 'Cash flow hedge reserve' to statement of income
2024	₱32,928,625,000	₱1,422,942,642	₱245,660,826	(₱245,660,826)	₱-	₱-
2023	₱40,888,250,000	₱1,434,166,816	(₱171,815,153)	₱171,815,153	₱-	₱-

The Company's financial instruments designated as hedged items in cash flow hedge relationships follow:

	2024	2023
Floating/fixed rate dollar-denominated notes		
Change in value used for calculating hedge ineffectiveness	(₱245,660,826)	₱171,815,153
Cash flow hedge reserve	(591,549,268)	(775,794,888)

The movements in cash flow hedge reserve follow:

	2024	2023
Beginning balance	(₱1,034,393,184)	(₱862,578,031)
Net unrealized gain (loss) on cash flow hedges	245,660,826	(171,815,153)
Ending balance (gross of tax)	(788,732,358)	(1,034,393,184)
Deferred tax	197,183,090	258,598,296
Ending balance (net of tax)	(₱591,549,268)	(₱775,794,888)

14. Deposits on Lease Contracts

Deposits on lease contracts consist of deposits from lessees and customers of finance lease receivables to serve as security for the prompt and faithful performance of the terms and conditions of the contracts. Such deposits are applied as lease payments at the end of the lease term subject to terms and conditions of the contract. This account also consists of guaranteed deposits from lessees of the Company's vehicles which are collected upfront and to be refunded by the latter upon the end of lease term or forfeited upon pre-termination and refundable bid bond deposit which are collected from regular bidders of repossessed units and to be refunded if the bidder will no longer participate in Company's bidding.



The maturity information of deposits on lease contracts follow:

	2024	2023
Within 1 year	₱3,023,260	₱816,800
Beyond 1 year but not beyond 5 years	50,887,660	23,386,986
	₱53,910,920	₱24,203,786

The maturity information of refundable bid bond deposits follow:

	2024	2023
Within 1 year	₱-	₱-
Beyond 1 year but not beyond 5 years	19,800,000	12,800,000
	₱19,800,000	₱12,800,000

15. Maturity Analysis of Assets and Liabilities

The following tables present the assets and liabilities as of March 31, 2024 and 2023 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2024			2023		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Assets						
Cash on hand and in banks	₱2,304,529,949	₱-	₱2,304,529,949	₱1,507,557,299	₱-	₱1,507,557,299
Due from BSP	5,777,954,719	-	5,777,954,719	5,187,676,595	-	5,187,676,595
SPURA	-	-	-	1,034,162,082	-	1,034,162,082
Loans and receivables						
Receivables from customers						
Receivables financed	6,570,640,785	10,128,686,851	16,699,327,636	5,150,232,410	8,301,386,261	13,451,618,671
Finance lease receivables	52,316,736,555	100,398,861,222	152,715,597,777	43,844,456,938	90,780,202,510	134,624,659,448
Other receivables						
Receivables from clients	153,698,355	-	153,698,355	132,368,459	-	132,368,459
Receivables from employees	10,997,598	19,939,909	30,937,507	7,560,889	16,259,027	23,819,916
Accrued interest receivable	2,656,667	-	2,656,667	1,173,283	-	1,173,283
Others	1,188,863	-	1,188,863	349,478	-	349,478
Derivative asset	-	1,961,305,601	1,961,305,601	-	1,976,750,691	1,976,750,691
Other assets						
Security deposits	-	32,102,484	32,102,484	-	26,994,080	26,994,080
	67,138,403,491	112,540,896,067	179,679,299,558	56,865,537,433	101,101,592,569	157,967,130,002
Nonfinancial Assets						
Assets held for sale	₱695,958,492	₱-	₱695,958,492	₱385,759,090	₱-	₱385,759,090
Property and equipment	-	1,815,707,266	1,815,707,266	-	1,208,183,805	1,208,183,805
Software costs	-	894,150,606	894,150,606	-	635,035,332	635,035,332
Deferred tax assets	-	646,636,071	646,636,071	-	794,909,198	794,909,198
Other assets						
Prepaid expenses	94,772,691	-	94,772,691	92,472,834	-	92,472,834
Creditable withholding taxes	2,853,485	-	2,853,485	1,971,397	-	1,971,397
	793,584,668	3,356,493,943	4,150,078,611	480,203,321	2,638,128,335	3,118,331,656
Less: Unearned finance and lease income	12,095,954,221	15,431,764,858	27,527,719,079	10,548,482,427	12,813,727,484	23,362,209,911
Allowance for credit and impairment losses	212,162,209	1,832,177,594	2,044,339,803	153,522,803	1,932,711,466	2,086,234,269
Accumulated depreciation and amortization	-	833,782,195	833,782,195	-	746,501,842	746,501,842
	₱55,623,871,729	₱97,799,665,363	₱153,423,537,092	₱46,643,735,524	₱88,246,780,112	₱134,890,515,636



	2024			2023		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Liabilities						
Loans payable						
Bank loans	₱17,026,843,867	₱59,190,260,726	₱76,217,104,593	₱13,929,833,045	₱40,437,537,705	₱54,367,370,750
Fixed rate notes	3,626,000,000	6,298,576,534	9,924,576,534	7,500,000,000	2,467,524,446	9,967,524,446
Notes payable	8,774,130,842	176,108,654	8,950,239,496	7,009,439,408	241,723,654	7,251,163,062
Bonds payable from BTMU Japan	4,204,939,388	1,394,301,176	5,599,240,564	5,436,000,000	3,739,524,410	9,175,524,410
Bank loan from Mizuho Singapore	2,810,091,853	—	2,810,091,853	2,718,000,000	2,703,185,182	5,421,185,182
Bank loan from TNB Singapore	2,808,619,703	—	2,808,619,703	2,718,000,000	2,708,139,071	5,426,139,071
Bank loan from JBIC	—	5,896,051,421	5,896,051,421	—	5,686,599,230	5,686,599,230
Bank loan from TMFNL	1,406,000,000	2,798,659,822	4,204,659,822	2,718,000,000	4,051,806,557	6,769,806,557
Bonds payable from SMBC Japan	2,812,000,000	6,817,151,730	9,629,151,730	1,359,000,000	6,592,867,674	7,951,867,674
Bank loan from TSB Hongkong	1,401,182,980	—	1,401,182,980	1,349,075,018	1,222,879,137	2,571,954,155
Bank loan from Shizuoka	1,112,855,605	—	1,112,855,605	—	—	—
Bank loan from SMTB	—	1,397,263,858	1,397,263,858	—	—	—
	45,982,664,238	83,968,373,921	129,951,038,159	44,737,347,471	69,851,787,066	114,589,134,537
Derivative liability	—	538,362,959	538,362,959	—	542,583,875	542,583,875
Accounts payable and other liabilities						
Accounts payable	2,684,170,895	—	2,684,170,895	1,819,712,578	—	1,819,712,578
Accrued interest payable	332,526,095	660,045,175	992,571,270	219,072,804	493,941,375	713,014,179
Accrued expenses	554,168,994	—	554,168,994	651,776,583	—	651,776,583
Deposits on lease contracts	690,600	73,020,320	73,710,920	816,800.00	36,186,986	37,003,786
Lease liability	54,805,263	99,799,992	154,605,255	31,664,880	46,161,979	77,826,859
	49,609,026,085	85,339,602,367	134,948,628,452	47,460,391,116	70,970,661,281	118,431,052,397
Nonfinancial Liabilities						
Income tax payable	66,496,531	—	66,496,531	127,868,863	—	127,868,863
Accounts payable and other liabilities						
Accrued expenses	243,767,171	—	243,767,171	221,095,403	—	221,095,403
Withholding tax payable	72,987,622	—	72,987,622	58,397,990	—	58,397,990
Retirement liability	—	88,830,445	88,830,445	—	82,519,417	82,519,417
Others	3,311,593	—	3,311,593	2,683,699	—	2,683,699
	386,562,917	88,830,445	475,393,362	410,045,955	82,519,417	492,565,372
	₱49,995,589,002	₱85,428,432,812	₱135,424,021,814	₱47,870,437,071	₱71,053,180,698	₱118,923,617,769

16. Service Fees and Other Income

This account consists of:

	2024	2023
Service and other fees	₱308,184,627	₱44,442,515
Operating lease revenues	178,655,552	57,886,727
Recoveries from accounts written off	172,739,062	182,845,115
Gain (loss) on disposal of assets held for sale	(51,380,646)	8,800,928
Gain on disposal of property and equipment (Note 8)	67,943	2,378,995
	₱608,266,538	₱296,354,280

Service and other fees include income from late payments and service charges. Late payment charges are those imposed on customers upon default of their amortization payments. Service charges are collected from processing and registration fees.

This account also includes gain (loss) on disposal of assets held for sale amounted to (₱51.38 million) and ₱8.80 million in 2024 and 2023, respectively.



17. Retirement Plan

The Company has a funded, noncontributory benefit retirement plan covering all its employees with regular employment status. Changes in net retirement liability in 2024 are as follows:

	April 1, 2023	Net benefit cost in statement of comprehensive income				Benefits paid	Remeasurements in other comprehensive income		Subtotal	March 31, 2024
		Current service cost*	Net interest*	Contributions	Subtotal		Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in financial assumptions		
Present value of defined benefit obligation	₱153,716,209	₱17,832,345	₱9,868,581	₱-	₱27,700,926	(₱14,946,687)	₱-	₱10,585,911	₱10,585,911	₱177,056,359
Fair value of plan assets	(71,196,792)	-	(4,733,045)	(20,000,000)	(24,733,045)	14,946,687	(7,242,764)	-	(7,242,764)	(88,225,914)
Net defined benefit liability (Note 12)	₱82,519,417	₱17,832,345	₱5,135,536	(₱20,000,000)	₱2,967,881	₱-	(₱7,242,764)	₱10,585,911	₱3,343,147	₱88,830,445

*Current service cost and net interest are included in 'Compensation and fringe benefits'

Changes in net retirement asset in 2023 are as follows:

	April 1, 2022	Net benefit cost in statement of comprehensive income				Benefits paid	Remeasurements in other comprehensive income		Subtotal	March 31, 2023
		Current service cost*	Net interest*	Contributions	Subtotal		Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in financial assumptions		
Present value of defined benefit obligation	₱139,314,587	₱17,171,767	₱7,801,617	₱-	₱24,973,384	(₱19,213,892)	₱-	₱8,642,130	₱8,642,130	₱153,716,209
Fair value of plan assets	(78,127,943)	-	(4,117,176)	(10,000,000)	(14,117,176)	19,213,892	1,834,435	-	1,834,435	(71,196,792)
Net defined benefit liability (Note 12)	₱61,186,644	₱17,171,767	₱3,684,441	(₱10,000,000)	₱10,856,208	₱-	₱1,834,435	₱8,642,130	₱10,476,565	₱82,519,417

*Current service cost and net interest are included in 'Compensation and fringe benefits'



Under the plan, all covered officers and employees are entitled to a retirement benefit equal to 200.00% of gross monthly salary for every credited service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2024	2023
Cash in banks	₱378,112	₱451,785
Financial assets at FVTPL		
Government securities	66,590,070	68,278,692
Unitized investment trust funds	20,366,959	1,511,600
	87,335,141	70,242,077
Accrued interest receivable	991,262	1,031,266
Other receivables	14,149	2,852
Total assets	88,340,552	71,276,195
Accounts payable	(18,314)	(15,164)
Accrued expenses	(96,324)	(64,239)
Fair value of plan assets	₱88,225,914	₱71,196,792

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

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

	2024	2023
Discount rates	6.24%	6.42%
Future salary increases	6.00%	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	2024		2023	
	Percentage	Amount	Percentage	Amount
Discount rates	+100 bps	(₱9,141,596)	+100 bps	(₱7,825,026)
	-100 bps	10,159,706	-100 bps	8,695,537
Future salary increases	+100 bps	10,083,595	+100 bps	8,645,812
	-100 bps	(9,244,049)	-100 bps	(7,925,445)

The Company's retirement plan is administered by Metrobank Metropolitan Bank & Trust Company (MBTC) Trust Banking Group (the Retirement Plan Trustee). The Retirement Plan Trustee is responsible for matching the plan assets and the plan liabilities as well as the general administration of the retirement plan and management of the retirement fund, and the ultimate control, disposition, or management of the money received or contributed.



The Company expects to contribute ₱20.00 million to the defined pension plan in 2024.

The Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Company's discretion. However, in the event a benefit claim arises, and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable by the Company to the retirement fund.

The average duration of the defined benefit obligation at the end of the reporting period is 5.5 years and 5.4 years in 2024 and 2023, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2024	2023
Within 1 year	₱33,304,835	₱39,183,381
More than 1 year to 5 years	117,331,258	82,218,643
More than 5 years	131,362,164	129,788,600

18. Income Taxes

Provision for income tax consists of:

	2024	2023
Current		
Regular	₱553,465,808	₱553,880,429
Final	36,201,823	31,539,953
	589,667,631	585,420,382
Deferred	89,177,040	29,852,169
	₱678,844,671	₱615,272,551

The components of net deferred tax assets follow:

	2024	2023
Deferred tax assets:		
Allowance for credit and impairment losses	₱511,084,951	₱521,558,567
Cash flow hedge reserve loss	197,183,090	258,598,296
Lease liabilities	38,651,314	19,456,715
Retirement liability	22,207,611	20,629,854
Accrued expenses	8,284,434	7,618,210
Modification loss on loans and receivables	4,461,159	16,742,775
Unamortized past service cost	1,072,350	668,146
Transportation equipment - depreciation	442,409	239,865
Unrealized foreign exchange loss	120,284	—
	783,507,602	845,512,428
Deferred tax liabilities:		
Unamortized debt issue cost	88,512,195	21,800,012
Right-of-use assets	48,226,276	28,803,218
Unrealized foreign exchange gain	133,060	—
	136,871,531	50,603,230
	₱646,636,071	₱794,909,198



In 2024, provision (benefit) for deferred income tax charged directly to cash flow hedge reserve and actuarial loss on retirement amounted to ₱61.42 million and (₱2.32 million), respectively. In 2023, provision (benefit) for deferred income tax charged directly to cash flow hedge reserve and actuarial loss on retirement amounted to (₱42.95 million) and ₱1.96 million, respectively.

Under current tax regulations, the maximum amount of entertainment, amusement and recreation (EAR) expenses allowable as deduction from gross income for purposes of income tax computation shall not exceed 1.00% of the gross revenue of the Company. EAR expenses incurred in 2024 and 2023 amounted to ₱3.05 million and ₱1.79 million, respectively.

The reconciliation of provision for income tax computed at the statutory corporate income tax rate to provision for income tax shown in the statements of comprehensive income follows:

	2024	2023
Statutory income tax rate	₱632,060,123	₱601,868,441
Adjustments for:		
Nondeductible expenses and others	64,885,459	29,174,087
Interest income subjected to final tax	(18,100,911)	(15,769,977)
	₱678,844,671	₱615,272,551

Relevant Tax Regulations

On June 20, 2023, the BIR issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the MCIT rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises (CREATE)” Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021. Consequently, the Company recognized MCIT using the effective rate of 1.75% for the taxable year ended March 31, 2024 in accordance with RMC 69-2023.

19. Lease Commitments

Company as a Lessee

The Company leases the premises occupied by its office space, business centers and warehouse for periods ranging from 2 to 5 years renewable under certain terms and conditions. The lease contracts include annual rent escalations from 5% to 10%.

As of March 31, 2024 and 2023, the carrying amount of lease liabilities are as follows:

	2024	2023
Balance at the beginning of the year	₱77,826,859	₱74,702,414
Additions	172,797,916	97,586,798
Accretion of interest	6,826,378	4,727,362
Payments	(102,845,898)	(99,189,715)
	₱154,605,255	₱77,826,859



The following are the amounts recognized in statements of income:

	2024	2023
Depreciation expense of right-of-use assets included in property and equipment (Note 8)	₱99,955,954	₱76,871,796
Interest expense on lease liabilities	6,826,378	4,727,362
Rent expense related to short-term leases	44,519,713	45,241,552
	₱151,302,045	₱126,840,710

The maturity analysis of lease liabilities is disclosed in Note 23, *Financial Risk Management Objectives and Policies*.

Future minimum rentals payable under non-cancelable operating leases are as follows:

	2024	2023
Within one year	₱84,698,405	₱38,279,566
After one year but not more than five years	97,217,357	52,156,800
	₱181,915,762	₱90,436,366

Company as Lessor

The Company has also entered into leases of vehicles under FSL and KINTO. These non-cancelable leases have remaining lease term ranging from 1 to 5 years. As of March 31, 2024 and 2023, there is no contingent rental income. Rental income of the Company related to these property leases amounting to ₱178.66 million and ₱57.65 million in 2024 and 2023, respectively is presented under the 'Service fees and other income' in the statements of income.

Future minimum rentals receivable under non-cancelable operating leases are as follows:

	2024	2023
Within one year	₱307,812,873	₱140,924,460
After one year but not more than five years	602,135,930	296,694,864
	₱909,948,803	₱437,619,324

20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence (referred to as affiliates).

In the normal course of business, the Company enters into transactions with its related parties principally consisting of advances and other borrowings. Under RA No. 8556, *Financing Company Act*, the Company's amount of credit accommodation to its directors, officers, stockholders and other related parties should not exceed 15.00% of its net worth. In 2024 and 2023, the Company has complied with this regulatory requirement.



The Company has several business relationships with related parties. The terms of the transactions with such parties are listed below on substantially the same terms, including interest and collaterals as those prevailing at the time for comparable transactions with other parties, and are usually settled in cash. These transactions also did not involve more than the nominal risk of collectability or present other unfavorable conditions.

The year-end account balances with respect to related parties included in the financial statements follow:

		2024	
Category	Net movement for the year	Outstanding Balance	Nature/Terms and Conditions
Stockholder			
TFSC (Ultimate Parent Company)			
Accounts payable	₱72,548	₱670,780	Amount payable to TFSC relating to billing for the support services being provided to the Company
Management and other professional fees	1,433,170	—	Expense incurred relating to billing for the support services provided by TFSC to the Company
Subsidiaries of the Stockholder			
TMFNL			
Loans payable	(2,577,000,000)	4,218,000,000	Loan availment with interest ranging from 4.59% to 6.78%
Interest expense	164,189,945	—	Interest expense on Foreign Loans
Accrued interest payable	8,327,005	19,956,212	Accrued interest payable to TMFNL USD
MBTC			
Cash in bank	257,524,484	500,649,876	Demand deposit account with annual interest of 0.125%
Interest income	(180)	—	Interest earned from the deposit account
Loans payable	3,150,000,000	10,750,000,000	Loan payments on loans availed with interest rates ranging from 3.70% to 6.78%.
Interest expense	434,864,520	—	Interest expense on bank loans
Accrued interest payable	30,161,876	69,130,301	Accrued Interest payable to MBTC
Philippine Savings Bank (PS Bank)			
Cash in bank	2,323,134	5,142,085	Demand deposit account with annual interest of 0.25%
Interest income	(7,454)	—	Interest earned from the deposit account
Federal Land, Inc.			
Accounts payable	(6,103,996)	804,038	Accrual for water, electricity and other maintenance fees.
Occupancy	59,491,973	—	Expenses incurred pertaining to office rent
Toyota Motor Philippines Corporation			
Vehicle (Lease rental asset)	4,069,294	88,696,030	Lease Rental Asset - Outstanding Balance
Computer Software Expense	589,120	—	Expense incurred pertaining to Computer Software and Maintenance (TAAP Fee)
FSL Repairs & Maintenance	1,792,710	—	Expenses incurred pertaining to FSL Vehicle Repair and Maintenance



2024			
Category	Net movement for the year	Outstanding Balance	Nature/Terms and Conditions
Philippine Axa Life Insurance Corporation			
Car Insurance	₱997,509	₱-	Expenses incurred pertaining to car insurance policy and group life insurance
Key Management Personnel			
Salaries and wages			
Salaries and other short-term benefits	91,664,451	-	Salaries and other short-term benefits for its key management personnel
Post-employment benefits	32,632,644	-	The post-employment benefits for its key management personnel
2023			
Category	Amount/Volume	Outstanding Balance	Nature/Terms and Conditions
Stockholder			
TFSC (Ultimate Parent Company)			
Accounts payable	₱52,894	₱598,232	Amount payable to TFSC relating to billing for the support services being provided to the Company
Management and other professional fees	1,261,126	-	Expense incurred relating to billing for the support services provided by TFSC to the Company
Subsidiaries of the Stockholder			
TMFNL			
Loans payable	1,621,000,000	6,795,000,000	Loan availment with interest ranging from 3.35% to 6.78%
Interest expense	163,636,653	-	Interest expense on Foreign Loans
Accrued interest payable	(7,929,654)	11,629,207	Accrued interest payable to TMFNL USD
MBTC			
Cash in bank	(141,999,112)	243,125,392	Demand deposit account with annual interest of 0.125%
Interest income	(92,396)	-	Interest earned from the deposit account
Interest income			Interest on investment in cash in bank
Loans payable	1,450,000,000	7,600,000,000	Loan payments on loans availed with interest rates ranging from 3.20% to 6.55%.
Interest expense	292,071,370	-	Interest expense on bank loans
Accrued interest payable	12,400,625	38,968,425	Accrued Interest payable to MBTC
Philippine Savings Bank (PS Bank)			
Cash in bank	247,736	2,818,951	Demand deposit account with annual interest of 0.25%
Interest income	(6,496)		Interest earned from the deposit account
Federal Land, Inc.			
Accounts payable	6,404,061	6,908,034	Accrual for office rental and maintenance fee
Occupancy	51,059,737	-	Expenses incurred pertaining to office rent



Category	2023		
	Amount/Volume	Outstanding Balance	Nature/Terms and Conditions
Toyota Motor Philippines Corporation			
Lease Rental Asset (Vehicle)	P–	P84,626,736	Lease Rental Asset - Outstanding Balance
Computer Software Expense	163,900	–	Expense incurred pertaining to Computer Software and Maintenance (TAAP Fee)
FSL Repairs & Maintenance	211,991	–	Expenses incurred pertaining to FSL Vehicle Repair and Maintenance
Charter Ping-An Insurance Corporation			
Car insurance	(7,549)	556	Expenses incurred pertaining to Company's vehicle insurance policy
Prepaid expense	(80,869)	17,201	Advance payment of car insurance
Key Management Personnel			
Salaries and wages			
Salaries and other short-term benefits	76,973,727	–	Salaries and other short-term benefits for its key management personnel
Post-employment benefits	12,881,013	–	The post-employment benefits for its key management personnel

Relationship with the following Toyota dealers is mainly purchase of Toyota vehicles on behalf of our borrowers.

- Toyota Abad Santos
- Toyota Manila Bay
- Toyota Cubao
- Toyota Dasmarias
- Toyota Marikina
- Toyota Makati
- Toyota Bicutan
- Toyota Sta. Rosa

Existing banking regulations limit the amount of individual loans to directors, officers, stockholders, and related interests (DOSRI), 70.00% of which must be secured, to the total of their respective deposits. Such limit does not apply to loans secured by assets considered as non-risk as defined in the regulations. In the aggregate, loans to DOSRI generally should not exceed the respective total regulatory capital or 15.00% of total loan portfolio, whichever is lower.

Under Section 131-Q, particularly item "o" of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), related parties shall cover the BSP Supervised Financial Institution's (BSFIs) subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the BSFI exerts direct/indirect control over or that exerts direct/indirect control over the BSFI; the BSFI's directors, officers, stockholders, and its related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the BSFI, hence, is identified as a related party.

The above definition shall also include direct or indirect linkages to a BSFI identified as follows:
 (1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;



- (2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
- (3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
- (4) Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

Section 131-Q, item “p”, further defined Related party transactions (RPTs) as transactions or dealings with related parties of the BSFI, including its trust department regardless of whether or not a price is charged. These shall include, but not limited, to the following:

- (1) On- and off-balance sheet credit exposures and claims and write-offs;
- (2) Investments and/or subscriptions for debt/equity issuances;
- (3) Consulting, professional, agency and other service arrangements/contracts;
- (4) Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
- (5) Construction arrangements/ contracts;
- (6) Lease arrangements/contracts;
- (7) Trading and derivative transactions;
- (8) Borrowings, commitments, fund transfers and guarantees;
- (9) Sale, purchase or supply of any goods or materials; and
- (10) Establishment of joint venture entities. RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

As of March 31, 2024 and 2023, the Company has no DOSRI accounts.

Transactions with Retirement Plan

Under PFRS, certain post-employment benefit plans are considered as related parties. The carrying value of the fund which approximates its fair value follows:

	2024	2023
Cash in banks	₱378,112	₱451,785
Investments in securities and UITFs	86,957,029	69,790,292
Accrued interest receivable	991,262	1,031,266
Other receivables	14,149	2,852
Accounts payable	(18,314)	(15,164)
Accrued expenses	(96,324)	(64,239)
	₱88,225,914	₱71,196,792

As of March 31, 2024 and 2023, the cash in banks of the Company’s retirement plan is with MBTC Trust Banking Group.

21. Fair Value Measurement

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

Cash on hand and in banks, Due from BSP and SPURA – Due to the short-term nature of the instruments, the fair values approximate the carrying amounts as of the reporting date.



Loans and receivables – Fair value was computed using the discounted cash flow method. The discount rate used was the Bloomberg Valuation (BVAL) rate plus 450 bps in 2024 and 350 bps 2023.

Derivative financial instruments – The fair values of cross-currency interest rate swap transactions are derived using market observable inputs, primarily foreign exchange rates and interest rate curves prevailing at the reporting date. In estimating the fair value, the Company uses the discounted cash flow model.

Loans payable – Fair value was computed using the discounted cash flow method. The discount rate used was the zero curve for BVAL rate plus 200 bps in 2024 and 2023.

Accounts payable and other liabilities – Due to the short-term nature of the transactions, the fair value approximates the carrying amount as of the reporting date.

Lease liabilities – Fair value of lease liabilities is measured using the BVAL rate as of the reporting date plus the spread which is the derived difference between the actual market rate and the BVAL rate.

The following tables summarize the carrying amount and fair values of the financial assets and liabilities, analyzed based on the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

		2024			
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value:					
Financial assets:					
Derivative asset	₱1,961,305,601	₱–	₱1,961,305,601	₱–	₱1,961,305,601
Financial liabilities:					
Derivative liability	538,362,959	–	538,362,959	–	538,362,959
Assets and liabilities for which fair value is disclosed:					
Financial assets:					
Loans and receivables					
Receivables financed - net	14,279,411,941	–	–	15,112,545,935	15,112,545,935
Finance lease receivables - net	127,607,794,393	–	–	138,188,292,234	138,188,292,234
Financial liabilities:					
Loans payable					
Bank loans	76,217,104,593	–	–	72,993,486,682	72,993,486,682
Fixed rate notes	9,924,576,534	–	–	9,342,886,494	9,342,886,494
Notes payable	8,950,239,496	–	–	8,309,569,042	8,309,569,042
Bonds payable from BTMU	5,599,240,564	–	–	4,703,967,966	4,703,967,966
Bonds payable from SMBC	9,629,151,730	–	–	9,346,864,969	9,346,864,969
Bank loan from TMFNL	4,204,659,822	–	–	3,866,368,810	3,866,368,810
Bank loan from JBIC	5,896,051,421	–	–	4,996,883,425	4,996,883,425
Bank loan from TNB	2,808,619,703	–	–	2,292,530,026	2,292,530,026
Bank loan from Mizuho	2,810,091,853	–	–	2,454,686,322	2,454,686,322
Bank loan from TSB	2,514,038,585	–	–	2,638,841,567	2,638,841,567
Bank loan from SMTB	1,397,263,858	–	–	1,495,453,271	1,495,453,271
Deposits on lease contracts	73,710,920	–	–	73,710,920	73,710,920
Lease liability	154,605,255	–	–	154,605,255	154,605,255



		2023			
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value:					
Financial assets:					
Derivative asset	₱1,976,750,691	₱—	₱1,976,750,691	₱—	₱1,976,750,691
Financial liabilities:					
Derivative liability	542,583,875	—	542,583,875	—	542,583,875
Assets and liabilities for which fair value is disclosed:					
Financial assets:					
Loans and receivables					
Receivables financed - net	11,578,802,446	—	—	12,312,895,140	12,312,895,140
Finance lease receivables - net	113,135,265,762	—	—	123,181,160,958	123,181,160,958
Financial liabilities:					
Loans payable					
Bank loans	54,367,370,750	—	—	53,103,858,634	53,103,858,634
Notes payable	7,251,163,062	—	—	6,956,992,254	6,956,992,254
Bank loan from Mizuho	5,421,185,182	—	—	4,831,434,819	4,831,434,819
Fixed rate notes	9,967,524,446	—	—	9,783,807,442	9,783,807,442
Bonds payable from BTMU	9,175,524,410	—	—	7,843,444,233	7,843,444,233
Bank loan from TNB	5,426,139,071	—	—	4,717,958,059	4,717,958,059
Bonds payable from SMBC	7,951,867,674	—	—	7,684,468,828	7,684,468,828
Bank loan from TSB	2,571,954,155	—	—	2,716,957,142	2,716,957,142
Bank loan from TMFNL	6,769,806,557	—	—	6,391,880,943	6,391,880,943
Bank loan from JBIC	5,686,599,230	—	—	5,059,916,928	5,059,916,928
Deposits on lease contracts	37,003,786	—	—	37,003,786	37,003,786
Lease liability	77,826,859	—	—	77,826,859	77,826,859

As of March 31, 2024 and 2023, no transfers were made among the three levels in fair value hierarchy.

22. Capital Management and Financial Performance Ratios

Capital Stock

	Shares		Amount	
	2024	2023	2024	2023
Authorized				
Common stock – ₱100 par value	90,000,000	90,000,000	₱9,000,000,000	₱9,000,000,000
Common stock issued and outstanding				
Balance at beginning and end of year	87,000,000	87,000,000	8,700,000,000	8,700,000,000

Issuance of Stocks

On September 28, 2018, BSP approved the increase in authorized capital stock to ₱9.00 billion (90,000,000 shares with par value of ₱100.00). Consequently, the Company filed the application with the SEC on December 11, 2018 and was approved on January 25, 2019. 18,000,000 shares were issued at par on February 4, 2019.

On December 23, 2021, TFSC and GT Capital infused additional capital amounting to ₱1.20 billion and ₱800.0 million, respectively. Total capital infusion amounted to ₱2.00 billion (20,000,000 shares with par value of ₱100.00) recognized as capital stock under equity. Share issuance cost amounted to ₱20.00 million.



Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended March 31, 2024 and 2023.

The Company considers the following as capital:

	2024	2023
Capital stock	₱8,700,000,000	₱8,700,000,000
Retained earnings	9,920,007,468	8,070,611,649
	₱18,620,007,468	₱16,770,611,649

The Company monitors capital using debt-to-equity ratio. The Company targets a debt-to-equity ratio not exceeding 10.00:1. Based on the above capital consideration, the Company's debt-to equity ratio is 7.52:1 and 7.45:1 as of March 31, 2024 and 2023, respectively.

Under the Financing Company Act, the Company is mandated to maintain the following capital requirements:

- Minimum paid-up capital of ₱10.00 million; and
- Additional capital requirements of ₱1.00 million for each branch established in Metro Manila, ₱0.50 million for branches established in other classes of cities and ₱0.20 million for branches established in municipalities.

As of March 31, 2024 and 2023, the Company was in compliance with this minimum paid-up capital.

Retained Earnings

Under the Revised Corporation Code of the Philippines (the Code), a stock corporation is prohibited from retaining surplus profits in excess of 100.00% of its paid-in capital stock, except when:

- a. Justified by definite corporate expansion projects or programs approved by the board of directors;
- b. The corporation is prohibited under any loan agreement with any financial institution or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or
- c. It can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

As of March 31, 2024 and 2023, the Company's retained earnings does not exceed its paid-in capital stock.

Appropriation of retained earnings

Under the existing regulations of the BSP, in cases when the computed allowance for credit losses on Stage 1 accounts is less than the required 1% general loan loss provision, the deficiency shall be recognized as appropriation of retained earnings. General provision recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in retained earnings shall be considered as Tier 2 capital subject to limit provided under the Capital Adequacy Ratio framework.



As of March 31, 2024, total appropriated retained earnings that complies with the above BSP requirement amounted to ₱921.47 million.

23. Financial Risk Management Objectives and Policies

The Company's principal financial instruments are composed of cash in banks, due from BSP, SPURA, loans and receivables, derivative asset, loans payable, derivative liability, lease liabilities, accounts payable and accrued expenses. These financial instruments are used in operations. Financial instruments used in financing are bank loans, subordinated debt and notes payable. The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk.

Risk Management Framework

The Company serves customers of Toyota vehicles through financing and leasing services. Enterprise Risk Management (ERM) enables the Company to achieve corporate objectives while operating within the boundary of its risk appetite through a well-defined and established risk management framework.

The BOD oversees the Company's overall risk management strategy through the various committees created as follows:

a. Executive Committee

The Executive Committee establishes and oversees execution of business strategies and has the accountability to identify and manage the embedded financial and operational risks.

b. Risk Oversight Committee

The Risk Oversight Committee provides independent views from the business units and ensures effective implementation of risk management framework through regular reviews of the Company's performance against approved tolerance for each risk indicator. The committee also monitors key and emerging risks as well as reviews and assesses the impact of business strategies, opportunities and initiatives on overall risk position.

c. Audit Committee

The Audit Committee through the Internal Audit Department provides independent assurance of robustness of processes and methodologies against practice.

Risk Management Structure

The Company's organizational structure includes the Risk Management Department (RMD), responsible for developing, recommending and implementing policies and strategies of ERM. It is also in charge of periodically monitoring and reporting to management, regional TFSC Risk Management Group and the BOD through the Risk Oversight Committee, the state of the company-wide risk position and effectiveness of the ERM framework.

Risk Management Strategy

The Executive Committee establishes and oversees execution of business strategies and has the accountability to identify and manage the embedded risks. Business strategies and business plans are thus aligned with the risk appetite approved by the Risk Oversight Committee and BOD, defined in the form of risk tolerances for a set of selected key risk indicators. These plans are executed by management and are reviewed by the President. Quarterly performances and risks are reviewed together with the appropriate Board Committees.



Risk Monitoring and Reporting

All material events that may negatively impact the Company's earnings, corporate value and reputation are identified and assessed for frequency, severity and causation. Both top down and bottom up risk assessment methodologies are done through the deployed processes and practical standards.

RMD oversees a formal process to monitor and report enterprise-wide risk exposures. These are discussed with business units and management. On a quarterly and on as needed basis, RMD and BOD Risk Oversight Committee review risk reports for significant trends.

Risk Control and Mitigation

As part of its market risk mitigation activities, the Company uses derivatives to manage exposures resulting from changes in foreign currencies and appropriate hedging activities to manage its interest rate exposures. Credit risks are reduced through the use of chattel mortgages and insurance protection. Concentration risks are managed by setting exposure limits. Concentration reports are provided to management on a monthly basis and to various related committees on a quarterly basis. Limits approved by the Risk Oversight Committee and the BOD, undergo at least an annual review or as needed.

Operational risks are controlled and mitigated through the set-up of an appropriate organizational structure, supported by human resource allocation, staff training and education, combination of robust policies, procedures and standards, information technology and periodic performance measurement.

The Company's risk management policies are summarized below:

Credit Risk

Credit risk is the risk that the Company suffers losses when a counterparty to a credit transaction fails to meet its financial obligation.

The Company's Credit Committee manages the credit risk associated with counterparty borrowers and sets out objectives related to overall quality and diversification of the Company's portfolio.

The Credit Review Unit under the RMD provides an objective appraisal of the credit approved loans and applications for potential or identified loan problems. It also ensures that the credit policies and procedures are adequate to meet the demands of the business. Its function also involves the review of the Company's loan portfolio, including the development of a strategy to achieve its desired portfolio mix and risk profile based on a risk-adjusted return on capital. It also reviews and controls identified concentration of credit risks in order to manage the Company's sensitivity to developments affecting a particular industry or geographic location. It also manages the Company's credit risk rating systems which use a combination of quantitative and qualitative factors to assess the general credit worthiness and changes in credit quality of the prospective and existing borrowers, respectively.

Loan amounts that exceed the approval limit of the Credit Department head are brought up to the Credit Committee. Loan amounts that exceed the limit of Credit Committee are elevated to the Executive Committee and recommended to the BOD for approval.



All DOSRI loans are subject to approval of the BOD. All such loans are on commercial arm's length basis. BSP Circular No. 560 states that "the total outstanding loans, other credit accommodations and guarantees to each of the company's subsidiaries and affiliates shall not exceed 10.00% of the net worth".

The credit policy manual defines the evaluation process in order to provide an objective assessment of credit worthiness of counterparties. The credit policy manual undergoes a minimum of annual review.

Investment grade pertains to cash in banks, deposited or invested in BSP and other banks based on a mark-to-market value exposure to each counterparty. For receivables financed and finance lease receivables using the credit rating system, investment grade pertains to receivables predicted as low risk; non-investment grade pertains to receivables predicted as normal to high risk.

Maximum exposure to credit risk

The tables below provide the analysis of the maximum exposure to credit risk of the Company's loans and receivables, excluding those where the carrying values reflected in the statement of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancement.

2024				
	Gross Maximum Exposure*	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Receivables financed	₱14,279,411,941	₱23,425,844,765	₱219,699,049	₱14,059,712,892
Finance lease receivables	127,607,794,393	146,443,607,160	7,400,808,744	120,206,985,649
	₱141,887,206,334	₱169,869,451,925	₱7,620,507,793	₱134,266,698,541

*Before allowance for credit losses

2023				
	Gross Maximum Exposure*	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Receivables financed	₱11,578,802,446	₱18,932,612,850	₱115,485,848	₱11,463,316,598
Finance lease receivables	113,135,265,762	125,386,313,767	5,634,647,815	107,500,617,947
	₱124,714,068,208	₱144,318,926,617	₱5,750,133,663	₱118,963,934,545

*Before allowance for credit losses

The carrying values of the other financial assets represent the maximum exposure to credit risk as of March 31, 2024 and 2023.

Concentration of risks of financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.



Concentration by industry

An analysis of concentrations of credit risk for financial assets at the reporting date based on carrying amount is shown below:

2024						
	Loans and Receivables	Other Loans and Receivables	Residual Value	Loans and Advances to Banks*	Derivative Assets	Total
Community, social and personal activities	₱34,517,399,843	₱2,640,378	₱152,400	₱-	₱-	₱34,520,192,621
Wholesale and retail trade	24,414,940,073	128,284,335	210,800	-	-	24,543,435,208
Financial intermediaries	5,416,188,701	49,514,727	-	8,079,117,753	1,961,305,601	15,506,126,782
Transportation, storage and communication	11,814,951,241	1,338,101	-	-	-	11,816,289,342
Real estate, renting and business activities	10,969,134,307	1,165,996	-	-	-	10,970,300,303
Education	10,457,994,896	467,581	-	-	-	10,458,462,477
Manufacturing (various industries)	7,875,478,366	309,697	161,800	-	-	7,875,949,863
Hotels and restaurants	5,687,533,477	227,358	-	-	-	5,687,760,835
Construction	3,866,767,322	340,394	-	-	-	3,867,107,716
Agricultural, hunting and forestry	3,000,877,486	118,114	-	-	-	3,000,995,600
Electricity, gas and water	1,577,598,057	38,902	-	-	-	1,577,636,959
Mining and quarrying	485,087,119	15,005	-	-	-	485,102,124
Others	21,802,564,846	4,020,804	165,600	-	-	21,806,751,250
	141,886,515,734	188,481,392	690,600	8,079,117,753	1,961,305,601	152,116,111,080
Less: allowance for credit and impairment losses	1,921,357,350	218,498	-	235,102	-	1,921,810,950
	₱139,965,158,384	₱188,262,894	₱690,600	₱8,078,882,651	₱1,961,305,601	₱150,194,300,130

* Comprised of Cash in banks, Due from BSP and SPURA

** Comprised of Derivative assets

2023						
	Loans and Receivables	Other Loans and Receivables	Residual Value	Loans and Advances to Banks	Derivative Assets	Total
Community, social and personal activities	₱21,162,463,987	₱48,530,258	₱291,800	₱-	₱-	₱21,211,286,045
Wholesale and retail trade	20,996,768,418	26,012,887	210,800	-	-	21,022,992,105
Education	10,247,195,790	4,339,210	-	-	-	10,251,535,000
Transportation, storage and communication	9,330,945,566	9,457,149	-	-	-	9,340,402,715
Real estate, renting and business activities	9,006,939,164	11,374,471	152,400	-	-	9,018,466,035
Manufacturing (various industries)	6,205,840,081	5,693,296	161,800	-	-	6,211,695,177
Financial intermediaries	4,795,727,298	29,413,075	-	7,726,682,739	1,976,750,691	14,528,573,803
Hotels and restaurants	4,370,993,743	4,671,087	-	-	-	4,375,664,830
Agricultural, hunting and forestry	2,685,074,777	2,682,903	-	-	-	2,687,757,680
Construction	3,086,484,951	4,836,847	-	-	-	3,091,321,798
Electricity, gas and water	1,421,823,905	1,038,708	-	-	-	1,422,862,613
Mining and quarrying	358,244,230	167,634	-	-	-	358,411,864
Others	31,044,749,498	9,493,611	-	-	-	31,054,243,109
	124,713,251,408	157,711,136	816,800	7,726,682,739	1,976,750,691	134,575,212,774
Less: allowance for credit and impairment losses	2,011,796,986	218,498	-	235,102	-	2,012,250,586
	₱122,701,454,422	₱157,492,638	₱816,800	₱7,726,447,637	₱1,976,750,691	₱132,562,962,188

* Comprised of Cash in banks, Due from BSP and SPURA



Concentration by geographical location

The distribution of the Company's financial assets by geographical location as of March 31, 2024 and 2023 follows:

	2024					
	Loans and Receivables	Other Loans and Receivables	Residual Value	Loans and Advances to Banks*	Derivative Assets	Total
Metro Manila	₱38,847,564,404	₱97,385,030	₱165,600	₱8,079,117,753	₱-	₱47,024,232,787
Luzon (except Metro Manila)	74,350,853,241	65,324,838	525,000	-	-	74,416,703,079
Visayas	14,972,024,158	9,984,724	-	-	-	14,982,008,882
Mindanao	13,716,073,931	15,786,800	-	-	-	13,731,860,731
Foreign	-	-	-	-	1,961,305,601	1,961,305,601
	141,886,515,734	188,481,392	690,600	8,079,117,753	1,961,305,601	152,116,111,080
Less: Allowance for credit and impairment losses	1,921,357,350	218,498	-	235,102	-	1,921,810,950
	₱139,965,158,384	₱188,262,894	₱690,600	₱8,078,882,651	₱1,961,305,601	₱150,194,300,130

* Comprised of Cash in banks, Due from BSP and SPURA

** Comprised of Derivative assets

	2023					
	Loans and Receivables	Other Loans and Receivables	Residual Value	Loans and Advances to Banks*	Derivative Assets	Total
Metro Manila	₱30,404,900,709	₱65,968,317	₱165,600	₱7,726,682,739	₱-	₱38,197,717,365
Luzon (except Metro Manila)	69,222,283,702	70,135,793	651,200	-	-	69,293,070,695
Visayas	12,170,134,156	7,623,387	-	-	-	12,177,757,543
Mindanao	12,915,932,841	13,983,639	-	-	-	12,929,916,480
Foreign	-	-	-	-	1,976,750,691	1,976,750,691
	124,713,251,408	157,711,136	816,800	7,726,682,739	1,976,750,691	134,575,212,774
Less: Allowance for credit and impairment losses	2,011,796,986	218,498	-	235,102	-	2,012,250,586
	₱122,701,454,422	₱157,492,638	₱816,800	₱7,726,447,637	₱1,976,750,691	₱132,562,962,188

* Comprised of Cash in banks, Due from BSP and SPURA

** Comprised of Derivative assets and Financial assets at FVOCI

Credit quality

The credit quality of the financial assets was determined as follows:

- *Cash on hand and in banks, Due from BSP and SPURA* - Investment grade pertains to cash in banks, cash equivalents placed, deposited or invested in local banks from issuer with a credit rating of AAA, AA and A.
- *Receivables financed and finance lease receivables* - Using the credit rating system, investment grade pertains to receivables predicted as low risk; non-investment grade pertains to receivables predicted as normal to high risk; past due but not impaired pertains to receivables that are delinquent but are not subject to impairment; and past due and credit impaired pertains to receivables that are delinquent and non-performing. Allowance for credit and impairment losses is classified into investment and non-investment grade based on the credit rating system.
- *Other receivables* - Investment grade pertains to receivables predicted as low risk; non-investment grade pertains to receivables predicted as normal; past due but not impaired pertains to receivables predicted as medium risk; and past due and impaired are the receivable considered to be high risk and delinquent.



Credit quality per class of financial assets

The following tables provide information regarding the credit risk exposure of the Company by classifying financial assets according to the Company's credit ratings of the counterparties.

	2024			Total
	Stage 1	Stage 2	Stage 3	
Cash in banks				
Investment grade	₱2,301,163,034	₱—	₱—	₱2,301,163,034
Due from BSP				
Investment grade	5,777,954,719	—	—	5,777,954,719
Receivables financed - net*				
Investment grade	13,663,023,224	26,267,623	—	13,689,290,847
Non-investment grade	275,054,412	72,716,449	—	347,770,861
Past due but not impaired	—	111,089,781	—	111,089,781
Past due and impaired	—	—	131,260,452	131,260,452
Finance lease receivables - net**				
Investment grade	117,521,395,099	276,976,144	—	117,798,371,243
Non-investment grade	3,882,246,295	1,033,138,831	—	4,915,385,126
Past due but not impaired	—	1,470,740,539	—	1,470,740,539
Past due and impaired	—	—	3,423,297,485	3,423,297,485
Receivables from clients				
Investment grade	53,613,002	240,633	—	53,853,635
Non-investment grade	15,288,403	2,562,539	—	17,850,942
Past due but not impaired	—	81,993,777	—	81,993,777
Receivables from employees				
Investment grade	30,937,507	—	—	30,937,507
Past due and impaired	—	—	—	—
Accrued interest receivable				
Investment grade	2,656,667	—	—	2,656,667
Others				
Investment grade	1,188,863	—	—	1,188,863
	₱143,524,521,225	₱3,075,726,316	₱3,554,557,937	₱150,154,805,478

* Net of Unearned finance income

** Net of Unearned lease income

	2023			Total
	Stage 1	Stage 2	Stage 3	
Cash on hand and in banks - net *				
Investment grade	₱1,504,698,249	₱—	₱—	₱1,504,698,249
Due from BSP				
Investment grade	5,187,676,595	—	—	5,187,676,595
SPURA				
Investment grade	1,034,162,082	—	—	1,034,162,082
Receivables financed - net**				
Investment grade	6,161,804,850	4,408,196,882	—	10,570,001,732
Non-investment grade	478,110,229	353,758,347	—	831,868,576
Past due but not impaired	—	56,724,970	—	56,724,970
Past due and impaired	—	—	120,207,168	120,207,168
Finance lease receivables - net***				
Investment grade	49,061,377,301	45,419,195,520	—	94,480,572,821
Non-investment grade	6,761,053,730	7,181,966,326	—	13,943,020,056
Past due but not impaired	—	1,064,267,110	—	1,064,267,110
Past due and impaired	—	—	3,647,405,775	3,647,405,775
Receivables from clients				
Investment grade	9,341,212	—	—	9,341,212
Non-investment grade	32,356,353	—	—	32,356,353
Past due but not impaired	—	90,670,894	—	90,670,894
Receivables from employees				
Investment grade	23,819,916	—	—	23,819,916
Past due and impaired	—	—	—	—
Accrued interest receivable				
Investment grade	1,173,284	—	—	1,173,284
Others				
Investment grade	349,477	—	—	349,477
	₱70,255,923,278	₱58,574,780,049	₱3,767,612,943	₱132,598,316,270

* Excludes Cash on hand

** Net of Unearned finance income

*** Net of Unearned lease income



Analysis of movement of gross carrying amounts

The credit quality by class of the Company's loans and receivables from customers (gross of allowance for credit losses) as of March 31, 2024 and 2023 follows:

	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables financed				
Balances as of April 1, 2023	₱7,630,659,997	₱5,683,044,658	₱137,914,016	₱13,451,618,671
New assets originated or purchased	8,565,718,754	58,917,625	2,642,278	8,627,278,657
Assets derecognized or repaid/recovered	(5,014,281,785)	(316,705,769)	(27,266,989)	(5,358,254,543)
Transfer to Stage 1	5,313,169,237	(5,242,958,108)	(70,211,129)	—
Transfer to Stage 2	(117,720,998)	119,169,916	(1,448,918)	—
Transfer to Stage 3	(63,710,573)	(63,775,906)	127,486,479	—
Accounts written off	—	—	(18,893,835)	(18,893,835)
Accounts written off - interest	—	—	(2,421,314)	(2,421,314)
	16,313,834,632	237,692,416	147,800,588	16,699,327,636
Unearned interest and discount	(2,375,756,996)	(27,618,563)	(16,540,136)	(2,419,915,695)
Balance at March 31, 2024	13,938,077,636	210,073,853	131,260,452	14,279,411,941
Finance lease receivables				
Balances as of April 1, 2023	66,070,434,402	64,148,311,694	4,405,913,352	134,624,659,448
New assets originated or purchased	64,372,816,408	614,919,350	423,567,018	65,411,302,776
Assets derecognized or repaid/recovered	(41,510,690,442)	(4,462,033,356)	(831,550,931)	(46,804,274,729)
Transfer to Stage 1	59,492,591,467	(57,470,749,224)	(2,021,842,243)	—
Transfer to Stage 2	(1,675,547,107)	1,716,661,894	(41,114,787)	—
Transfer to Stage 3	(1,309,542,770)	(1,359,634,867)	2,669,177,637	—
Accounts written off	—	—	(416,176,153)	(416,176,153)
Accounts written off - interest	—	—	(99,913,565)	(99,913,565)
	145,440,061,958	3,187,475,491	4,088,060,328	152,715,597,777
Unearned interest and discount	(24,036,420,564)	(406,619,977)	(664,762,843)	(25,107,803,384)
Balance at March 31, 2024	121,403,641,394	2,780,855,514	3,423,297,485	127,607,794,393
Other receivables				
Balances as of April 1, 2023	67,040,242	90,670,894	—	157,711,136
New assets originated or purchased	61,164,921	41,687,420	—	102,852,341
Assets derecognized or repaid/recovered	(15,531,429)	(56,550,656)	—	(72,082,085)
Transfer to Stage 1	485,069	(485,069)	—	—
Transfer to Stage 2	(9,474,360)	9,474,360	—	—
Transfer to Stage 3	—	—	—	—
Balance at March 31, 2024	103,684,443	84,796,949	—	188,481,392
Total loans and receivables - gross				
Balances as of April 1, 2023	73,768,134,641	69,922,027,246	4,543,827,368	148,233,989,255
New assets originated or purchased	72,999,700,083	715,524,395	426,209,296	74,141,433,774
Assets derecognized or repaid/recovered	(46,540,503,656)	(4,835,289,781)	(858,817,920)	(52,234,611,357)
Transfer to Stage 1	64,806,245,773	(62,714,192,401)	(2,092,053,372)	—
Transfer to Stage 2	(1,802,742,465)	1,845,306,170	(42,563,705)	—
Transfer to Stage 3	(1,373,253,343)	(1,423,410,773)	2,796,664,116	—
Accounts written off	—	—	(435,069,988)	(435,069,988)
Accounts written off - interest	—	—	(102,334,879)	(102,334,879)
	161,857,581,033	3,509,964,856	4,235,860,916	169,603,406,805
Unearned interest and discount	(26,412,177,560)	(434,238,540)	(681,302,979)	(27,527,719,079)
Balance at March 31, 2024	₱135,445,403,473	₱3,075,726,316	₱3,554,557,937	₱142,075,687,726



An analysis of changes in loans and receivables as of March 31, 2023 follows:

	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables financed				
Balances as of April 1, 2022	₱5,987,112,319	₱4,059,753,631	₱261,425,112	₱10,308,291,062
New assets originated or purchased	3,572,380,518	2,859,238,663	3,567,685	6,435,186,866
Assets derecognized or repaid/recovered	(1,451,933,047)	(1,705,538,576)	(111,793,855)	(3,269,265,478)
Transfer to Stage 1	1,669,751,618	(1,639,796,779)	(29,954,839)	-
Transfer to Stage 2	(2,104,095,384)	2,138,570,867	(34,475,483)	-
Transfer to Stage 3	(42,556,027)	(29,183,148)	71,739,175	-
Accounts written off	-	-	(20,200,825)	(20,200,825)
Accounts written off - interest	-	-	(2,392,954)	(2,392,954)
	7,630,659,997	5,683,044,658	137,914,016	13,451,618,671
Unearned interest and discount	(990,744,918)	(864,364,459)	(17,706,848)	(1,872,816,225)
Balance at March 31, 2023	6,639,915,079	4,818,680,199	120,207,168	11,578,802,446
Finance lease receivables				
Balances as of April 1, 2022	50,436,910,286	47,018,034,586	4,384,283,182	101,839,228,054
New assets originated or purchased	27,359,164,368	27,786,146,367	360,313,763	55,505,624,498
Assets derecognized or repaid/recovered	(9,938,545,515)	(13,619,415,796)	1,269,325,103	(22,288,636,208)
Transfer to Stage 1	19,239,363,623	(18,368,821,526)	(870,542,097)	-
Transfer to Stage 2	(20,637,550,438)	21,618,549,601	(980,999,163)	-
Transfer to Stage 3	(388,907,922)	(286,181,538)	675,089,460	-
Accounts written off	-	-	(382,238,248)	(382,238,248)
Accounts written off - interest	-	-	(49,318,648)	(49,318,648)
	66,070,434,402	64,148,311,694	4,405,913,352	134,624,659,448
Unearned interest and discount	(10,248,003,371)	(10,482,882,738)	(758,507,577)	(21,489,393,686)
Balance at March 31, 2023	55,822,431,031	53,665,428,956	3,647,405,775	113,135,265,762
Other receivables				
Balances as of April 1, 2022	58,690,225	109,032,723	-	167,722,948
New assets originated or purchased	31,874,591	78,397,534	-	110,272,125
Assets derecognized or repaid/recovered	(8,263,788)	(112,020,149)	-	(120,283,937)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(15,260,786)	15,260,786	-	-
Transfer to Stage 3	-	-	-	-
Balance at March 31, 2023	67,040,242	90,670,894	-	157,711,136
Total loans and receivables - gross				
Balances as of April 1, 2022	56,482,712,830	51,186,820,940	4,645,708,294	112,315,242,064
New assets originated or purchased	30,963,419,477	30,723,782,564	363,881,448	62,051,083,489
Assets derecognized or repaid/recovered	(11,398,742,350)	(15,436,974,521)	1,157,531,248	(25,678,185,623)
Transfer to Stage 1	20,909,115,241	(20,008,618,305)	(900,496,936)	-
Transfer to Stage 2	(22,756,906,608)	23,772,381,254	(1,015,474,646)	-
Transfer to Stage 3	(431,463,949)	(315,364,686)	746,828,635	-
Accounts written off	-	-	(402,439,073)	(402,439,073)
Accounts written off - interest	-	-	(51,711,602)	(51,711,602)
	73,768,134,641	69,922,027,246	4,543,827,368	148,233,989,255
Unearned interest and discount	(11,238,748,289)	(11,347,247,197)	(776,214,425)	(23,362,209,911)
Balance at March 31, 2023	₱62,529,386,352	₱58,574,780,049	₱3,767,612,943	₱124,871,779,344

Collateral and other credit enhancements

The Company holds collateral against loans and receivables in the form of chattel mortgages. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is assessed to be impaired.

The following table shows the fair value of collateral held against loans and receivables:

	2024	2023
Against neither past due nor impaired	₱165,112,916,499	₱139,221,283,857
Against past due and impaired accounts	4,756,535,426	5,097,642,760
	₱169,869,451,925	₱144,318,926,617



It is the Company's policy to dispose assets acquired in an orderly fashion. The proceeds of the sale of the foreclosed assets classified as assets held for sale are used to reduce or repay the outstanding claim.

Liquidity Risk

Liquidity risk is the risk of encountering difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity of the Company's operations are managed with highest degree of accuracy, supported by sufficient, locally available, committed and uncommitted sources of funds for shorter periods and a sound and conservative funding plan with an appropriate internal authorization for longer periods. The funding structure is diversified as to financial instruments adopted, geographical markets approached and funding maturities in order to maintain stable access to low cost funds.

The Asset Liability Committee (ALCO) oversees the management of liquidity risks. The Company's Treasury Department has the primary responsibility for managing the Company's sources of funding and is tasked with ensuring that the Company has adequate liquidity at all times. As part of this function, the Treasury Department prepares an annual funding plan that places the highest priority on liquidity and diversity of funding structure. The Department also prepares an annual contingency funding plan based on stress scenarios which include inability to access the debt market for an extended period. As such, computation of Days until Alternative Funding key risk indicator and setting of appropriate limits provides management the means to adopt measures that will strengthen its liquidity position.

The Company's principal source of funding are borrowings from international and domestic banks amounting to ₱95.85 billion and ₱80.24 billion as of March 31, 2024 and 2023, respectively, with maturity periods ranging from 1 month to 5 years in 2024 and 2023. The Company also issues bonds totaling to ₱25.15 billion and ₱27.09 billion as of March 31, 2024 and 2023, respectively with maturity periods ranging from 2 month to 5 years in 2024 and 2023.

The Company maintains what it believes to be a sufficient cash level. In addition, the Company manages its liquidity by managing the maturity profile of its outstanding loans.

Analysis of financial assets and liabilities by remaining contractual maturities

The following tables set forth the financial assets and liabilities based on undiscounted future cash flows of the Company as of March 31, 2024 and 2023 into their relevant maturity groups based on the remaining period at reporting dates to their contractual maturities.

	2024						
	On demand	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 12 months	Beyond 1 year	Total
Financial Assets							
Cash in banks	₱2,301,163,034	₱-	₱-	₱-	₱-	₱-	₱2,301,163,034
Due from BSP	5,777,954,719	-	-	-	-	-	5,777,954,719
Receivables from customers							
Receivables financed	89,913,020	632,757,330	1,117,775,308	1,658,608,942	3,071,586,185	10,128,686,851	16,699,327,636
Finance lease receivable	1,763,909,590	4,621,852,646	8,350,090,196	12,809,598,903	24,771,285,220	100,398,861,222	152,715,597,777
Other receivables							
Receivables from clients	153,698,355		1,814,088	3,792,781	3,990,707	19,939,909	153,698,355
Receivables from employees	101,916	1,298,106					30,937,507
Accrued interest receivable	-	2,656,667	-	-	-	-	2,656,667
Other receivables	-	1,188,863	-	-	-	-	1,188,863
Derivative asset:							
Receive leg	-	1,424,147,164	1,464,979,490	91,570,320	9,985,072,912	11,622,790,773	24,588,560,659
Pay leg	-	(1,255,581,982)	(1,408,180,923)	(202,569,010)	(6,733,783,441)	(10,769,227,699)	(20,369,343,055)
	₱10,086,740,634	₱5,428,318,794	₱9,526,478,159	₱14,361,001,936	₱31,098,151,583	₱111,401,051,056	₱181,901,742,162

(Forward)



2024							
	On demand	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 12 months	Beyond 1 year	Total
Financial Liabilities							
Loans payable							
Bank loans	₹-	₹830,869,406	₹1,733,791,609	₹6,260,959,458	₹8,994,124,369	₹60,974,103,870	₹78,793,848,712
Bank loan from Mizuho	-	1,235,705,214	-	1,408,750,000	-	-	2,644,455,214
Bonds payable from BTMU	-	-	1,204,349,580	8,468,885	2,477,946,079	1,386,992,368	5,077,756,912
Fixed rate notes	-	2,500,000,000	97,745,764	-	1,126,000,000	6,359,000,000	10,082,745,764
Notes payable	-	1,471,952,048	2,634,089,579	2,003,993,934	2,667,746,412	181,519,287	8,959,301,260
Bank loan from TNB	-	12,759,450	-	12,759,450	1,233,440,249	1,216,994,850	2,475,953,999
Bonds payable from SMBC	-	33,135,515	-	109,048,189	2,627,039,108	7,330,188,186	10,099,410,998
Bank loan from TSB	-	1,529,062	-	40,545,562	2,808,541,426	-	2,850,616,050
Bank loans from TMFNL Loans	-	-	29,650,587	29,756,135	1,311,329,962	2,805,932,588	4,176,669,272
Bank loans from JBIC	-	-	31,841,073	-	31,509,585	5,336,398,994	5,399,749,652
Bank loans from SMTB	-	-	19,473,100	19,905,835	38,513,465	1,538,088,600	1,615,981,000
Accounts payable and other liabilities							
Accounts payable	2,833,043,852	242,492,303	-	-	-	-	3,075,536,155
Accrued interest payable and other expenses	-	31,528,945	47,734,800	69,195,959	108,208,489	704,299,594	960,967,787
Lease liabilities	-	1,312,710	6,531,023	33,324,077	34,455,765	86,801,212	162,424,787
Deposits on lease contracts	690,600	-	-	-	-	70,020,320	70,710,920
Derivative liability:							
Receive leg	-	(36,819,662)	(66,097,427)	(1,550,731,235)	(1,311,146,961)	(9,034,264,521)	(11,999,059,806)
Pay leg	-	55,719,756	95,306,633	1,612,416,010	1,681,959,144	9,348,467,580	12,793,869,123
	₹2,833,734,452	₹6,380,184,747	₹5,834,416,321	₹10,058,392,259	₹23,829,667,092	₹88,304,542,928	₹137,240,937,799
2023							
	On demand	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 12 months	Beyond 1 year	Total
Financial Assets							
Cash in banks	₹1,504,844,062	₹-	₹-	₹-	₹-	₹-	₹1,504,844,062
Due from BSP	5,187,676,595	-	-	-	-	-	5,187,676,595
SPURA	-	1,034,162,082	-	-	-	-	1,034,162,082
Financial assets at FVOCI							
Receivables from customers							
Receivables financed	103,577,040	433,165,986	848,790,206	1,318,335,333	2,446,363,845	8,301,386,261	13,451,618,671
Finance lease receivable	1,816,804,249	3,181,637,621	6,765,095,063	10,843,928,285	21,236,991,719	90,780,202,511	134,624,659,448
Other receivables							
Receivables from clients	132,368,459	-	-	-	-	-	132,368,459
Receivables from employees	11,247	831,071	1,317,220	2,063,465	3,337,886	16,259,027	23,819,916
Accrued interest receivable	-	1,173,283	-	-	-	-	1,173,283
Other receivables	-	349,478	-	-	-	-	349,478
Derivative asset							
Receive leg	-	50,214,143	2,835,304,877	4,204,151,801	6,957,960,658	20,647,345,875	34,694,977,354
Pay leg	-	(93,604,356)	(2,802,793,920)	(3,967,161,274)	(6,475,786,116)	(19,686,606,439)	(33,025,952,105)
	₹ 8,745,281,652	₹4,607,929,308	₹7,647,713,446	₹12,401,317,610	₹24,168,867,992	₹100,058,587,235	₹157,629,697,243
Financial Liabilities							
Loans payable							
Bank loans	₹-	₹941,768,071	₹1,722,114,433	₹5,224,122,450	₹8,679,365,490	₹40,671,662,644	₹57,239,033,088
Bank loan from Mizuho	-	20,554,875	24,927,684	1,244,662,043	1,262,064,238	2,659,035,112	5,211,243,952
Bonds payable from BTMU	-	-	16,839,867	1,275,270,142	43,365,799	7,404,934,793	8,740,410,601
Fixed rate notes	-	3,965,167,500	2,052,603,375	-	1,699,530,522	2,500,000,000	10,217,301,397
Notes payable	-	1,121,590,040	1,999,220,372	2,002,600,542	2,035,962,917	301,417,463	7,460,791,334
Bank loan from TNB	-	17,618,290	1,322,437,056	17,667,000	2,458,661,542	1,260,458,909	5,076,842,797
Bonds payable from SMBC	-	-	32,204,902	1,258,143,150	75,998,300	6,920,812,350	8,287,158,702
Bank loan from TSB	-	1,628,110	-	1,683,613	1,533,521,730	1,393,952,954	2,930,786,407
Bank loans from TMFNL Loans	-	-	1,300,916,401	41,860,598	1,259,852,558	4,169,451,485	6,772,081,042
Bank loans from JBIC	-	-	30,436,391	-	30,721,441	5,396,107,121	5,457,264,953
Accounts payable and other liabilities							
Accounts payable	2,120,175,790	215,018,755	-	-	-	-	2,335,194,545
Accrued interest payable and other expenses	-	251,208,442	41,236,114	45,203,373	91,199,071	502,981,212	931,828,212
Lease liabilities	-	9,174,574	3,712,020	3,954,359	17,337,231	46,568,572	80,746,756
Deposits on lease contracts	816,800	-	-	-	-	36,186,986	37,003,786
Derivative Liability							
Receive Leg	-	(16,916,860)	(58,207,424)	(98,028,219)	(173,368,195)	(10,219,566,358)	(10,566,087,056)
Pay Leg	-	35,900,813	84,608,973	124,460,808	249,000,236	10,784,907,100	11,278,877,930
	₹2,120,992,590	₹6,562,712,610	₹8,573,050,164	₹11,141,599,859	₹19,263,212,880	₹73,828,910,343	₹121,490,478,446

Market Risk

Market risk is exposure to changes in market rates that may adversely affect the Company value and ability to meet obligations as they mature. Market risks cover interest rate and foreign exchange risks.

Interest rate risk

Interest rate risk arises from interest margin compression due to an adverse movement in the market interest rates. This risk applies only to accrual positions as the Company has no trading portfolio.



The ALCO establishes and oversees the Company's interest rate risk as part of the market risk management program. In considering interest rate exposures, the Company measures its risk profile in terms of asset and debt/derivative notional size, asset yields and market rates, maturity profile, prepayment and re-pricing characteristics. Interest rate risks exposures are evaluated using a variety of techniques and measures, each of which are based on projecting asset and liability cash flows under interest rate and market price scenarios.

Interest rate risk exposures are reported via portfolio hedge ratio. This tool highlights the level of gap in amounts in fixed rates of interest between assets and liabilities, as a measure of exposure to interest rate changes, the critical components of which are notional size, maturities and re-pricing profiles.

The Company also measures the potential impact of bps yield curve parallel shift on the expected earnings. This tool gives a measure of expected earnings at risk as a result of interest rate risk exposure.

The table below demonstrates the sensitivity of net interest income (NII) using the earnings at risk (EAR) model. NII sensitivity was computed by calculating the changes in the banking book gaps assuming a parallel shift in the yield curve.

	2024		2023	
	+100 bps	-100 bps	+100 bps	-100 bps
Sensitivity of NII	₱5,769,767,000	(₱5,769,767,000)	₱5,293,396,000	(₱5,293,386,000)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the value of foreign currencies which include volatility in exchange rates, correlations across currencies and changes in currency regime.

The Company's foreign exchange risk results primarily from movements of the PHP against the USD with respect to USD-denominated financial assets (such as cash and cash equivalents) and USD-denominated financial liabilities (such as accounts payable and other liabilities). As of March 31, 2024 and 2023, the Company has outstanding cross currency swaps (CCS) which were entered into to hedge the foreign currency risk of the foreign loans, presented in "Loans payable", (see Note 11). These hedges are accounted for as cash flow hedges. Effectively, the Company converted the foreign loans into Philippine Peso-denominated fixed rate borrowings using the CCS agreements. Accordingly, the gains or losses arising from foreign currency risk on the outstanding foreign loans are expected to be offset by the changes in the value of the CCS agreements. As a result of the cash flow hedge, the overall impact of the foreign currency risk in the Company is not material.

24. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7, *Financial Instruments: Disclosures*, require the Company to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements.



The effects of these arrangements are disclosed below:

March 31, 2024						
Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Financial assets						
Cross-currency interest rate swaps	₱1,961,305,601	₱-	₱1,961,305,601	₱999,299,990	₱-	₱962,005,611
SPURA	-	-	-	-	-	-
	₱1,961,305,601	₱-	₱1,961,305,601	₱999,299,990	₱-	₱962,005,611
Financial liabilities						
Cross-currency interest rate swaps	₱538,362,959	₱-	₱538,362,959	₱999,299,990	₱-	₱1,537,662,949
March 31, 2023						
Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Financial assets						
Cross-currency interest rate swaps	₱1,976,750,691	₱-	₱1,976,750,691	₱237,819,492	₱-	₱1,738,931,199
SPURA	1,034,162,082	-	1,034,162,082	-	1,034,162,082	-
	3,010,912,773	-	3,010,912,773	237,819,492	1,034,162,082	1,738,931,199
Financial liabilities						
Cross-currency interest rate swaps	₱542,583,875	₱-	₱542,583,875	₱237,819,492	₱-	₱780,403,367

25. Notes to Statements of Cash Flows

Noncash investing activities pertain to transfer of repossessed vehicles classified as assets held for sale to property and equipment amounting to ₱9.28 million and ₱2.46 million in 2024 and 2023, respectively. It also includes foreclosure of repossessed vehicles classified as assets held for sale amounting to ₱5.42 billion and ₱4.85 billion in 2024 and 2023, respectively.

Changes in liabilities arising from financing activities

	March 31, 2023	Additions	Net Cash flows*	Foreign exchange movements and amortization of debt issue costs	Accretion of interest	March 31, 2024
Loans payable	₱114,589,134,537	₱-	₱15,232,099,657	₱129,803,965	₱-	₱129,951,038,159
Lease liability	77,826,859	172,797,916	(102,845,898)	-	6,826,378	154,605,255
Total liabilities from financing activities	₱114,666,961,396	₱172,797,916	₱15,129,253,759	₱129,803,965	₱6,826,378	₱130,105,643,414

*Represent net of availments and payments

	March 31, 2022	Additions	Net Cash flows*	Foreign exchange movements and amortization of debt issue costs	Accretion of interest	March 31, 2023
Loans payable	₱104,591,259,416	₱-	₱8,539,373,872	₱1,458,501,249	₱-	₱114,589,134,537
Lease liability	74,702,414	97,586,798	(99,189,715)	-	4,727,362	77,826,859
Total liabilities from financing activities	₱104,665,961,830	₱97,586,798	₱8,440,184,157	₱1,458,501,249	₱4,727,362	₱114,666,961,396

*Represent net of availments and payments



The Company classifies interest paid as cash flows under operating activities.

26. Supplementary Information Required Under Subsection 4190Q.4 of Manual of Regulations for Non-Bank Financial Institutions (MORNBFI)

Presented below is the supplementary information required by BSP under Appendix Q-33 of BSP Circular No. 1075 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

A. Capital position

The Company has started its operations as a quasi-bank effective April 1, 2009. Thus, the Company began to actively manage its capital in accordance with regulatory requirements of BSP. The primary objective of which is to ensure that the Company maintains adequate capital to cover risks inherent to its quasi-banking activities without prejudice to optimizing shareholder's value.

Under existing BSP regulations, the capital accounts of the Company should not be less than an amount equal to 10.00% of its risk assets. Risk assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The following table sets the Company's regulatory capital as reported to BSP as at March 31, 2024 and 2023 (amounts in thousands):

	2024	2023
CET1 capital	₱16,911,746	₱15,674,938
Tier 1 capital	16,911,746	15,674,938
Tier 2 capital	1,198,284	214,830
Gross qualifying capital	₱18,110,030	₱15,889,768
Total risk weighted assets	₱149,310,358	₱121,743,683
CET1 ratio	11.33%	12.88%
Tier 1 ratio	11.33%	12.88%
Risk-based CAR	12.13%	13.05%

B. Leverage ratio

On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Basel III Leverage Ratio Framework which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 under BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. The leverage ratio shall not be less than 5.00% computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but



excluding insurance companies). The Company's leverage ratio is 10.95% and 11.63% as of March 31, 2024 and 2023, respectively.

C. Total exposure measure

An analysis of concentrations of credit risk for loans and receivable (gross of allowance for credit losses) of the Company as of March 31, 2024 and 2023 are as follows:

	2024		2023	
	Amount	%	Amount	%
Other community and personal activities	₱34,517,399,843	24.33%	₱31,012,932,332	24.87%
Social work activities	21,802,564,846	15.36%	21,194,281,153	16.99%
Wholesale and retail trade	24,414,940,073	17.21%	20,996,768,418	16.84%
Education	10,457,994,896	7.37%	10,247,195,790	8.22%
Transportation, storage and communication	11,814,951,241	8.33%	9,330,945,566	7.48%
Real estate, renting and business activities	10,969,134,307	7.73%	9,006,939,164	7.22%
Manufacturing	7,875,478,366	5.55%	6,205,840,081	4.98%
Financial intermediaries	5,416,188,701	3.82%	4,795,727,298	3.85%
Hotels and restaurants	5,687,533,477	4.01%	4,370,993,743	3.50%
Agricultural, hunting and forestry, fishing	3,000,877,486	2.11%	3,086,484,951	2.47%
Construction	3,866,767,322	2.73%	2,685,074,777	2.15%
Electricity, gas and water	1,577,598,057	1.11%	1,421,823,905	1.14%
Mining and quarrying	485,087,119	0.34%	358,244,230	0.29%
	₱141,886,515,734	100.00%	₱124,713,251,408	100.00%

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio.

D. Breakdown of total loans as to security

All of the Company's receivables from customers are secured by chattel mortgage. The following table shows the breakdown of secured receivables from customers as of March 31, 2024 and 2023:

	2024		2023	
	Amount	%	Amount	%
Secured by:				
Chattel mortgage	₱14,279,411,941	10.06	₱11,578,802,445	9.28
Contract of lease*	127,607,103,793	89.94	113,134,448,963	90.72
	₱141,886,515,734	100.00	₱124,713,251,408	100.00

*For leasing accounts, official receipt and certificate of registration is under the name of the Company; thus, ownership is retained by the Company until such time that accounts have been fully settled.

E. Breakdown of total loans as to status

Generally, non-performing loans (NPLs) refer to loans whose principal and/or interest is unpaid for more than ninety (90) days after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semiannual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.



The following table shows the breakdown of receivables from customer net of unearned interest and discount and excluding residual value of leased assets as to performing and non-performing as of March 31, 2024 and 2023:

	2024	2023
Performing loans		
Finance lease receivables	₱124,183,806,308	₱109,490,636,763
Receivables financed	14,148,151,489	11,459,546,608
	138,331,957,797	120,950,183,371
NPLs		
Finance lease receivables	3,423,297,485	3,643,812,199
Receivables financed	131,260,452	119,255,838
	3,554,557,937	3,763,068,037
Total	₱141,886,515,734	₱124,713,251,408

The Company considered the loans as NPL, even if not considered impaired if any principal and/or interest is unpaid for more than ninety (90) days from the contractual due date.

F. Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, which include guidelines on minimum liquidity ratio (MLR). To promote short-term resilience to liquidity shocks, banks/ QBs shall maintain a stock of liquid assets proportionate to their on- and off-balance sheet liabilities. The prudential MLR requirement applies to all thrift banks (TBs), rural/ cooperative banks and QBs that are not subsidiaries of universal or commercial banks. A prudential MLR of 20.00% shall apply to banks/quasi banks (QB) on an ongoing basis absent a period of financial stress. The liquidity ratio is expressed as a percentage of the banks/QBs eligible stock of liquid assets to its total qualifying liabilities. The Company's MLR is 72.44% and 77.28% for March 31, 2024 and 2023, respectively.

Under BSP Circular No. 996, MLR is expressed as a percentage of a covered institution's eligible stock of liquid assets to its total qualifying liabilities. The stock of liquid assets is required to be unencumbered and readily liquefiable, while the qualifying liabilities include both on-balance sheet and off-balance sheet commitments. Based on impact studies, BSP believes that covered institutions will be able to readily adjust to the new standard.

The method for computing the MLR was revised per BSP Circular No. 1035 issued on March 15, 2019. The 20.00% MLR aims to ensure that stand-alone thrift, rural and cooperative banks and QBs set aside a liquidity buffer that will enable them to withstand liquidity stress events. It relates a bank/QB's eligible liquid assets to its qualifying liabilities. The revised MLR computation converges with the LCR framework as interbank placements are now counted as eligible liquid assets. Moreover, the amount of qualifying liabilities has been adjusted through the application of conversion factors as shown in the table below:

Liability	Conversion factor
Retail current and regular savings deposits with outstanding balance per account of ₱500,000 and below	50.00%
Deposits where the account holder has no contractual or legal discretion to withdraw said deposit or pre-terminate the account within the next 30 calendar days (e.g., negotiable certificates of deposits)	0.00%
Borrowings that are non-callable in, or have contractual maturity dates beyond, the next 30 calendar days	0.00%
Obligations arising from operational expenses	0.00%



G. Financial performance indicator

Basic ratios that measure the financial performance of the Company follow:

	2024	2023
Return on average equity (ROE)	10.89%	11.84%
Return on average asset (ROA)	1.28%	1.40%
Net interest margin over average earning assets	4.72%	5.21%

ROE is calculated by dividing net income after tax by the average total capital accounts. The average total capital accounts are determined by averaging the balances at the end of the current and previous fiscal years. ROA is calculated by dividing net income after tax by the average total assets. The average total assets are determined by averaging the balances at the end of the current and previous fiscal years.

H. Capital instruments

As of March 31, 2024 and 2023, the Company's capital instrument pertains to common stock amounting to ₱8.70 billion.

I. Information on related party loans

Under BSP Regulatory Manual Section 4357S, *Direct/Indirect Borrowings; Ceilings*, the Company should not directly or indirectly make a loan to any directors, officers, stockholders and related interests. As of March 31, 2024 and 2023, the Company has no DOSRI account.

J. Aggregate amount of secured liabilities and asset pledged as security

As of March 31, 2024 and 2023, other than SPURA, the Company did not pledge as security any of its assets and did not have secured liabilities.

K. Commitments and contingencies

As of March 31, 2024 and 2023, the Company has derivative financial instruments with notional amount of ₱32.93 billion and ₱40.89 billion, respectively. There are no other contingencies and commitments arising from off-balance sheet items.

27. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes for the year ended March 31, 2024:

Gross Receipts Tax

The Company is subject to GRT on its gross income from Philippine sources. GRT is imposed on interest, commissions and discounts from lending activities at 5.00% or 1.00%, depending on the remaining maturities of instruments from which such receipts are derived, and at 7.00% on non-lending fees and commissions, trading and foreign exchange gains and other items constituting gross income.



Details of the Company's income and GRT accounts in 2024 are as follows:

	Gross Receipts	GRT
Income derived from lending activities	₱12,351,873,674	₱617,593,684
Other income	667,744,024	43,121,899
	₱13,019,617,698	₱660,715,583

Taxes and Licenses

For the year ended March 31, 2024, 'Taxes and licenses' account of the Company consists of:

Gross receipt taxes	₱660,715,583
Documentary stamps taxes	78,532,230
Local taxes	28,546,065
Others	30,024,980
	₱797,818,858

Others include fringe benefits tax, Land Transportation Office registration and SEC registration fee.

Withholding Taxes

	Total Remittances	Balance
Expanded withholding taxes	₱270,066,480	₱35,425,873
Final withholding taxes	283,640,174	26,703,888
Withholding taxes on compensation and benefits	41,673,529	10,857,861
	₱595,380,183	₱72,987,622



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Toyota Financial Services Philippines Corporation
32F, GT Tower
Ayala Ave. cor. HV Dela Costa St.
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Toyota Financial Services Philippines Corporation (the Company), which comprise the statements of financial position as at March 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

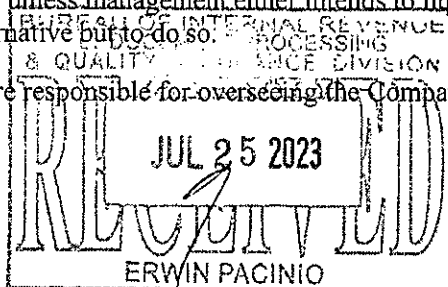
We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with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

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

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

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

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



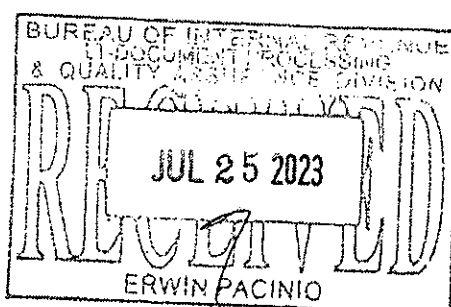
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



**Reports on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP)
Circular No. 1075 and Revenue Regulations No. 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1075 in Note 27 and Revenue Regulations 15-2010 in Note 28 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Toyota Financial Services Philippines Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño

Glenda C. Anisco-Niño

Partner

CPA Certificate No. 114462

Tax Identification No. 225-158-629

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 114462-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

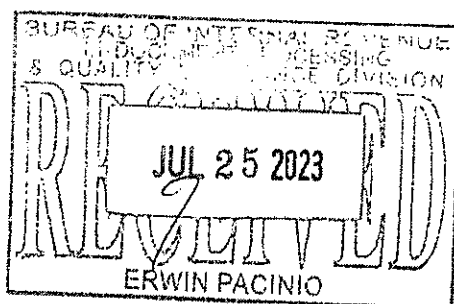
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9369771, January 3, 2023, Makati City

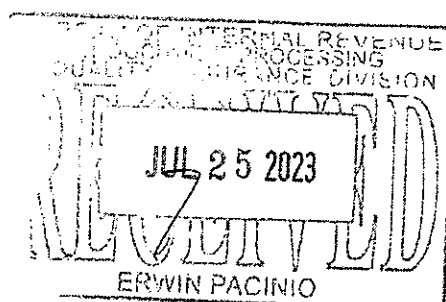
July 7, 2023



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF FINANCIAL POSITION

	March 31	
	2023	2022
ASSETS		
Cash and cash equivalents (Notes 4, 11 and 21)	₱1,507,322,197	₱1,357,717,580
Due from Bangko Sentral ng Pilipinas (Note 4)	5,187,676,595	6,580,524,994
Securities purchased under resale agreement (Note 5)	1,034,162,082	551,268,962
Financial assets at fair value through other comprehensive income (FVOCI) (Note 6)	–	1,600,000
Loans and receivables (Notes 7 and 11)	122,859,763,860	110,227,950,699
Assets held for sale (Notes 8 and 11)	311,775,407	442,995,098
Property and equipment (Note 9)	679,892,724	274,598,996
Software costs (Note 10)	416,824,571	309,700,264
Deferred tax assets (Note 19)	794,909,198	779,188,437
Derivative asset (Note 14)	1,976,750,691	665,835,309
Other assets (Note 10)	121,438,311	97,017,827
	₱134,890,515,636	₱121,288,398,166
LIABILITIES AND EQUITY		
LIABILITIES		
Loans payable (Note 12)	₱114,589,134,537	₱104,591,259,416
Derivative liability (Note 14)	542,583,875	405,073,340
Income tax payable (Note 16)	127,868,863	92,042,079
Lease liabilities (Note 20)	77,826,859	74,702,414
Deposits on lease contracts (Note 15)	37,003,786	15,973,561
Accounts payable and other liabilities (Notes 13, 18 and 21)	3,549,199,849	1,796,981,913
	118,923,617,769	106,976,032,723
EQUITY		
Capital stock - ₱100 par value		
Authorized - 90,000,000 shares, issued and outstanding - 87,000,000 shares (Note 23)	8,700,000,000	8,700,000,000
Retained earnings (Note 23)	8,070,611,649	6,278,410,436
Fair value reserves on financial assets at FVOCI (Note 6)	–	950,000
Cash flow hedge reserve (Note 14)	(775,794,888)	(646,933,523)
Actuarial loss on retirement plan (Note 18)	(27,918,894)	(20,061,470)
	15,966,897,867	14,312,365,443
	₱134,890,515,636	₱121,288,398,166

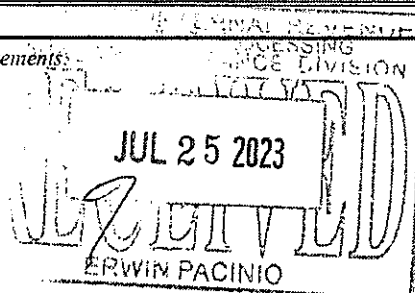
See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31	
	2023	2022
INTEREST INCOME		
Loans and receivables (Note 7)	₱11,285,000,218	₱9,782,875,773
Due from Bangko Sentral ng Pilipinas (Note 4)	121,514,908	82,883,656
Securities purchased under resale agreement (Note 5)	35,206,322	11,550,417
Cash and cash equivalents (Notes 4 and 21)	978,537	1,238,006
TOTAL INTEREST INCOME	11,442,699,985	9,878,547,852
INTEREST EXPENSE		
Loans payable (Note 12)	5,213,349,695	4,631,554,837
Lease liabilities (Note 20)	4,727,362	6,351,628
TOTAL INTEREST EXPENSE	5,218,077,057	4,637,906,465
NET INTEREST INCOME	6,224,622,928	5,240,641,387
SERVICE FEES AND OTHER INCOME (Note 17)	238,467,553	255,714,282
OPERATING EXPENSES		
Provision for credit and impairment losses (Note 11)	1,268,383,822	1,957,879,406
Taxes and licenses	716,016,498	620,174,497
Litigation and collection	491,223,401	417,620,524
Compensation and fringe benefits (Notes 18 and 21)	432,718,096	385,642,968
Sales and marketing	345,904,109	135,330,639
Depreciation and amortization (Notes 9 and 10)	220,334,432	178,117,879
Occupancy (Notes 20 and 21)	182,530,709	140,905,359
Software Maintenance	117,494,117	71,024,853
Credit investigation	92,151,128	33,565,509
Supervision fees	43,925,971	38,730,328
Contractual services	23,251,569	20,155,504
Transportation and travel	20,382,288	11,991,964
Management and professional fees (Note 21)	12,246,249	13,515,142
Entertainment, amusement and recreation (Note 19)	1,785,114	1,140,087
Others	87,269,214	68,080,729
	4,055,616,717	4,093,875,388
INCOME BEFORE INCOME TAX	2,407,473,764	1,402,480,281
PROVISION FOR INCOME TAX (Note 19)	615,272,551	366,047,323
NET INCOME	1,792,201,213	1,036,432,958
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Net movement in cash flow hedges (Note 14)	(128,861,365)	(202,738,701)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial loss on retirement plan (Note 18)	(7,857,424)	(6,634,711)
Change in fair value reserves on financial assets at FVOCI (Note 6)	(950,000)	—
	(137,668,789)	(209,373,412)
TOTAL COMPREHENSIVE INCOME	₱1,654,532,424	₱827,059,546

See accompanying Notes to Financial Statements:

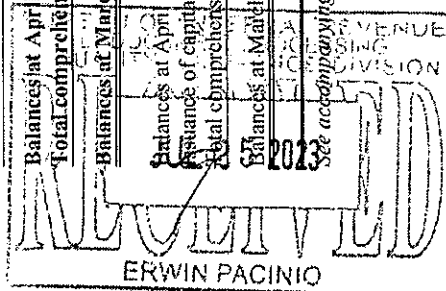


TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF CHANGES IN EQUITY

For the Years Ended March 31, 2023 and 2022

	Capital Stock (Note 23)	Retained Earnings (Note 23)	Fair Value Reserves on Financial Assets at FVOCI (Note 6)	Cash Flow Hedge Reserve (Note 14)	Loss on Retirement Plan (Note 18)	Actuarial
						Total
Balance at April 1, 2022	₱8,700,000,000	₱6,278,410,436	₱950,000	(₱646,933,523)	(₱20,061,470)	₱14,312,365,443
Total comprehensive income (loss) for the year	-	1,792,201,213	(950,000)	(128,861,365)	(7,857,424)	1,654,532,424
Balance at March 31, 2023	₱8,700,000,000	₱8,070,611,649	₱-	(₱775,794,888)	(₱27,918,894)	₱15,966,897,867
Balance at April 1, 2021	₱6,700,000,000	₱5,261,977,478	₱950,000	(₱444,194,822)	(₱13,426,759)	₱11,505,305,897
Balance of capital stock	2,000,000,000	(20,000,000)	-	-	-	1,980,000,000
Total comprehensive income (loss) for the year	-	1,036,432,958	-	(202,738,701)	(6,634,711)	827,059,546
Balance at March 31, 2022	₱8,700,000,000	₱6,278,410,436	₱950,000	(₱646,933,523)	(₱20,061,470)	₱14,312,365,443

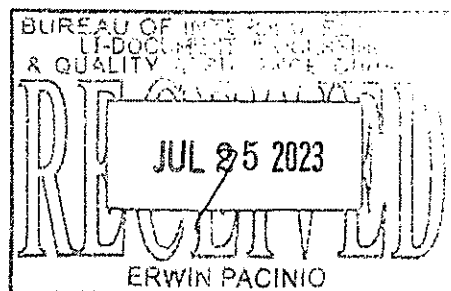
See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
STATEMENTS OF CASH FLOWS

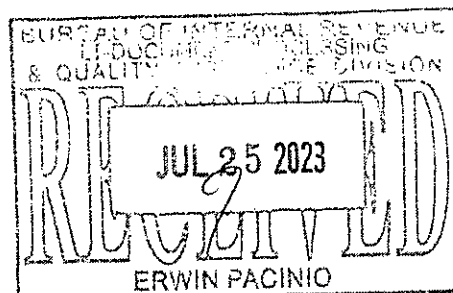
	Years Ended March 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱2,407,473,764	₱1,402,480,281
Adjustments for:		
Depreciation and amortization (Notes 9 and 10)	220,334,432	178,117,879
Amortization of debt issue cost on loans payable (Note 12)	113,281,249	94,789,880
Interest expense on lease liabilities (Note 20)	4,727,362	6,351,628
Gain on sale of property and equipment (Note 17)	(178,958)	(1,193,942)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	(12,631,813,161)	(11,608,632,417)
Assets held for sale (Note 8)	131,219,691	90,997,601
Other assets	(23,770,484)	(16,870,337)
Increase (decrease) in:		
Deposits on lease contracts	21,030,225	1,883,256
Accounts payable and other liabilities	1,741,741,369	(220,147,896)
Net cash used in operations	(8,015,954,511)	(10,072,224,067)
Income taxes paid	(549,593,598)	(347,016,755)
Net cash used in operating activities	(8,565,548,109)	(10,419,240,822)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 9)	(484,470,599)	(136,249,472)
Software (Note 10)	(166,073,975)	(218,869,772)
Proceeds from sale of:		
Property and equipment	15,557,864	34,409,157
Net cash used in investing activities	(634,986,710)	(320,710,087)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of loans payable	54,935,171,992	56,671,252,081
Settlement of loans payable	(46,395,798,120)	(46,389,717,616)
Payment of lease liabilities (Note 20)	(99,189,715)	(85,009,326)
Issuance of capital stock (Note 23)	-	1,980,000,000
Net cash provided by financing activities	8,440,184,157	12,176,525,139
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(760,350,662)	1,436,574,230

(Forward)



	Years Ended March 31	
	2023	2022
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and cash equivalents	₱1,357,717,580	₱1,681,878,459
Due from Bangko Sentral ng Pilipinas	6,580,524,994	5,128,095,126
Securities purchased under resale agreement	551,268,962	242,963,721
	8,489,511,536	7,052,937,306
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 4 and 5)		
Cash and cash equivalents	1,507,322,197	1,357,717,580
Due from Bangko Sentral ng Pilipinas	5,187,676,595	6,580,524,994
Securities purchased under resale agreement	1,034,162,082	551,268,962
	₱7,729,160,874	₱8,489,511,536
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱14,271,132,030	₱12,530,584,133
Interest paid	3,749,880,500	2,930,673,879

See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Toyota Financial Services Philippines Corporation (the Company) is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 2002. The Company's registered address is 32F GT Tower, Ayala Ave. cor. HV Dela Costa St. Makati City. The Company has a corporate life of 50 years.

The Company serves customers of Toyota vehicles through financing and leasing services, as well as Toyota dealers, through inventory stock financing. On May 8, 2008, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) granted the Company its quasi-banking license, which enables the Company to diversify its sources of funds, as well as offer a wider range of financing products to its growing customers and perform other quasi-banking functions effective April 1, 2009.

The following table sets forth the ownership structure of the Company:

	Percentage of ownership
Toyota Financial Services Corporation (TFSC)	60.00%
GT Capital Holdings, Inc. (GT Capital)	40.00%

The Company's ultimate parent company is TFSC, a financial services company based in Japan.

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on July 7, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements of the Company have been prepared using the historical cost basis except for financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments, which have been measured at fair value.

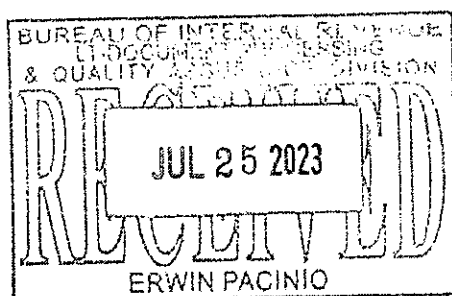
The accompanying financial statements are presented in Philippine peso (₱), which is also the Company's functional currency.

All values are rounded to the nearest peso unless otherwise stated.

The accompanying financial statements provide comparative information in respect of the previous period.

Statement of Compliance

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



Presentation of Financial Statements

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (noncurrent) is presented in Note 16.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at April 1, 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRS, if no



adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Significant Accounting Policies

Foreign Currency Translations

The Company translates its foreign currency-denominated monetary assets and liabilities using the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date; income and expenses are translated at BAP weighted average rates prevailing at transaction dates.

Foreign exchange gains or losses arising from foreign currency transactions and revaluation of foreign currency-denominated assets and liabilities are credited to or charged to profit or loss in the year in which the rates change.

Fair Value Measurement

The Company measures financial assets at FVOCI, and derivatives at fair value at each statement of financial position date. Also, fair values of other financial assets and liabilities are disclosed in Note 22.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and fair value hierarchy as explained above.

Financial Instruments - Initial Recognition and Measurement

Date of recognition

The Company recognizes financial instruments when, and only when, the Company becomes a party to the contractual terms of the financial instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, the date that an asset is delivered to or by the Company. Deposits on finance lease, amounts due to banks and loans are recognized when cash is received by the Company or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for FVTPL investments and liabilities, the initial measurement of financial instruments includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial instruments depends on the contractual terms and the business model for managing the instruments. Subsequent to initial recognition, the Company may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

Under PFRS 9, the classification of a financial asset depends on the characteristics of its contractual cash flows and the business model under which the asset is held. The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test).



Derivatives recorded at FVTPL

The Company uses derivative financial instruments such as cross-currency interest rate swaps to hedge its foreign currency and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from the changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized as other comprehensive income (OCI).

Hedge accounting

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; and
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements, including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in OCI under the cash flow hedge reserve account, while the ineffective portion is recognized directly in profit or loss. Refer to Note 14 for details.

Amounts recognized in OCI is transferred to profit or loss, when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a nonfinancial asset or nonfinancial liability, the amounts recognized in OCI are transferred to the initial carrying amount of the nonfinancial asset or liability.



If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in OCI is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in OCI remains in OCI until the forecast transaction or firm commitment affects profit or loss. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Financial assets at FVOCI

Financial assets at FVOCI represent equity instruments. Equity instruments at FVOCI are those that the Company made an irrevocable election to present in the OCI subsequent changes in fair value.

After initial measurement, these financial assets are subsequently measured at fair value. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in 'Fair value reserves on financial assets at FVOCI' in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Fair value reserves on financial assets at FVOCI' is not reclassified to statement of income, but is reclassified to 'Retained earnings'.

The Company has designated its equity instruments as at FVOCI on initial application of PFRS 9, *Financial Instruments*.

The Company's financial assets at FVOCI consist of golf club shares.

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statements of financial position captions 'Cash and cash equivalents', 'Due from Bangko Sentral ng Pilipinas', 'Securities purchased under resale agreement' and 'Loans and receivables'.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statements of comprehensive income. Gains and losses are recognized in statements of comprehensive income when these financial assets are derecognized or impaired, as well as through the amortization process. The expected credit loss (ECL) are recognized in the statements of comprehensive income under 'Provision for credit and impairment losses'.

Other financial liabilities carried at amortized cost

Issued financial instruments or their components, which are not designated at FVTPL, are classified as loans payable, accounts payable and other liabilities and deposits on lease contracts where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial assets to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities not qualified and not designated as FVTPL are subsequently measured at amortized cost using the effective interest amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.



Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In this case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Provision for credit and impairment losses' in the statements of comprehensive income.

Modification of financial assets

The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Company considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Company also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Company considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.



When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be purchased/originated as credit impaired (POCI).

Financial liabilities

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Securities Purchased Under Resale Agreement (SPURA)

Securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The Company is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The corresponding cash paid, including accrued interest, is recognized in the statement of financial position as 'Securities purchased under resale agreement', and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Impairment of Financial Assets

PFRS 9 requires the Company to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective of the impairment standard is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from



default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition.

For credit-impaired financial instruments:

- A financial instrument is classified as Stage 3 financial instruments when it is in default or there is 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 loan or a portfolio of loans. The ECL model requires that ECL with 100.00% probability of default (PD) be recognized for impaired financial instruments.

Definition of "default" and "cure"

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes over 90 days past due on its contractual payments. An account shall be considered past due or delinquent when upon the payment due date, the borrower failed to settle the amount. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer in default. Defaults are characterized by financial assets that have objective evidence of impairment at the reporting date and as such classified under Stage 3.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and the borrower has exhibited a satisfactory track record of consistent payments for six months. Cured accounts are classified under Stage 1.

Significant increase in credit risk

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. In addition, the Company has set quantitative criterion that considers relative change in cumulative lifetime PD since initial recognition.

ECL parameters and methodologies

ECL is a function of the PD, exposure at default (EAD) and loss given default (LGD) with each of the parameter independently modelled.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current performance of individual accounts reflected in the parameters of the model. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the



underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and probability of cure, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

Economic overlays and multiple economic scenarios

The Company incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to multiple future macroeconomic atmosphere expectations. A range of economic indicators were considered for the economic inputs, such as interbank lending call loan rates and gross domestic product. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

In compliance with PFRS 9, the Company developed ECL parameters and methodologies, using historical data as well as forward-looking inputs and assumptions.

Residual Value of Leased Assets and Deposits on Lease Contracts

The residual value of leased assets is the estimated proceeds from the disposal of the leased asset at the end of the lease term which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease. At the end of the lease term, the residual value is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash in banks, cash equivalents and securities purchased under resale agreement with original maturities of three months or less from date of placements and that are subject to insignificant risks of changes in value. Due from BSP includes statutory reserves required by the BSP, which the Company considers as cash equivalents wherein drawings can be made to meet cash requirements as allowed by the BSP.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and impairment loss, if any.

The initial cost of property and equipment consists of its purchase price, any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after an item of property and equipment has been put into operation, such as repairs and maintenance, are normally charged to operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When the property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts and any resulting gain or loss is reflected in profit or loss.



Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the property and equipment assets as follows:

Vehicles	4-5 years
Furniture, fixtures and equipment	3-5 years
Transportation equipment	3-5 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset is written down to its recoverable amount.

Leases

Company as lessee

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys, the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for a short-term leases and lease of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Company recognizes right-of-use assets (included in 'Property and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Related leasehold improvements are depreciated on straight line basis over the shorter of the lease term and estimated useful lives as follows:

Head office space and business centers	3-5 years
Warehouses	2-3 years

ii. Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index per rate, and amount expected to be paid under residual value guarantees. The lease payments also include the exercise price of purchase option reasonably certain to be exercised by the Company and payment of penalties terminating a lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense



(unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate (IBR) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Leases previously classified as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Determining the lease term of contracts with renewal options

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

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company's lease liabilities are disclosed in 'Lease Liabilities' (Note 20).

iii. *Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of residential units for officers, business centers and warehouses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain purchase option). It also applies the leases of low-value assets recognition to leases of equipment that are considered low value (i.e., below ₱0.25 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as lessor

The Company recognizes assets held under a finance lease in its statement of financial position as a receivable at an amount equal to the net investment in the lease. The lease payments received from the lessee are treated as repayments of principal and finance income. Initial direct costs that are incremental and directly attributable to negotiating and arranging the lease are included in the measurement of the net investment in the lease at inception and reflected in the calculation of the implicit interest rate.



Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Company recognizes rental income on its operating lease of vehicles. Recoverable deposit is collected from the client and computed at 10.00% of the unit price and recognized under 'Deposits on lease contracts'. This is collected upfront and to be refunded on end-of-term. While on pre-termination, the full amount is forfeited and will be recognized as service charge under 'Service fees and other income'. There are two product group under it to segregate types of services to be offered for corporate and individual clients, i.e. full-service lease and net operating lease, respectively.

Full-service lease (FSL)

FSL is a leasing product that offers all-inclusive package. Customer will pay fixed monthly rental inclusive of all major cost of vehicle ownership (such as periodic and preventive maintenance, annual comprehensive insurance, vehicle registration and fleet management). FSL, or its current name, Kinto One, caters corporate clients and individuals.

The monthly rental income amount is classified as 'Others' under 'Interest income' on loans and receivables, while the related expenses are presented under 'Others' under operating expenses in the statement of comprehensive income.

Net operating lease (NOL)

NOL is a lease wherein maintenance and comprehensive insurance are not included in the monthly rental calculation. These are at the expense of the Lessee.

Assets Held for Sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, available for immediate sale and its sale is highly probable. An asset classified as held for sale is measured at the lower of fair value less costs to sell and its carrying amount.

Any impairment loss on write-down of the asset to fair value less costs to sell is recognized in profit or loss. Any gain on subsequent increase in fair value less costs to sell is also recognized in profit or loss, but not in excess of the cumulative impairment loss already recognized on the asset.

Assets held for sale of the Company consists mainly of motor vehicles foreclosed from borrowers or lessees who have defaulted on their installment or lease payments.

Intangible Assets

This consists of software costs, stated at acquisition cost and is amortized on a straight-line basis over estimated useful life of five (5) years.

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Other Assets

Other assets consist of prepaid expenses, security deposits and withholding tax receivables.



Prepaid expenses are advanced payments for occupancy costs and employee benefits. Security deposits are rental deposits for the Company's office space, warehouses and residential units for officers.

Prepaid expenses and security deposits are recognized in the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. Amortization of prepayments is recognized monthly on a straight-line basis.

Withholding tax receivable pertains to creditable withholding tax (CWT). CWT is recognized by virtue of Republic Act (RA) No. 8424 relative to the withholding on income subject to expanded and final withholding tax on compensation, value-added tax and other percentage taxes. CWT is recognized when the counterparty withheld certain taxes payable to the taxation authority and is reduced to the extent of that CWT will not be realized, through the use of an allowance account.

Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets (i.e., ROU, property and equipment, assets held for sale, software cost and other assets) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is recognized under 'Provision for credit and impairment losses' in the statement of comprehensive income.

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

Retirement Cost

The Company has a funded, noncontributory defined benefit retirement plan covering all its employees with regular employment status. The defined benefit liability (asset) is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. 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 plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.



Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Remeasurements comprising of actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. The following specific recognition criteria must also be met before revenue is recognized:

Revenue under PFRS 15

Gain or loss on sale of noncurrent assets

Income from sale of properties is recognized when control of such services or properties are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those properties.

Other income

Other income is recognized when earned. Income is recognized upon completion of the earning process.

Revenue outside PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example,



prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, the Company calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Service fees

Service fees earned for the provision of transaction services such as processing fees are recognized upon completion of the underlying transaction.

Recoveries of accounts written off

Recoveries of accounts written off are recognized as income upon actual collection.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Foreign exchange gain/loss

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.

Expense Recognition

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

Borrowing costs

Borrowing costs for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statement of comprehensive income using the EIR of the financial liabilities to which they relate.

Income Taxes

Current taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred taxes

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of MCIT and unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered. Deferred tax, however, is not recognized on temporary differences that arise 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.

Deferred tax assets and liabilities are measured at the tax rate that is 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 reporting date.

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in profit or loss.

Deferred tax assets and tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

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

Contingencies

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

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.



Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against 'Retained earnings'. Retained earnings represent accumulated net income of the Company, net of dividends paid.

Dividends

Dividends are recognized as a liability and deducted from equity when declared and approved by the BOD of the Company and of the BSP. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Events after the Reporting Period

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

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect the future adoption of the said pronouncements will have a significant impact on the Company financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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



Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

a. Finance leases - Company as a lessor

The Company has entered into finance leases of vehicles with its customers. The Company has determined that it transfers all the significant risks and rewards of ownership as the lease terms are for the major part of the economic life of these properties which are leased out on finance leases.

b. Operating leases - Company as a lessor

The Company has entered into leases of vehicles under FSL. The Company has determined, based on an evaluation of the terms and condition of the arrangements (i.e., the lessor shall at all-time be and remain the sole and exclusive owner of the motor vehicle and no title shall pass to the lessee. The lessor may sell, transfer, convey, assign, pledge, hypothecate, or otherwise dispose of its right hereunder in a whole or in part without notice to the lessee. The lessee has no option to purchase the vehicle at the end of the term), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases

c. Determining whether it is reasonably certain that a renewal and termination option will be exercised

The Company has entered into lease on premises it uses for its operation. The Company has determined the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain or whether not to exercise the option to renew or to terminate the lease. That it is considers all relevant such as leasehold improvement and location that create economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

d. Estimating the IBR for lease liabilities

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Company would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in similar economic environment. The Company estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying values of the Company's ROU assets and lease liability are disclosed in Notes 2, 9 and 20, respectively.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of condition date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change



due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a. *Impairment of financial assets*

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- The criteria for assessing if there has been a significant increase in credit risk.
- The definition of default, which is consistent with regulatory requirements;
- Segmentation of the portfolio, where the appropriate model or ECL approach is used;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs; and
- Incorporation of expert judgement in the selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models.

The allowance for credit losses of financial assets as of March 31, 2023 and 2022 are disclosed in Notes 4, 7 and 11. Please refer to Notes 4 and 7 for the information on the carrying values of the financial assets subject to impairment.

b. *Fair value of derivatives*

The fair values of derivatives that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Refer to Note 14 for the information on the fair value of the financial instrument.

c. *Valuation of assets held for sale*

The Company's assets held for sale are carried at the lower of its carrying amount and fair value less costs to sell. Fair value is based on the valuation performed by the internal appraiser. Valuation of assets held for sale is ascertained using the market data approach, wherein current sales prices of identical vehicles, together with the valuation opinions of conversant appraisers are accumulated, compared and thoroughly analyzed. As of March 31, 2023 and 2022, assets held for sale is disclosed in Note 8.

d. *Recognition of deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company has been in a taxable income position over the past several years. The Company believes, based on its expected future taxable income that it is highly probable for temporary differences to be realized in the future.



As of March 31, 2023 and 2022, the carrying value of the recognized net deferred tax assets is disclosed in Note 19.

4. Cash and Cash Equivalents and Due from Bangko Sentral ng Pilipinas

Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	₱2,713,237	₱1,817,360
Cash in banks (Note 21)	1,504,844,062	1,356,135,322
	1,507,557,299	1,357,952,682
Allowance for credit losses (Note 11)	(235,102)	(235,102)
	₱1,507,322,197	₱1,357,717,580

Cash in banks earn annual interest ranging from 0.10% to 0.13% in 2023 and 0.10% to 0.50% in 2022.

Interest earned on cash and cash equivalents amounted to ₱0.98 million and ₱1.24 million in 2023 and 2022, respectively.

Due from BSP

This account consists of:

	2023	2022
Demand deposits	₱2,068,676,595	₱2,351,524,994
Term deposits	2,000,000,000	3,000,000,000
Overnight deposits	1,119,000,000	1,229,000,000
	₱5,187,676,595	₱6,580,524,994

Due from BSP includes non-interest-bearing demand deposit account in 2023 and 2022. It also includes overnight deposit facility that earns annual interest ranging from 1.50% to 5.75% in 2023 and annual interests of 1.50% in 2022 and term deposit facility that earns annual interest ranging from 1.83% to 6.77% in 2023 and from 1.64% to 1.98% in 2022. Total interest earned on Due from BSP amounted to ₱121.51 million and ₱82.88 million in 2023 and 2022, respectively.

On March 23, 2020, the BSP issued BSP Circular No. 1082 reducing the reserve requirements of non-bank financial institutions against deposit and deposit substitute liabilities to 12.00%. RA 7653, *The New Central Bank Act*, defines deposit substitute as a form of obtaining funds from the public, other than deposits, through the issuance, endorsement or acceptance of debt instruments for the purpose of relending or purchase of other receivables and obligations.

Deposit substitutes are subjected to required reserves equivalent to 12% in 2023 and 2022. The required reserves shall be kept in the form of deposits maintained in the Demand Deposit Account (DDA) with the BSP and any government securities which were previously used as compliance until they mature. The Company is in compliance with such regulations as of March 31, 2023 and 2022.

The total available reserves booked under 'Due from BSP' amounted to ₱2.07 billion and ₱2.35 billion as of March 31, 2023 and 2022, respectively.



The allowance for credit losses recognized under 'Cash and cash equivalents' pertains only to cash in banks and cash equivalents. No allowance for credit losses was recognized for Due from BSP as of March 31, 2023 and 2022.

5. Securities Purchased Under Resale Agreement

This account consists of government securities purchased under reverse repurchase agreement with the BSP as counterparty. These government securities, with face value amounting to ₱1.03 billion and ₱551.27 million as of March 31, 2023 and 2022, respectively, were pledged in favor of the Company as collateral for SPURA equivalent to the face value of the government securities. The annual interest is ranging from 1.50% to 6.25% in 2023 and 2.00% in 2022.

Total interest earned on SPURA amounted to ₱35.21 million and ₱11.55 million for the year ended March 31, 2023 and 2022, respectively.

6. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of the Company's golf club shares amounting to nil and ₱1.60 million as of March 31, 2023 and 2022, respectively. In August 2022, the Company sold the golf shares for ₱3.9 million resulting in a gain on sale amounting to ₱2.3 million.

Movement in the fair value changes of financial assets at FVOCI are presented as 'Fair value reserves on financial assets at FVOCI' amounting to nil and ₱0.95 million in 2023 and 2022, respectively.

7. Loans and Receivables

This account consists of:

	2023	2022
Receivables from customers		
Receivables financed	₱13,451,618,671	₱11,859,118,156
Unearned finance income	(1,872,816,225)	(1,550,827,094)
	11,578,802,446	10,308,291,062
Finance lease receivables		
Finance lease receivables	134,623,842,648	120,820,359,920
Residual value of leased assets	816,800	962,200
	134,624,659,448	120,821,322,120
Unearned lease income	(21,489,393,686)	(18,982,094,066)
	113,135,265,762	101,839,228,054
	124,714,068,208	112,147,519,116
Other receivables		
Receivables from clients	132,368,459	145,281,070
Receivables from employees	23,819,916	20,032,854
Accrued interest receivable	1,173,283	316,579
Others	349,478	2,092,445
	157,711,136	167,722,948
Allowance for credit losses (Note 11)	(2,012,015,484)	(2,087,291,365)
	₱122,859,763,860	₱110,227,950,699



Receivables financed earn fixed interest ranging from 6.48% to 18.44% in 2023 and from 6.48% to 17.37% in 2022 while finance lease receivables earn fixed interest ranging from 4.51% to 18.53% in 2023 and from 4.51% to 19.02% in 2022.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

Based on the Company's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. The total modification losses resulting from Bayanihan 1 Act and Bayanihan 2 Act amounted to ₱553.42 million. As of March 31, 2023 and 2022, unamortized modification losses netted against the outstanding balance of Loans receivables amounted to ₱66.97 million and ₱165.27 million, respectively. The subsequent accretion of modification losses amounted to ₱91.29 million in 2023 and ₱165.27 million in 2022.

Interest income on loans and receivables consists of:

	2023	2022
Finance lease receivables	₱10,124,302,921	₱8,717,359,842
Accretion of modification losses	89,853,664	132,380,877
	10,214,156,585	8,849,740,719
Receivables financed	1,011,524,583	889,999,664
Accretion of modification losses	1,432,323	32,890,193
	1,012,956,906	922,889,857
Others	57,886,727	10,245,197
	₱11,285,000,218	₱9,782,875,773

Others consists of operating lease rental revenue from FSL and Kinto and interest income from financing to dealers.

Section 9(f) of RA No. 8556 requires that a 100.00% allowance for credit losses should be set up for the following:

- clean loans and advances past due for a period of more than 6 months;
- past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50.0%, without the borrower offering additional collateral for the loans;
- past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;
- when borrower and his co-maker or guarantor, are insolvent or where their whereabouts are unknown, or their earnings power is permanently impaired;



- e. accrued interest receivable that remain uncollected after six months from the maturity date of such loans to which it accrues; and
- f. accounts receivable past due for 361 days or more.

As of March 31, 2023 and 2022 the Company's allowance for credit losses for loans and receivables is in compliance with the requirements of RA No. 8556.

8. Assets Held for Sale

The rollforward analysis of this account follows:

	2023	2022
Cost		
Balance at beginning of year	₱574,910,952	₱684,281,909
Additions (Note 26)	4,851,656,712	5,188,883,096
Transfers (Note 26)	(2,461,948)	(4,648,041)
Disposal (Note 9)	(5,038,346,626)	(5,293,606,012)
Balance at end of year	385,759,090	574,910,952
Allowance for impairment losses (Note 11)		
Balance at beginning of year	131,915,854	158,130,891
Provision for impairment losses	941,220,630	1,119,490,352
Reversals	(999,152,801)	(1,145,705,389)
Balance at end of year	73,983,683	131,915,854
Net book value	₱311,775,407	₱442,995,098

The Company's assets held for sale consist of repossessed collaterals from customers who have defaulted in their respective loan accounts. These are actively marketed for sale and are expected to be sold within one year from the date of its classification as assets held for sale.

'Gain or (loss) on disposal of assets held for sale' amounted to ₱8.81 million and (₱300.81 million) in 2023 and 2022, respectively (Note 17).

9. Property and Equipment

The composition and movements in this account follow:

	2023					
	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Vehicles	ROU Assets	Total
Cost						
Balances at beginning of year	₱97,381,278	₱242,739,924	₱95,903,286	₱64,320,850	₱208,876,374	₱709,221,712
Acquisitions	33,012,162	43,520,007	40,891,578	367,046,852	97,586,798	582,057,397
Transfers (Notes 8 and 26)	—	—	2,461,948	—	—	2,461,948
Disposals/Expired	—	—	(38,453,060)	(3,330,200)	(43,773,992)	(85,557,252)
Balances at end of year	130,393,440	286,259,931	100,803,752	428,037,502	262,689,180	1,208,183,805

(Forward)



2023						
	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Vehicles	ROU Assets	Total
Accumulated depreciation and amortization						
Balances at beginning of year	₱73,327,243	₱201,581,889	₱35,489,204	₱9,845,876	₱114,378,504	₱434,622,716
Depreciation and amortization	12,227,858	28,093,359	18,917,473	25,274,278	76,871,796	161,384,764
Disposals/Expired	—	—	(23,739,471)	(202,935)	(43,773,993)	(67,716,399)
Balances at end of year	85,555,101	229,675,248	30,667,206	34,917,219	147,476,307	528,291,081
Net book value	₱44,838,339	₱56,584,683	₱70,136,546	₱393,120,283	₱115,212,873	₱679,892,724

2022						
	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Vehicles	ROU Assets	Total
Cost						
Balances at beginning of year	₱86,489,294	₱229,565,677	₱84,555,052	₱23,281,850	₱180,767,232	₱604,659,105
Acquisitions	10,891,984	13,307,025	49,787,091	41,039,000	40,181,400	155,206,500
Transfers (Notes 8 and 26)	—	—	4,648,041	—	—	4,648,041
Disposals/Expired	—	(132,778)	(43,086,898)	—	(12,072,258)	(55,291,934)
Balances at end of year	97,381,278	242,739,924	95,903,286	64,320,850	208,876,374	709,221,712
Accumulated depreciation and amortization						
Balances at beginning of year	67,395,054	158,307,900	38,038,445	4,807,298	51,715,272	320,263,969
Depreciation and amortization	5,932,189	43,319,661	16,561,661	5,038,578	74,735,490	145,587,579
Disposals/Expired	—	(45,672)	(19,110,902)	—	(12,072,258)	(31,228,832)
Balances at end of year	73,327,243	201,581,889	35,489,204	9,845,876	114,378,504	434,622,716
Net book value	₱24,054,035	₱41,158,035	₱60,414,082	₱54,474,974	₱94,497,870	₱274,598,996

The Company has lease contracts for its head office, warehouses and business centers. With the exception of the short-term leases of low-value underlying assets, each lease is reflected on the statements of financial position as ROU asset and a lease liability (Note 20).

As of March 31, 2023 and 2022, property and equipment amounting to ₱282.86 million and ₱184.68 million, respectively, are fully depreciated but are still being used.

As of March 31, 2023 and 2022, the Company has no property and equipment pledged as collateral nor commitments to purchase any Property and Equipment.

10. Software Costs and Other Assets

Software Costs

Movements in software costs follow:

	2023	2022
Cost		
Balances at beginning of year	₱468,961,357	₱250,091,585
Additions	166,073,975	218,869,772
Balances at end of year	635,035,332	468,961,357
Accumulated amortization		
Balances at beginning of year	159,261,093	126,730,793
Amortization	58,949,668	32,530,300
Balance at end of year	218,210,761	159,261,093
Net book value	₱416,824,571	₱309,700,264



In 2023 and 2022, significant additions mainly pertain to the development and enhancement of myToyota Wallet, a new mobile payment solution of the Company, and the continuous development of Kinto One application software.

Amortization of software costs is included in the 'Depreciation and amortization' in the statements of comprehensive income.

Other Assets

This account consists of:

	2023	2022
Prepaid expenses	₱92,472,834	₱74,674,792
Security deposits	26,994,080	20,791,303
Withholding tax receivable	1,971,397	1,551,732
	₱121,438,311	₱97,017,827

Prepaid expenses mainly consist of prepayments on office and warehouse rent, information technology-related costs, local business permit taxes and electronic documentary stamps.

11. Allowance for Credit and Impairment Losses

This account consists of:

	2023	2022
Cash and cash equivalents (Note 4)	₱235,102	₱235,102
Loans and receivables (Note 7)		
Receivables financed	79,085,521	100,437,274
Finance lease receivables	1,932,711,465	1,986,635,593
Other receivables	218,498	218,498
	2,012,015,484	2,087,291,365
Assets held for sale (Note 8)	73,983,683	131,915,854
Balance at end of year	₱2,086,234,269	₱2,219,442,321

As of March 31, 2023 and 2022, the allowance for credit losses for cash in banks and cash equivalents, excluding cash on hand amounting to ₱235,102 is classified under Stage 1.

An analysis of changes in the ECL allowances for receivables from customers as of March 31, 2023 follows:

	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables financed				
Balances as of April 1, 2022	₱9,747,108	₱12,314,105	₱78,376,061	₱100,437,274
Newly originated assets that remained in Stage 1 as at March 31, 2023	6,654,557	—	—	6,654,557
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2023	—	7,944,844	1,439,691	9,384,535
Assets derecognized or repaid	(3,999,598)	(4,458,152)	(39,289,335)	(47,747,085)
Transfer to Stage 1	15,698,369	(6,006,025)	(9,692,344)	—
Transfer to Stage 2	(4,494,903)	13,909,256	(9,414,353)	—

(Forward)



	2023			
	Stage 1	Stage 2	Stage 3	Total
Transfer to Stage 3	(P487,304)	(P997,530)	P1,484,834	P-
Accounts written off	-	(98,320)	(20,102,505)	(20,200,825)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	(6,135,426)	1,567,908	35,124,583	30,557,065
Balance at March 31, 2023	16,982,803	24,176,086	37,926,632	79,085,521
Finance lease receivables				
Balances as of April 1, 2022	207,596,919	190,435,446	1,588,603,228	1,986,635,593
Newly originated assets that remained in Stage 1 as at March 31, 2023	75,500,612	-	-	75,500,612
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2023	-	146,461,904	126,045,201	272,507,105
Assets derecognized or repaid	(93,411,230)	(86,490,952)	(700,836,953)	(880,739,135)
Transfer to Stage 1	165,341,471	(74,241,017)	(91,100,454)	-
Transfer to Stage 2	(82,679,129)	172,390,853	(89,711,724)	-
Transfer to Stage 3	(25,116,112)	(12,934,327)	38,050,439	-
Accounts written off	(7,108,113)	(3,970,149)	(371,159,986)	(382,238,248)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	21,047,871	48,894,371	791,103,296	861,045,538
Balance at March 31, 2023	261,172,289	380,546,129	1,290,993,047	1,932,711,465
Other receivables				
Balance as of April 1, 2022 and March 31, 2023	-	-	218,498	218,498
Allowance for credit losses for loans and receivables				
Balances as of April 1, 2022	217,344,026	202,749,551	1,667,197,787	2,087,291,364
Newly originated assets that remained in Stage 1 as at March 31, 2023	82,155,169	-	-	82,155,169
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2023	-	154,406,748	127,484,893	281,891,641
Assets derecognized or repaid	(97,410,828)	(90,949,104)	(740,126,288)	(928,486,220)
Transfer to Stage 1	181,039,839	(80,247,041)	(100,792,798)	-
Transfer to Stage 2	(87,174,032)	186,300,109	(99,126,077)	-
Transfer to Stage 3	(25,603,415)	(13,931,857)	39,535,272	-
Accounts written off	(7,108,113)	(4,068,469)	(391,262,491)	(402,439,073)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	14,912,446	50,462,278	826,227,879	891,602,603
	P278,155,092	P404,722,215	P1,329,138,177	P2,012,015,484

An analysis of changes in the ECL allowances for receivables from customers as of March 31, 2022 follows:

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables financed				
Balances as of April 1, 2021	P4,833,430	P21,597,343	P72,320,058	P98,750,831
Newly originated assets that remained in Stage 1 as at March 31, 2022	1,942,271	-	-	1,942,271
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2022	-	2,683,133	1,668,181	4,351,314
Assets derecognized or repaid	(1,556,690)	(5,789,841)	(12,650,489)	(19,997,020)
Transfer to Stage 1	30,790,328	(11,217,120)	(19,573,208)	-
Transfer to Stage 2	(2,706,487)	6,423,171	(3,716,684)	-

(Forward)



	2022			
	Stage 1	Stage 2	Stage 3	Total
Transfer to Stage 3	(P264,864)	(P5,054,995)	P5,319,859	P—
Accounts written off	—	(273,984)	(26,018,716)	(26,292,700)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	(23,290,880)	3,946,398	61,027,060	41,682,578
Balance at March 31, 2022	9,747,108	12,314,105	78,376,061	100,437,274
Finance lease receivables				
Balances as of April 1, 2021	138,910,877	271,917,896	1,096,553,840	1,507,382,613
Newly originated assets that remained in Stage 1 as at March 31, 2022	65,251,431	—	—	65,251,431
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2022	—	72,574,162	392,336,746	464,910,908
Assets derecognized or repaid	(44,358,003)	(110,252,163)	(347,954,005)	(502,564,171)
Transfer to Stage 1	199,387,109	(125,474,581)	(73,912,528)	—
Transfer to Stage 2	(77,180,537)	140,765,832	(63,585,295)	—
Transfer to Stage 3	(19,273,757)	(46,826,412)	66,100,169	—
Accounts written off	(3,290,036)	(1,876,584)	(325,990,311)	(331,156,931)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	(51,850,165)	(10,392,704)	845,054,612	782,811,743
Balance at March 31, 2022	207,596,919	190,435,446	1,588,603,228	1,986,635,593
Other receivables				
Balance as of April 1, 2021 and March 31, 2022	—	—	218,498	218,498
Allowance for credit losses for loans and receivables				
Balances as of April 1, 2021	143,744,308	293,515,238	1,169,092,395	1,606,351,941
Newly originated assets that remained in Stage 1 as at March 31, 2022	67,193,701	—	—	67,193,701
Newly originated assets that moved to Stage 2 and Stage 3 as at March 31, 2022	—	75,257,295	394,004,929	469,262,224
Assets derecognized or repaid	(45,914,693)	(116,042,004)	(360,604,494)	(522,561,191)
Transfer to Stage 1	230,177,437	(136,691,701)	(93,485,736)	—
Transfer to Stage 2	(79,887,025)	147,189,004	(67,301,979)	—
Transfer to Stage 3	(19,538,621)	(51,881,407)	71,420,028	—
Accounts written off	(3,290,036)	(2,150,568)	(352,009,027)	(357,449,631)
Impact on year-end ECL exposures transferred between stages during the year and change in assumptions	(75,141,045)	(6,446,306)	906,081,671	824,494,320
	P217,344,026	P202,749,551	P1,667,197,787	P2,087,291,364

Below is the breakdown of provision for credit and impairment losses:

	2023	2022
Loans and receivables (Note 7)		
Finance lease receivables	P328,314,120	P810,409,911
Receivables financed	(1,150,928)	27,979,143
	327,163,192	838,389,054
Assets held for sale (Note 8)	941,220,630	1,119,490,352
	P1,268,383,822	P1,957,879,406

With the foregoing level of allowance for credit and impairment losses, management believes that the Company has sufficient allowance to absorb any losses that may be incurred from the non-collection or nonrealization of its receivables and assets held for sale.



12. Loans Payable

This account consists of:

	2023	2022
Domestic bank loans (Note 21)	₱54,367,370,750	₱45,376,424,681
Fixed rate notes	9,967,524,446	11,934,273,125
Notes payable	7,251,163,062	7,551,654,356
Bonds payable		
Bank of Tokyo - Mitsubishi UFJ, Ltd. - Japan Branch (Note 14)	9,175,524,410	7,415,939,653
Sumitomo Mitsui Banking Corporation - Japan Branch (Note 14)	7,951,867,674	5,021,773,199
Foreign bank loans		
Toyota Motor Finance -- Netherlands B.V.	6,769,806,557	5,146,968,768
Japan Bank for International Cooperation	5,686,599,230	5,399,907,968
The Norinchukin Bank - Singapore Branch (Note 14)	5,426,139,071	6,446,005,956
Mizuho Bank Ltd. - Singapore Branch (Note 14)	5,421,185,182	6,448,895,558
The Shizuoka Bank, Ltd. - Hongkong Branch	2,571,954,155	2,556,863,016
Resona Bank Ltd. - Nagoya Branch (Note 14)	—	1,292,553,136
	₱114,589,134,537	₱104,591,259,416

Bank loans

Domestic bank loans bear interest rates ranging from 2.97% to 8.70% in 2023 and 2.50% to 8.70% in 2022. As of March 31, 2023 and 2022, the Company's bank loans have maturity periods of 7 months to 5 years and 6 month to 5 years, respectively.

Fixed rate notes

On December 11, 2020, the Company issued retail fixed rates notes amounting to ₱4.00 billion and an additional ₱4.00 billion on May 5, 2021, ₱4.00 billion on October 28, 2021 and ₱4.00 billion on May 4, 2022.

As of March 31, 2023 and 2022, the Company's retail fixed rate notes bear interest rates ranging from 2.39% to 3.90% and 2.39% to 3.02%, respectively and have maturity period of 18 to 24 months in 2023 and 2022.

Notes payable

Notes payable pertains to retail notes issued by the Company that bear interest rates ranging from 2.00% to 6.25% in 2023 and 1.13% to 5.88% 2022. As of March 31, 2023 and 2022, the Company's notes payable have maturity period of 1 month to 3 years.

Bonds payable from Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) - Japan Branch

The private bonds were subscribed by BTMU Japan Branch under various subscription agreements as follows:

	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)*
Series 7	July 27, 2020	July 27, 2023	25.00 million	1,355.67 million
Series 8	March 9, 2021	March 7, 2025	25.00 million	1,348.86 million
Series 9	June 15, 2021	June 14, 2024	25.00 million	1,351.47 million
Series 10	November 18, 2021	November 18, 2024	25.00 million	1,348.32 million
Series 11	January 19, 2022	January 19, 2024	25.00 million	1,352.55 million
Series 12	March 22, 2022	March 22, 2024	20.00 million	1,080.55 million
Series 13	March 14, 2023	March 13, 2026	25.00 million	1,348.50 million

*Outstanding balance is net of documentary stamp tax and deferred charges.



Interest on the private bond issue is payable quarterly based on the 3-month USD Intercontinental Exchange (ICE) London Interbank Offer Rate (LIBOR) plus agreed spread for Series 7 and the 3-month USD ICE LIBOR for Series 8 without spread.

Interest on the private bond issue are payable quarterly based on the 3-month Modified Following Business Day Convention for series 9 to 13 without spread.

The Company also entered into a cross-currency interest rate swap agreements with BTMU Manila Branch which was designated by the Company as a cash flow hedge (see Note 14).

Bonds payable from Sumitomo Mitsui Banking Corporation (SMBC) - Japan Branch

The Company and SMBC Japan Branch entered into a bond purchase agreement where SMBC Japan Branch as the "Purchaser" of the entire amount of bonds. Details of the loan are as follows:

	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Series 2	September 17, 2020	September 19, 2023	25.00 million	1,352.18 million
Series 3	November 20, 2020	November 20, 2024	25.00 million	1,334.46 million
Series 4	September 15, 2021	September 15, 2026	25.00 million	1,311.91 million
Series 5	February 7, 2022	February 7, 2025	25.00 million	1,337.83 million
Series 6	September 22, 2022	September 22, 2025	25.00 million	1,320.04 million
Series 7	November 28, 2022	November 27, 2026	25.00 million	1,295.45 million

Interest is payable semi -annually based on 6-month USD Libor for Series 2 and 3 without spread.

Interest is payable semi -annually based on 6-month Modified Following Business Day Convention for Series 4 to 7 without spread.

Bank loan from Toyota Motor Finance - Netherlands

The Company and TMFNL entered into a term loan agreement where TMFNL granted the Company a committed term loan facility. Details of the loan are as follows:

	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 1	June 10, 2020	June 13, 2023	25.00 million	1,358.32 million
Tranche 2	January 26, 2021	January 26, 2024	25.00 million	1,356.43 million
Tranche 3	November 24, 2021	November 24, 2025	25.00 million	1,352.47 million
Tranche 4	December 15, 2021	December 13, 2024	25.00 million	1,353.40 million
Tranche 5	November 17, 2022	May 18, 2026	25.00 million	1,349.19 million

Interest is payable quarterly based on 3-month USD LIBOR with spread for Tranche 1, and without spread for Tranche 2.

Interest is payable quarterly based on 3-month Modified Following Business Day Convention without spread for Tranches 3 to 5.



Bank loan from Japan Bank for International Cooperation (JBIC)

The Company and JBIC entered into a term loan agreement where JBIC granted the Company a committed term loan facility in a maximum aggregate amount of US\$105.00 million. Details of the loan are as follows:

	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 1	July 13, 2021	May 12, 2025	75.00 million	4,063.51 million
Tranche 2	January 25, 2022	December 8, 2025	30.00 million	1,623.09 million

Interest is payable semi-annually based on 6-month Modified Following Business Day Convention without spread.

Bank loan from The Norinchukin Bank (TNB) - Singapore Branch

The Company and TNB Singapore Branch entered into a term loan agreement where TNB Singapore Branch granted the Company a committed term loan facility. Details of the loan are as follows:

	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 1	August 28, 2018	August 30, 2022	25.00 million	–
Tranche 4	June 19, 2019	June 19, 2023	25.00 million	1,358.40 million
Tranche 5	October 21, 2020	October 21, 2024	25.00 million	1,356.13 million
Tranche 6	October 26, 2020	October 26, 2023	25.00 million	1,357.54 million
Tranche 7	April 21, 2021	April 21, 2025	25.00 million	1,354.07 million

Interest is payable quarterly based on 3-month USD LIBOR BBA plus agreed spread for Tranche 1, and without spread for Tranches 4 to 6.

Interest is payable quarterly based on 3-month Modified Following Business Day Convention without spread for Tranche 7.

Bank loan from Mizuho Bank Ltd. - Singapore Branch

The Company and Mizuho Singapore Branch entered into various term loan agreement where Mizuho Singapore Branch granted the Company a committed term loan facility. Details of the loan are as follows:

	Date Drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 6	June 6, 2018	June 6, 2022	25.00 million	–
Tranche 7	July 24, 2019	July 25, 2022	25.00 million	–
Tranche 8	September 8, 2020	September 8, 2023	25.00 million	1,357.57 million
Tranche 9	February 23, 2021	February 23, 2024	25.00 million	1,356.14 million
Tranche 10	April 13, 2021	April 15, 2024	25.00 million	1,355.65 million
Tranche 11	July 26, 2022	July 26, 2024	25.00 million	1,351.83 million

Interest is payable quarterly based on 3-month USD ICE LIBOR plus agreed spread for Tranches 6 to 8, and without spread for Tranche 9.

Interest is payable quarterly based on 3-month Modified Following Business Day Convention: PH, NY and SG Holidays without spread for Tranches 10 to 11.

The Company also entered into a cross-currency interest rate swap agreements with Mizuho Singapore Branch which was designated by the Company as a cash flow hedge (see Note 14).



Bank loan from The Shizuoka Bank, Ltd. (TSB) - Hongkong Branch

On October 24, 2019, the Company and TSB Hongkong Branch entered into a term loan agreement where TSB Hongkong Branch granted the Company a committed term loan facility in a maximum aggregate amount of US\$25.00 million. Details of the loan are as follows:

	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 1	October 24, 2019	October 24, 2022	25.00 million	—

Interest is payable quarterly based on 3-month USD LIBOR BBA plus agreed spread.

On January 21, 2021, the Company and TSB Hongkong Branch entered into a term loan agreement where TSB Hongkong Branch granted the Company a committed term loan facility in a maximum aggregate amount of JPY3 billion. Details of the loan are as follows:

	Date drawn	Maturity Date	Principal Amount (in JPY)	Outstanding Balance (in PHP)
Tranche 2	January 21, 2021	January 21, 2025	3.00 billion	1,222.88 million

Interest is payable quarterly based on 3-month Modified Following Business Day Convention without spread.

On February 21, 2023, the Company and TSB Hongkong Branch entered into a term loan agreement where TSB Hongkong Branch granted the Company a committed term loan facility in a maximum aggregate amount of US\$25.00 million. Details of the loan are as follows:

	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 3	February 21, 2023	February 21, 2025	25.00 million	1,349.08 million

Interest is payable quarterly based on 6-month Modified Following Business Day Convention without spread.

Bank loan from Resona Bank Limited (RBL) - Nagoya Branch

On June 29, 2018, the Company and RBL Nagoya Branch entered into a term loan agreement where RBL Nagoya Branch granted the Company a committed term loan facility in a maximum aggregate amount of US\$25.00 million. Details of the loan are as follows:

	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 1	July 19, 2018	July 19, 2022	25.00 million	—

Interest is payable quarterly based on 3-month USD LIBOR BBA plus agreed spread.

Bank loan from Mitsubishi UFJ Trust and Banking Corporation (MUTB) - Singapore Branch

On September 22, 2017, the Company and MUTB Singapore Branch entered into a loan agreement where MUTB Singapore Branch granted the Company an uncommitted loan facility in a maximum aggregate amount of US\$50.00 million. Details of the loan, which are all settled as of March 31, 2023, are as follows:

	Date drawn	Maturity Date	Principal Amount (in US\$)	Outstanding Balance (in PHP)
Tranche 2	January 17, 2018	January 18, 2022	25.00 million	—



Interest is payable quarterly based on 3-month USD LIBOR plus agreed spread. The Company also entered into a cross-currency interest rate swap agreements with MUTB Singapore Branch which was designated by the Company as a cash flow hedge (see Note 14).

Interest expense on loans payable consists of:

	2023	2022
Bank loans	₱2,647,553,746	₱2,298,594,955
Fixed rate notes	447,769,796	312,733,981
Bonds payable from BTMU	352,042,228	303,397,591
Bonds payable from SMBC	334,333,823	232,914,844
Bank loan from Mizuho Singapore Branch	300,794,662	439,441,389
Bank loan from TNB Singapore Branch	288,139,768	337,007,489
Bank loan from TMFNL – Netherlands	283,110,007	132,843,750
Bank loan from JBIC	224,610,369	117,019,603
Notes payable	207,374,181	149,545,586
Bank loan from TSB Hongkong Branch	101,962,942	119,696,356
Bank loan from RBL Nagoya Branch	25,658,173	99,029,085
Bank loan from MUTB Singapore Branch	–	89,330,208
	₱5,213,349,695	₱4,631,554,837

As of March 31, 2023 and 2022, the outstanding loans payable are unsecured.

The amortized transaction costs on loans are ₱92.87 million and ₱76.92 million in 2023 and 2022, respectively.

13. Accounts Payable and Other Liabilities

This account consists of:

	2023	2022
Accounts payable (Note 21)	₱1,819,712,578	₱675,049,903
Accrued expenses	872,871,986	469,283,284
Accrued interest payable	713,014,179	549,288,310
Retirement liability (Note 18)	82,519,417	61,186,644
Withholding tax payable	58,397,990	40,059,452
Others	2,683,699	2,114,320
	₱3,549,199,849	₱1,796,981,913

Accounts payable includes trade payable to dealers which are non-interest-bearing. Payable to dealers pertain to proceeds for the purchase of the vehicle by the customer through financing.

Accrued expenses pertain to accrual of gross receipts tax (GRT) and fringe benefit tax, accrual of unbilled utilities, employees' compensated leaves and absences and accrual of BSP annual supervision fees.

Others consist of Social Security System, Medicare, employees' compensation premium and home development mutual fund payable.



14. Derivatives

The breakdown of derivative asset (liability) as of March 31, 2023 and 2022 follows:

	2023	2022
Derivative asset	₱1,976,750,691	₱665,835,309
Derivative liability	(542,583,875)	(405,073,340)
	₱1,434,166,816	₱260,761,969

The movements in fair value changes of the derivative asset (liability) follow:

	2023	2022
Beginning balance	₱260,761,969	(₱1,919,819,763)
Net movement in nominal amount	1,345,220,000	2,450,900,000
Net changes in fair value of derivatives	(171,815,153)	(270,318,268)
	₱1,434,166,816	₱260,761,969

Currency swap agreements with Mizuho Bank, Ltd. Manila Branch

The Company entered into a currency swap agreement with Mizuho Manila Branch to hedge foreign currency in the foreign currency availed from Mizuho Singapore branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
June 15, 2017	Tranche 4	₱1.23 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.70% from June 15, 2017-June 15, 2021.	2023: ₱- 2022: 25.49	2023: ₱- 2022: -
March 7, 2018	Tranche 5	1.30 billion	Pays fixed interest rate of 5%-6% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from March 7, 2018-March 7, 2022.	2023: - 2022: 122.17	2023: - 2022: -
June 6, 2018	Tranche 6	1.32 billion	Pays fixed interest rate of 6%-7% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.50% from June 6, 2018-June 6, 2022.	2023: 34.50 2022: 132.82	2023: - 2022: (34.50)
July 24, 2019	Tranche 7	1.28 billion	Pays fixed interest rate of 5%-6% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.70% from July 24, 2019-July 25, 2022.	2023: 4.18 2022: 124.62	2023: - 2022: (4.18)
September 8, 2020	Tranche 8	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.80% from September 8, 2020-September 8, 2023.	2023: 74.62 2022: 101.28	2023: 161.11 2022: 86.49
February 23, 2021	Tranche 9	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month USD ICE LIBOR from February 23, 2021-February 23, 2024.	2023: 69.58 2022: 51.20	2023: 113.26 2022: 43.68



Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
April 13, 2021	Tranche 10	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from April 13, 2021-April 15, 2024.	2023: ₱ 73.74 2022: 21.91	2023: ₱95.26 2022: 21.91
July 26, 2022	Tranche 11	₱1.41 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from July 26, 2022-July 26, 2024.	2023: (₱79.71) 2022: –	2023: (₱79.71) 2022: –

Currency swap agreements with BTMU Manila Branch

The Company entered into a currency swap agreement with BTMU Manila Branch to hedge foreign currency in the foreign currency availed from BTMU Japan branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
August 10, 2017	Series 4	₱1.26 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from August 10, 2017-August 10, 2021.	2023: ₱– 2022: 60.12	2023: ₱– 2022: –
November 21, 2018	Series 5	1.32 billion	Pays fixed interest rate of 6%-7% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from November 21, 2018-November 19, 2021.	2023: – 2022: 147.51	2023: – 2022: –
September 18, 2019	Series 6	1.30 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from September 18, 2019-September 17, 2021.	2023: – 2022: 97.15	2023: – 2022: –
July 27, 2020	Series 7	1.24 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus .040% from July 27, 2020-July 23, 2023.	2023: 79.83 2022: 101.64	2023: 137.66 2022: 57.83
March 9, 2021	Series 8	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from March 9, 2021-March 7, 2025.	2023: 60.33 2022: 42.54	2023: 75.89 2022: 15.56
June 15, 2021	Series 9	1.19 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from June 15, 2021-June 14, 2024.	2023: 58.61 2022: 70.16	2023: 128.77 2022: 70.16
November 18, 2021	Series 10	1.25 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from November 18, 2021-November 18, 2024.	2023: 57.59 2022: (2.03)	2023: 55.45 2022: (2.03)



Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
January 19, 2022	Series 11	1.28 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from January 19, 2022-January 19, 2024.	2023: ₱66.77 2022: (16.94)	2023: ₱49.83 2022: (16.94)
March 22, 2022	Series 12	1.05 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from March 22, 2022-March 22, 2024.	2023: 51.16 2022: (32.71)	2023: 18.44 2022: (32.71)
March 14, 2023	Series 13	₱1.05 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from March 14, 2023-March 13, 2026.	2023: ₱25.42 2022: -	2023: ₱25.42 2022: -

Currency swap agreements with MUTB Manila Branch

The Company entered into a currency swap agreement with MUTB Manila Branch to hedge foreign currency in the foreign currency availed from MUTB Singapore Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
November 22, 2017	Tranche 1	₱1.27 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.80% from November 22, 2017-November 22, 2021.	2023: ₱- 2022: 80.34	2023: ₱- 2022: -
January 17, 2018	Tranche 2	1.26 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.80% from January 17, 2018-January 18, 2022.	2023: - 2022: 79.53	2023: - 2022: -

Currency swap agreements with The Hongkong and Shanghai Banking Corporation (HSBC) Manila Branch

The Company entered into a currency swap agreement with HSBC Manila Branch to hedge foreign currency in the foreign currency availed from RBL Nagoya Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
July 19, 2018	Tranche 1	₱1.33 billion	Pays fixed interest rate of 6%-7% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.65% from July 19, 2018-July 19, 2022.	2023: ₱62.70 2022: 118.94	2023: ₱- 2022: (62.70)



Currency swap agreements with Australia and New Zealand Banking Group Limited (ANZ) Manila Branch

The Company entered into a currency swap agreement with ANZ Manila Branch to hedge foreign currency in the foreign currency availed from TNB Singapore Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
August 28, 2018	Tranche 1	₱1.33 billion	Pays fixed interest rate of 6%-7% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.80% from August 28, 2018-August 30, 2022.	2023: ₱57.56 2022: 121.51	2023: ₱- 2022: (57.56)
April 3, 2019	Tranche 3	1.31 billion	Pays fixed interest rate of 5%-6% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from April 3, 2019-April 6, 2021.	2023: - 2022: 114.27	2023: - 2022: -
June 19, 2019	Tranche 4	1.30 billion	Pays fixed interest rate of 5%-6% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from June 19, 2019-June 19, 2023.	2023: 73.95 2022: 125.80	2023: 54.72 2022: 19.24
October 21, 2020	Tranche 5	1.21 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from October 21, 2020-October 21, 2024.	2023: 53.82 2022: 36.93	2023: 99.95 2022: 46.12
October 26, 2020	Tranche 6	1.22 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from October 26, 2020-October 26, 2023.	2023: 67.71 2022: 56.63	2023: 124.49 2022: 56.78
April 21, 2021	Tranche 7	₱1.21 billion	Pays fixed interest rate of 5%-6% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from April 21, 2021-April 21, 2025.	2023: ₱56.98 2022: 23.54	2023: ₱80.52 2022: 23.54

Currency swap agreements with SMBC Manila Branch

The Company entered into a currency swap agreement with SMBC Manila Branch to hedge foreign currency in the foreign currency availed from SMBC Japan Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
February 7, 2019	Series 1	₱1.31 billion	Pays fixed interest rate of 5%-6% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 0.80% from February 7, 2019-February 7, 2020.	2023: ₱- 2022: 141.28	2023: ₱- 2022: -
September 17, 2020	Series 2	1.21 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 6-month USD ICE LIBOR from September 17, 2020-September 19, 2023.	2023: 75.44 2022: 65.08	2023: 129.05 2022: 53.61
November 20, 2020	Series 3	1.21 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 6-month USD ICE LIBOR from November 20, 2020-November 20, 2024.	2023: 55.65 2022: 38.13	2023: 91.90 2022: 1.89



Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
September 15, 2021	Series 4	1.25 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from September 15, 2021 to September 15, 2026.	2023: ₱50.29 2022: 19.66	2023: ₱50.29 2022: 19.66
February 7, 2022	Series 5	1.28 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from February 7, 2022-February 7, 2025.	2023: 55.94 2022: (31.22)	2023: 24.72 2022: (31.22)
September 16, 2022	Series 6	1.43 billion	Pays fixed interest rate of 5%-6% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from September 22, 2022-September 22, 2025.	2023: (103.90) 2022: -	2023: (103.90) 2022: -
November 28, 2022	Series 7	₱1.43 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from November 28, 2022-November 27, 2026.	2023: (₱124.32) 2022: -	2023: (₱124.32) 2022: -

Currency swap agreement with Standard Chartered Bank (SCB) Manila Branch

The Company entered into a currency swap agreement with SCB Manila Branch to hedge foreign currency in the foreign currency availed from TSB Singapore Branch and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
October 24, 2019	Tranche 1	₱1.28 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from October 24, 2019-October 24, 2022.	2023: (₱8.6) 2022: 100.61	2023: ₱-- 2022: 8.6
January 21, 2021	Tranche 2	1.39 billion	Pays fixed interest rate of 3%-4% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from January 21, 2021-January 21, 2025.	2023: (46.93) 2022: (20.90)	2023: (107.87) 2022: (60.94)
February 21, 2023	Tranche 3	₱1.38 billion	Pays fixed interest rate of 6%-7% p.a. and receives floating interest rate at 6-month Modified Following Business Day Convention from February 21, 2023 to February 21, 2025.	2023: (₱12.64) 2022: -	2023: (₱12.64) 2022: -



Currency swap agreement with Citibank, N.A. Manila Branch

The Company entered into a currency swap agreement with Citibank Manila Branch to hedge foreign currency in the foreign currency availed from Toyota Motor Finance Netherland and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
June 10, 2020	Tranche 1	₱1.25 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 3-month USD ICE LIBOR plus 1.37% from June 10, 2020-June 13, 2023.	2023: ₱62.13 2022: 97.21	2023: ₱119.10 2022: 56.97
January 26, 2021	Tranche 2	1.20 billion	Pays fixed interest rate of 3%-4% p.a. and receives floating interest rate at 3-month USD ICE LIBOR from January 26, 2021-January 26, 2024.	2023: 63.62 2022: 46.57	2023: 129.51 2022: 65.89
November 24, 2021	Tranche 3	1.27 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from November 24, 2021-November 24, 2025.	2023: 48.83 2022: (23.90)	2023: 24.93 2022: (23.90)
December 15, 2021	Tranche 4	1.26 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from December 15, 2021-December 13, 2024.	2023: 37.34 2022: (1.56)	2023: 35.78 2022: (1.56)
November 17, 2022	Tranche 5	1.44 billion	Pays fixed interest rate of 6%-7% p.a. and receives fixed interest rate at 3-month Modified Following Business Day Convention from November 17, 2022 to May 18, 2026.	2023: (₱108.19) 2022: -	2023: (₱108.19) 2022: -

The Company entered into a currency swap agreement with MUFG Manila Branch to hedge foreign currency in the foreign currency availed from Japan Bank for International Cooperation and interest risks in its corresponding loans. Details of the loan and the swap are as follows:

Date of Swap	Hedged item	Nominal Amount	Terms of the currency swap agreement	FV changes recognized in OCI (in millions)	Derivative asset (liability) (in millions)
July 13, 2021	Tranche 1	₱3.75 billion	Pays fixed interest rate of 4%-5% p.a. and receives fixed interest rate at 6-month Modified Following Business Day Convention from July 13, 2021-May 12, 2025.	2023: ₱147.91 2022: 2.79	2023: ₱150.69 2022: 2.79
January 25, 2022	Tranche 2	1.54 billion	Pays fixed interest rate of 4%-5% p.a. and receives floating interest rate at 6-month Modified Following Business Day Convention January 25, 2022 to December 8, 2025.	2023: 51.64 2022: (57.59)	2023: 5.95 2022: (57.59)

The cross-currency interest rate swaps are initially recognized at a fair value of zero (0) at inception date since the cash flow hedge was designated for hedge accounting. Such derivative financial instruments are subsequently remeasured at fair value.

The credit risk standing of the Company and the counterparty-banks are both good, and at reporting date, there are no known or significant events or circumstances that would adversely affect the credit risk standings of both counter parties. The terms of the hypothetical derivative match the critical terms of the hedged item.



The Company identified the possible sources of ineffectiveness:

- the timing of the interest payments wherein actual interest payments for the underlying loan and the swap; and
- the maturity date of the underlying loan does not coincide with the maturity date of the cross-currency interest rate swaps or non-renewal of the cross-currency interest rate swaps.

The Company does neither foresee nor intend to change the timing of the interest payments. Also, non-renewal of cross-currency interest rate swaps shall only transpire if and only if the market conditions on renewal date becomes favorable to the Company. There were no other sources of ineffectiveness in these hedge relationships as of March 31, 2023 and 2022.

An economic relationship exists between the hedged items and hedging instrument as the critical terms of the loan and the derivative match.

Hedge effectiveness is assessed at inception of the hedge, at each reporting date, and upon a significant change in the circumstances affecting the hedge effectiveness. At reporting date, hedge ratio is calculated for the hedging instrument. As of the inception and reporting date, the hedge ratio is 1:1 or 100.00.

As of March 31, 2023 and 2022, the Company has the following instruments with maturities of 1 to 5 years to hedge exposures to changes in interest rates and foreign exchange currency rates:

	2023	2022
Cross-currency interest rate swaps		
Nominal amount	₱40,888,250,000	₱38,954,500,000
Average foreign exchange rate	49.36	48.39
Average fixed interest rate	4.63%	4.49%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness in as of and for the year ended March 31, 2023 and 2022 were as follows:

Cross-currency interest rate swaps	Nominal amount	Carrying amount	Changes in fair values	Changes in the value of the hedging instrument recognized in OCI	Hedge ineffectiveness recognized in statement of income	Amount reclassified from the 'Cash flow hedge reserve' to statement of income
2023	₱40,888,250,000	₱1,434,166,816	(₱171,815,153)	₱171,815,153	₱-	₱-
2022	38,954,500,000	260,761,969	(270,318,268)	270,318,268	-	-

The Company's financial instruments designated as hedged items in cash flow hedge relationships follow:

	2023	2022
Floating/fixed rate dollar-denominated notes		
Change in value used for calculating hedge ineffectiveness	₱171,815,153	₱270,318,269
Cash flow hedge reserve	(775,794,888)	(646,933,523)



The movements in cash flow hedge reserve follow:

	2023	2022
Beginning balance	(P862,578,031)	(P592,259,762)
Net unrealized loss on cash flow hedges	(171,815,153)	(270,318,269)
Ending balance (gross of tax)	(1,034,393,184)	(862,578,031)
Deferred tax	258,598,296	215,644,508
Ending balance (net of tax)	(P775,794,888)	(P646,933,523)

15. Deposits on Lease Contracts

Deposits on lease contracts consist of deposits from lessees and customers of finance lease receivables to serve as security for the prompt and faithful performance of the terms and conditions of the contracts. Such deposits are applied as lease payments at the end of the lease term subject to terms and conditions of the contract. This account also consists of guaranteed deposits from lessees of the Company's vehicles which are collected upfront and to be refunded by the latter upon the end of lease term or forfeited upon pre-termination and refundable bid bond deposit which are collected from regular bidders of repossessed units and to be refunded if the bidder will no longer participate in Company's bidding.

The maturity information of deposits on lease contracts follow:

	2023	2022
Within 1 year	P816,800	P962,200
Beyond 1 year but not beyond 5 years	36,186,986	15,011,361
	P37,003,786	P15,973,561

16. Maturity Analysis of Assets and Liabilities

The following tables present the assets and liabilities as of March 31, 2023 and 2022 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2023			2022		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and cash equivalents	P1,507,557,299	P-	P1,507,557,299	P1,357,952,683	P-	P1,357,952,683
Due from BSP	5,187,676,595	-	5,187,676,595	6,580,524,994	-	6,580,524,994
SPURA	1,034,162,082	-	1,034,162,082	551,268,962	-	551,268,962
Financial assets at FVOCI	-	-	-	-	1,600,000	1,600,000
Loans and receivables						
Receivables from customers						
Receivables financed	5,150,232,410	8,301,386,261	13,451,618,671	4,524,424,563	7,334,693,593	11,859,118,156
Finance lease receivables	43,844,456,938	90,780,202,510	134,624,659,448	37,290,642,906	83,530,679,214	120,821,322,120
Other receivables						
Receivables from clients	132,368,459	-	132,368,459	145,281,070	-	145,281,070
Receivables from employees	7,560,889	16,259,027	23,819,916	8,090,415	11,942,441	20,032,856
Accrued interest receivable	1,173,283	-	1,173,283	316,578	-	316,578
Others	349,478	-	349,478	2,092,445	-	2,092,445
Derivative asset	-	1,976,750,691	1,976,750,691	-	665,835,309	665,835,309
Other assets						
Security deposits	-	26,994,080	26,994,080	-	20,791,303	20,791,303
	56,865,537,433	101,101,592,569	157,967,130,002	50,460,594,616	91,565,541,860	142,026,136,476

(Forward)



	2023			2022		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Nonfinancial Assets						
Assets held for sale	P385,759,090	P-	P385,759,090	P574,910,952	P-	P574,910,952
Property and equipment	-	1,207,560,265	1,207,560,265	-	709,221,711	709,221,711
Software costs	-	635,035,332	635,035,332	-	468,961,357	468,961,357
Deferred tax assets	-	794,909,198	794,909,198	-	779,188,437	779,188,437
Other assets						
Prepaid expenses	92,472,834	-	92,472,834	74,674,792	-	74,674,792
Withholding tax receivable	1,971,397	-	1,971,397	1,551,732	-	1,551,732
	480,203,321	2,637,504,795	3,117,708,116	651,137,476	1,957,371,505	2,608,508,981
Less: Unearned finance and lease income	10,548,482,427	12,813,727,484	23,362,209,911	8,830,557,980	11,702,363,181	20,532,921,161
Allowance for credit and impairment losses	153,522,803	1,932,711,466	2,086,234,269	232,806,729	1,986,635,593	2,219,442,322
Accumulated depreciation and amortization	-	745,878,302	745,878,302	-	593,883,808	593,883,808
	P46,643,735,524	P88,246,780,112	P134,890,515,636	P42,048,367,383	P79,240,030,783	P121,288,398,166
	2023			2022		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Liabilities						
Loans payable						
Bank loans	P13,929,833,045	P40,437,537,705	P54,367,370,750	P17,375,204,360	P28,001,220,321	P45,376,424,681
Fixed rate notes	7,500,000,000	2,467,524,446	9,967,524,446	6,000,000,000	5,934,273,125	11,934,273,125
Notes payable	7,009,439,408	241,723,654	7,251,163,062	7,279,777,100	271,877,256	7,551,654,356
Bonds payable from BTMU Japan	5,436,000,000	3,739,524,410	9,175,524,410	-	7,415,939,653	7,415,939,653
Bank loan from Mizuho Singapore	2,718,000,000	2,703,185,182	5,421,185,182	2,587,000,000	3,861,895,557	6,448,895,557
Bank loan from TNB Singapore	2,718,000,000	2,708,139,071	5,426,139,071	1,293,500,000	5,152,505,956	6,446,005,956
Bank loan from JBIC	-	5,686,599,230	5,686,599,230	-	5,399,907,970	5,399,907,970
Bank loan from TMFNL	2,718,000,000	4,051,806,557	6,769,806,557	-	5,146,968,768	5,146,968,768
Bonds payable from SMBC Japan	1,359,000,000	6,592,867,674	7,951,867,674	-	5,021,773,198	5,021,773,198
Bank loan from TSB Hongkong	1,349,075,018	1,222,879,137	2,571,954,155	1,291,538,561	1,265,324,455	2,556,863,016
Bank loan from RBL Japan	-	-	-	1,292,553,136	-	1,292,553,136
	44,737,347,471	69,851,787,066	114,589,134,537	37,119,573,157	67,471,686,259	104,591,259,416
Derivative liability	-	542,583,875	542,583,875	-	405,073,340	405,073,340
Accounts payable and other liabilities						
Accounts payable	1,819,712,578	-	1,819,712,578	675,049,903	-	675,049,903
Accrued interest payable	219,072,804	493,941,375	713,014,179	189,333,577	359,954,735	549,288,312
Accrued expenses	651,776,583	-	651,776,583	296,136,369	-	296,136,369
Deposits on lease contracts	816,800,000	36,186,986	37,003,786	962,200	15,011,361	15,973,561
Lease liability	31,664,880	46,161,979	77,826,859	61,761,278	12,941,136	74,702,414
	47,460,391,116	70,970,661,281	118,431,052,397	38,342,816,484	68,264,666,831	106,607,483,315
Nonfinancial Liabilities						
Income tax payable	127,868,863	-	127,868,863	92,042,079	-	92,042,079
Accounts payable and other liabilities						
Accrued expenses	221,095,403	-	221,095,403	173,146,915	-	173,146,915
Withholding tax payable	58,397,990	-	58,397,990	40,059,451	-	40,059,451
Retirement liability	-	82,519,417	82,519,417	-	61,186,644	61,186,644
Others	2,683,699	-	2,683,699	2,114,319	-	2,114,319
	410,045,955	82,519,417	492,565,372	307,362,764	61,186,644	368,549,408
	P47,870,437,071	P71,053,180,698	P118,923,617,769	P38,650,179,248	P68,325,853,475	P106,976,032,723

17. Service Fees and Other Income

This account consists of:

	2023	2022
Recoveries from accounts written off	P182,845,115	P45,910,931
Service and other fees/losses	44,442,515	509,418,000
Gain (loss) on disposal of assets held for sale	8,800,928	(300,810,294)
Others	2,378,995	1,195,645
	P238,467,553	P255,714,282



Service and other fees include income from late payments and penalty charges, service charges, and subsidy income. Service charges are collected from processing and registration fees. Penalty charges are charges imposed on customers upon default of their amortization payments. Subsidy income is the amount of subsidies granted by Toyota Motors Philippines (TMP) to the Company to compensate for the reduction in interest offered on the amount financed. This also includes gains and losses on disposal of assets held for sale amounted to ₱8.81 million and (₱300.81) million in 2023 and 2022, respectively.

‘Others’ includes gain on disposal of property and equipment, which amounted to ₱2.3 million and ₱1.19 million in 2023 and 2022, respectively (Note 9).



The Company has a funded, noncontributory benefit retirement plan covering all its employees with regular employment status. Changes in net retirement liability in 2023 are as follows:

Changes in net retirement asset in 2022 are as follows:

	Remeasurements in other comprehensive income									
	April 1, 2021	Net benefit cost in statement of comprehensive income			Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in financial assumptions	Subtotal	March 31, 2022
		Current service cost*	Net interest*	Contributions						
Present value of defined benefit obligation	P120,051,658	P16,659,269	P5,522,376	P-	P22,181,645	(P4,473,103)	P-	P1,824,387	P1,824,387	P139,314,587
Fair value of plan assets	(64,369,466)	-	(3,311,904)	(20,000,000)	(23,311,904)	4,473,103	4,810,324	-	4,810,324	(78,127,943)
Net defined benefit liability (Note 13)	P55,682,192	P16,659,269	P2,210,472	(P20,000,000)	(P1,130,259)	P-	P4,810,324	P1,824,387	P6,634,711	P61,186,644
*Current service cost and net interest are included in 'Compensation and fringe benefits'										

Under the plan, all covered officers and employees are entitled to a retirement benefit equal to 200.00% of gross monthly salary for every credited service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2023	2022
Cash and cash equivalents	₱451,785	₱192,564
Financial assets at FVTPL		
Government securities	68,278,692	75,975,117
Unitized investment trust funds	1,511,600	1,468,250
	70,242,077	77,635,931
Accrued interest receivable	1,031,266	552,805
Other receivables	2,852	—
Other assets	—	2,600,000
Total assets	71,276,195	80,788,736
Accounts payable	(15,164)	(2,604,475)
Accrued expenses	(64,239)	(56,318)
Fair value of plan assets	₱71,196,792	₱78,127,943

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

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

	2023	2022
Discount rates	6.42%	5.60%
Future salary increases	6.00%	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	2023		2022	
	Percentage	Amount	Percentage	Amount
Discount rates	+100 bps	(₱7,825,026)	+100 bps	(₱7,472,044)
	-100 bps	8,695,537	-100 bps	8,341,074
Future salary increases	+100 bps	8,645,812	+100 bps	8,225,714
	-100 bps	(7,925,445)	-100 bps	(7,512,484)

The Company's retirement plan is administered by Metrobank Metropolitan Bank & Trust Company (MBTC) Trust Banking Group (the Retirement Plan Trustee). The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities. The Retirement Plan Trustee is responsible for the general administration of the retirement plan and management of the retirement fund, as well as the ultimate control, disposition, or management of the money received or contributed.



The Company expects to contribute ₱10.00 million to the defined pension plan in 2023.

The Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Company's discretion. However, in the event a benefit claim arises, and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from the Company to the retirement fund.

The average duration of the defined benefit obligation at the end of the reporting period is 5.4 years and 5.7 years in 2023 and 2022, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2023	2022
Within 1 year	₱39,183,381	₱27,246,179
More than 1 year to 5 years	82,218,643	83,614,707
More than 5 years	129,788,600	115,031,065

19. Income Taxes

Provision for income tax consists of:

	2023	2022
Current		
Regular	₱553,880,429	₱406,912,316
Final	31,539,953	19,134,416
	585,420,382	426,046,732
Deferred	29,852,169	(59,999,409)
	₱615,272,551	₱366,047,323

The components of net deferred tax assets follow:

	2023	2022
Deferred tax assets:		
Allowance for credit and impairment losses	₱521,558,567	₱554,860,580
Cash flow hedge reserve loss	258,598,296	215,644,508
Retirement liability	20,629,854	15,296,661
Lease liability	19,456,715	18,675,603
Modification loss on loans and receivables	16,742,775	40,740,391
Accrued expenses	7,618,210	7,547,673
Unamortized past service cost	668,146	751,665
Transportation Equipment - Depreciation	239,865	—
	845,512,428	853,517,081
Deferred tax liabilities:		
Right-of-use assets	28,803,218	23,624,468
Debt issue cost	21,800,012	50,704,176
	50,603,230	74,328,644
	₱794,909,198	₱779,188,437



In 2023, provision (benefit) for deferred income tax charged directly to cash flow hedge reserve and actuarial loss on retirement amounted to (P42.95) million and P1.96 million, respectively. In 2022, provision (benefit) for deferred income tax charged directly to cash flow hedge reserve and actuarial loss on retirement amounted to (P67.58) million and P5.59 million, respectively.

On March 26, 2021, there was a special issuance of Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. It is a time-bound and tailor-made set of corporate and tax reforms to counter the effects of COVID-19 on the Philippines' economy. The Company remeasured deferred income tax (DIT) using new tax rates of 25% and for current income tax (CIT) the Company used CIT rate of 25%.

Under current tax regulations, the maximum amount of entertainment, amusement and recreation (EAR) expenses allowable as deduction from gross income for purposes of income tax computation shall not exceed 1.00% of the gross revenue of the Company. EAR expenses incurred in 2023 and 2022 amounted to P1.79 million and P1.14 million, respectively.

The reconciliation of provision for income tax computed at the statutory corporate income tax rate to provision for income tax shown in the statements of comprehensive income follows:

	2023	2022
Statutory income tax rate	P601,868,441	P350,620,071
Adjustments for:		
Non deductible expenses	29,174,087	24,994,461
Interest income subjected to final tax	(15,769,977)	(9,567,209)
	P615,272,551	P366,047,323

20. Lease Commitments

Company as a Lessee

The Company leases the premises occupied by its office space, business centers and warehouse for periods ranging from 2 to 5 years renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 7.00%.

As of March 31, 2023 and 2022, the carrying amount of lease liabilities are as follows:

	2023	2022
Balance at the beginning of the year	P74,702,414	P114,722,818
Additions	97,586,798	40,181,400
Accretion of interest	4,727,362	6,351,628
Payments	(99,189,715)	(86,553,432)
	P77,826,859	P74,702,414

The Company recognized interest expense on lease liabilities (included in 'Interest expense' in the statements of comprehensive income) amounting to P4.73 million in 2023 and P6.35 million in 2022. Rent expense from short-term leases and leases of low-value assets amounting to P45.24 million and P27.72 million in 2023 and 2022, respectively.



The maturity analysis of lease liabilities is disclosed in Note 24, *Financial Risk Management Objectives and Policies*.

Future minimum rentals payable under non-cancelable operating leases are as follows:

	2023	2022
Within one year	₱245,531,035	₱118,527,630
After one year but not more than five years	90,509,305	103,450,576
	₱336,040,340	₱221,978,206

Company as Lessor

The Company has also entered into leases of vehicles under FSL and KINTO. These non-cancelable leases have remaining non-cancelable lease terms between 1 and 5 years. As of March 31, 2023, there is no contingent rental income. Rental income of the Company related to these property leases amounting to ₱57.65 million and ₱10.13 million in 2023 and 2022, respectively are shown in 'Others' under 'Interest income' on loans and receivable in the statements of financial position (Note 7).

Future minimum rentals receivable under non-cancelable operating leases are as follows:

	2023	2022
Within one year	₱140,924,460	₱20,127,096
After one year but not more than five years	296,694,864	45,767,448
	₱437,619,324	₱65,894,544

21. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence (referred to as affiliates).

In the normal course of business, the Company enters into transactions with its related parties principally consisting of advances and other borrowings. Under RA No. 8556, *Financing Company Act*, the Company's amount of credit accommodation to its directors, officers, stockholders and other related parties should not exceed 15.00% of its net worth. In 2023 and 2022, the Company has complied with this regulatory requirement.

The Company has several business relationships with related parties. The terms of the transactions with such parties are listed below on substantially the same terms, including interest and collaterals as those prevailing at the time for comparable transactions with other parties, and are usually settled in cash. These transactions also did not involve more than the nominal risk of collectability or present other unfavorable conditions.



The year-end account balances with respect to related parties included in the financial statements follow:

Category	2023		
	Amount/Volume	Outstanding Balance	Nature/Terms and Conditions
Stockholder			
TFSC (Ultimate Parent Company)			
Accounts payable	₱6,362,696	₱6,098,034	Amount payable to TFSC relating to billing for the support services being provided to the Company
Management and other professional fees	1,261,126	–	Expense incurred relating to billing for the support services provided by TFSC to the Company
Subsidiaries of the Stockholder			
TMFNL			
Loans payable	1,621,000,000	6,795,000,000	Loan availment with interest ranging from 3.35% to 6.78%
Interest expense	163,636,653	–	Interest expense on Foreign Loans
Accrued interest payable	(7,929,654)	11,629,207	Accrued interest payable to TMFNL USD
MBTC			
Cash in bank	(141,999,112)	243,125,392	Demand deposit account with annual interest of 0.125%
Interest income	(92,396)	–	Interest earned from the deposit account
Interest income			Interest on investment in cash equivalents
Loans payable	1,450,000,000	7,600,000,000	Loan payments on loans availed with interest rates ranging from 3.20% to 6.55%
Interest expense	292,071,370	–	Interest expense on bank loans
Accrued interest payable	12,400,625	38,968,425	Accrued Interest payable to MBTC
Philippine Savings Bank (PS Bank)			
Cash in bank	247,736	2,818,951	Demand deposit account with annual interest of 0.25%
Interest income	(6,496)		Interest earned from the deposit account
Federal Land, Inc.			
Accounts payable	6,404,061	6,908,034	Accrual for office rental and maintenance fee
Occupancy	51,059,737	–	Expenses incurred pertaining to office rent
Charter Ping-An Insurance Corporation			
Car insurance	(7,549)	556	Expenses incurred pertaining to Company's vehicle insurance policy
Prepaid expense	(80,869)	17,201	Advance payment of car insurance
Key Management Personnel			
Salaries and wages			
Salaries and other short-term benefits	76,973,727	–	Salaries and other short-term benefits for its key management personnel
Post-employment benefits	12,881,013	–	The post-employment benefits for its key management personnel



		2022	
Category	Amount/Volume	Outstanding Balance	Nature/Terms and Conditions
Stockholder			
TFSC (Ultimate Parent Company)			
Accounts payable	P96,030	P545,338	Amount payable to TFSC relating to billing for the support services being provided to the Company
Management and other professional fees	1,096,322	-	Expense incurred relating to billing for the support services provided by TFSC to the Company
Subsidiaries of the Stockholder			
TMFNL			
Loans payable	2,747,500,000	5,174,000,000	Loan availment with interest ranging from 3.35% to 4.99%
Interest expense	43,640,924	-	Interest expense on Foreign Loans
Accrued interest payable	9,302,814	19,558,861	Accrued interest payable to TMFNL USD
MBTC			
Cash in bank	(171,829,044)	385,114,504	Demand deposit account with annual interest of 0.125%
Interest income	296,025	-	Interest earned from the deposit account
Interest income	-	-	Interest on investment in cash equivalents
Loans payable	650,000,000	6,150,000,000	Loan payments on loans availed with interest rates ranging from 3.20% to 5.30%.
Interest expense	56,556,370	-	Interest expense on bank loans
Accrued interest payable	(3,582,773)	26,567,800	Accrued Interest payable to MBTC
Philippine Savings Bank (PS Bank)			
Cash in bank	(1,034,990)	2,571,215	Demand deposit account with annual interest of 0.25%
Interest income	7,426	-	Interest earned from the deposit account
Federal Land, Inc.			
Accounts payable	(113,642)	503,972	Accrual for office rental and maintenance fee
Occupancy	47,649,745	-	Expenses incurred pertaining to office rent
Charter Ping-An Insurance Corporation			
Car insurance	(44,907)	8,105	Expenses incurred pertaining to Company's vehicle insurance policy
Prepaid Expense	24,943	98,070	Advance payment of car insurance
Key Management Personnel			
Salaries and wages			
Salaries and other short-term benefits	74,665,861	-	Salaries and other short-term benefits for its key management personnel
Post-employment benefits	15,134,341	-	The post-employment benefits for its key management personnel

Relationship with the following Toyota dealers are mainly purchase of Toyota vehicles on behalf of our borrowers.

- Toyota Abad Santos
- Toyota Manila Bay



- Toyota Cubao
- Toyota Dasmarinas
- Toyota Marikina

Existing banking regulations limit the amount of individual loans to directors, officers, stockholders, and related interests (DOSRI), 70.00% of which must be secured, to the total of their respective deposits. Such limit does not apply to loans secured by assets considered as non-risk as defined in the regulations. In the aggregate, loans to DOSRI generally should not exceed the respective total regulatory capital or 15.00% of total loan portfolio, whichever is lower.

Under Section 131-Q, particularly item “o” of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), related parties shall cover the BSP Supervised Financial Institution's (BSFIs) subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the BSFI exerts direct/indirect control over or that exerts direct/indirect control over the BSFI; the BSFI's directors, officers, stockholders, and its related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the BSFI, hence, is identified as a related party.

The above definition shall also include direct or indirect linkages to a BSFI identified as follows:

- (1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
- (2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
- (3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
- (4) Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

Section 131-Q, item “p”, further defined Related party transactions (RPTs) as transactions or dealings with related parties of the BSFI, including its trust department regardless of whether or not a price is charged. These shall include, but not limited, to the following:

- (1) On- and off-balance sheet credit exposures and claims and write-offs;
- (2) Investments and/or subscriptions for debt/equity issuances;
- (3) Consulting, professional, agency and other service arrangements/contracts;
- (4) Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
- (5) Construction arrangements/ contracts;
- (6) Lease arrangements/contracts;
- (7) Trading and derivative transactions;
- (8) Borrowings, commitments, fund transfers and guarantees;
- (9) Sale, purchase or supply of any goods or materials; and
- 10) Establishment of joint venture entities. RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

As of March 31, 2023 and 2022, the Company has no DOSRI accounts.



Transactions with Retirement Plan

Under PFRS, certain post-employment benefit plans are considered as related parties. The carrying value of the fund which approximates its fair value follows:

	2023	2022
Cash and cash equivalents	₱451,785	₱192,564
Investment in securities	69,790,292	77,443,367
Accrued interest receivable	1,031,266	552,805
Other receivables	2,852	—
Other assets	—	2,600,000
Accounts payable	(15,164)	(2,604,475)
Accrued expenses	(64,239)	(56,318)
	₱71,196,792	₱78,127,943

As of March 31, 2023 and 2022, the cash and cash equivalents of the Company's retirement plan is with MBTC.

22. Fair Value Measurement

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

Cash and cash equivalents, Due from BSP and SPURA – Due to the short-term nature of the instruments, the fair values approximate the carrying amounts as of the reporting date.

Financial assets at FVOCI – Fair values are generally based on quoted market prices.

Loans and receivables – Fair value was computed using the discounted cash flow method. The discount rate used was the Bloomberg Valuation (BVAL) rate plus 350 bps in 2023 and 2022.

Derivative financial instruments – The fair values of cross-currency interest rate swap transactions are derived using market observable inputs. The valuation assumptions are based on market conditions existing at the reporting dates.

Loans payable and subordinated debt – Fair value was computed using the discounted cash flow method. The discount rate used was the zero curve for BVAL rate plus 200 bps in 2023 and 2022.

Accounts payable and other liabilities – Due to the short-term nature of the transactions, the fair value approximates the carrying amount as of the reporting date.

Lease liabilities – Fair value of lease liabilities are measured using the BVAL rate as of the reporting period plus the spread which is the derived difference between the actual market rate and the BVAL rate.



The following tables summarize the carrying amount and fair values of the financial assets and liabilities, analyzed based on the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

2023					
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Assets and liabilities measured at fair value:					
<u>Financial assets:</u>					
Financial assets at FVOCI	₱-	₱-	₱-	₱-	₱-
Derivative asset	1,976,750,691	-	1,976,750,691	-	1,976,750,691
<u>Financial liabilities:</u>					
Derivative liability	542,583,875	-	542,583,875	-	542,583,875
Assets and liabilities for which fair value is disclosed:					
<u>Financial assets:</u>					
Loans and receivables					
Receivables financed - net	11,578,802,446	-	-	12,312,895,140	12,312,895,140
Finance lease receivables - net	113,135,265,762	-	-	123,181,160,958	123,181,160,958
<u>Financial liabilities:</u>					
Loans payable					
Bank loans	54,367,370,750	-	-	53,103,858,634	53,103,858,634
Notes payable	7,251,163,062	-	-	6,956,992,254	6,956,992,254
Bank loan from Mizuho	5,421,185,182	-	-	4,831,434,819	4,831,434,819
Fixed rate notes	9,967,524,446	-	-	9,783,807,442	9,783,807,442
Bonds payable from BTMU	9,175,524,410	-	-	7,843,444,233	7,843,444,233
Bank loan from MUTB	-	-	-	-	-
Bank loan from TNB	5,426,139,071	-	-	4,717,958,059	4,717,958,059
Bank loan from RBL	-	-	-	-	-
Bonds payable from SMBC	7,951,867,674	-	-	7,684,468,828	7,684,468,828
Bank loan from TSB	2,571,954,155	-	-	2,716,957,142	2,716,957,142
Bank loan from TMFNL	6,769,806,557	-	-	6,391,880,943	6,391,880,943
Bank loan from JBIC	5,686,599,230	-	-	5,059,916,928	5,059,916,928
Deposits on lease contracts	37,003,786	-	-	37,003,786	37,003,786
Lease liability	77,826,859	-	-	77,826,859	77,826,859
2022					
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Assets and liabilities measured at fair value:					
<u>Financial assets:</u>					
Financial assets at FVOCI	₱1,600,000	₱-	₱1,600,000	₱-	₱1,600,000
Derivative asset	665,835,309	-	665,835,309	-	665,835,309
<u>Financial liabilities:</u>					
Derivative liability	405,073,340	-	405,073,340	-	405,073,340
Assets and liabilities for which fair value is disclosed:					
<u>Financial assets:</u>					
Loans and receivables					
Receivables financed - net	10,308,291,062	-	-	11,176,998,562	11,176,998,562
Finance lease receivables - net	101,839,228,054	-	-	113,597,976,236	113,597,976,236
<u>Financial liabilities:</u>					
Loans payable					
Bank loans	45,376,424,681	-	-	36,470,978,140	36,470,978,140
Notes payable	7,551,654,356	-	-	7,355,386,478	7,355,386,478
Bank loan from Mizuho	6,448,895,557	-	-	6,227,936,603	6,227,936,603
Fixed rate notes	11,934,273,125	-	-	11,795,941,385	11,795,941,385



	Carrying Value	2022			
		Fair Value			Total
		Level 1	Level 2	Level 3	
Bonds payable from BTMU	₱7,415,939,653	₱-	₱-	₱7,070,243,882	₱7,070,243,882
Bank loan from MUTB	-	-	-	-	-
Bank loan from TNB	6,446,005,956	-	-	6,220,369,648	6,220,369,648
Bank loan from RBL	1,292,553,136	-	-	1,301,300,621	1,301,300,621
Bonds payable from SMBC	5,021,773,198	-	-	4,883,181,310	4,883,181,310
Bank loan from TSB	2,556,863,016	-	-	2,583,856,445	2,583,856,445
Bank loan from TMFNL	5,146,968,768	-	-	4,943,735,706	4,943,735,706
Bank loan from JBIC	5,399,907,970	-	-	5,184,888,593	5,184,888,593
Deposit on lease contract	15,973,561	-	-	15,973,561	15,973,561
Lease liability	74,702,414	-	-	74,702,414	74,702,414

As of March 31, 2023 and 2022, no transfers were made among the three levels in fair value hierarchy.

23. Capital Management and Financial Performance Ratios

Capital Stock

	Shares		Amount	
	2023	2022	2023	2022
Authorized				
Common stock – ₱100 par value	₱90,000,000	90,000,000	₱9,000,000,000	₱9,000,000,000
Common stock issued and outstanding				
Balance at beginning of year	87,000,000	67,000,000	8,700,000,000	6,700,000,000
Issuance of stocks	-	20,000,000	-	2,000,000,000
Balance at end of year	₱87,000,000	87,000,000	₱8,700,000,000	₱8,700,000,000

Issuance of Stocks

On September 28, 2018, BSP approved the increase in authorized capital stock to ₱9.00 billion (90,000,000 shares with par value of ₱100.00). Consequently, the Company filed the application with the SEC on December 11, 2018 and was approved on January 25, 2019. 18,000,000 shares were issued at par on February 4, 2019.

On December 23, 2021, TFSC and GT Capital infused additional capital amounting to ₱1.20 billion and ₱800.0 million, respectively. Total capital infusion amounted to ₱2.00 billion (20,000,000 shares with par value of ₱100.00) recognized as capital stock under equity. Share issuance cost amounted to ₱20.00 million.

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended March 31, 2023 and 2022.



The Company considers the following as capital:

	2023	2022
Capital stock	₱8,700,000,000	₱8,700,000,000
Retained earnings	8,070,611,649	6,278,410,436
	₱16,770,611,649	₱14,978,410,436

The Company monitors capital using debt-to-equity ratio. The Company targets a debt-to-equity ratio not exceeding 10.00:1. Based on the above capital consideration, the Company's debt-to equity ratio is 7.45:1 and 7.47:1 as of March 31, 2023 and 2022, respectively.

Under the Financing Company Act, the Company is mandated to maintain the following capital requirements:

- Minimum paid-up capital of ₱10.00 million; and
- Additional capital requirements of ₱1.00 million for each branch established in Metro Manila, ₱0.50 million for branches established in other classes of cities and ₱0.20 million for branches established in municipalities.

As of March 31, 2023 and 2022, the Company was in compliance with this minimum paid-up capital.

Retained Earnings

Under the Corporation Code of the Philippines (the Code), a stock corporation is prohibited from retained surplus profits in excess of 100.00% of its paid-in capital stock, except when:

- a. Justified by definite corporate expansion projects or programs approved by the BOD;
- b. The corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its or his consent, and such consent has not yet been secured; or
- c. It can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

As of March 31, 2023 and 2022, the Company's retained earnings does not exceed its paid-in capital stock.

24. Financial Risk Management Objectives and Policies

The Company's principal financial instruments are composed of cash in banks, due from BSP, SPURA, loans and receivables, derivative asset, loans payable, derivative liability, lease liabilities, accounts payable and accrued expenses. These financial instruments are used in operations. Financial instruments used in financing are bank loans, subordinated debt and notes payable. The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk.

Risk Management Framework

The Company serves customers of Toyota vehicles through financing and leasing services. Enterprise Risk Management (ERM) enables the Company to achieve corporate objectives while operating within the boundary of its risk appetite through a well-defined and established risk management framework.



The BOD oversees the Company's overall risk management strategy through the various committees created as follows:

- a. **Executive Committee**
The Executive Committee establishes and oversees execution of business strategies and has the accountability to identify and manage the embedded financial and operational risks.
- b. **Risk Oversight Committee**
The Risk Oversight Committee provides independent views from the business units and ensures effective implementation of risk management framework through regular reviews of the Company's performance against approved tolerance for each risk indicator. The committee also monitors key and emerging risks as well as reviews and assesses the impact of business strategies, opportunities and initiatives on overall risk position.
- c. **Audit Committee**
The Audit Committee through the Internal Audit Department provides independent assurance of robustness of processes and methodologies against practice.

Risk Management Structure

The Company's organizational structure includes the Risk Management Department (RMD), responsible for developing, recommending and implementing policies and strategies of ERM. It is also in charge of periodically monitoring and reporting to management, regional TFSC Risk Management Group and the BOD through the Risk Oversight Committee, the state of the company-wide risk position and effectiveness of the ERM framework.

Risk Management Strategy

The Executive Committee establishes and oversees execution of business strategies and has the accountability to identify and manage the embedded risks. Business strategies and business plans are thus aligned with the risk appetite approved by the Risk Oversight Committee and BOD, defined in the form of risk tolerances for a set of selected key risk indicators. These plans are executed by management and are reviewed by the President. Quarterly performances and risks are reviewed together with the appropriate Board Committees.

Risk Monitoring and Reporting

All material events that may negatively impact the Company's earnings, corporate value and reputation are identified and assessed for frequency, severity and causation. Both top down and bottom up risk assessment methodologies are done through the deployed processes and practical standards.

RMD oversees a formal process to monitor and report enterprise-wide risk exposures. These are discussed with business units and management. On a quarterly and on as needed basis, RMD and BOD Risk Oversight Committee review risk reports for significant trends.

Risk Control and Mitigation

As part of its market risk mitigation activities, the Company uses derivatives to manage exposures resulting from changes in foreign currencies and appropriate hedging activities to manage its interest rate exposures. Credit risks are reduced through the use of chattel mortgages and insurance protection. Concentration risks are managed by setting exposure limits. Concentration reports are provided to management on a monthly basis and to various related committees on a quarterly basis. Limits approved by the Risk Oversight Committee and the BOD, undergo at least an annual review or as needed.



Operational risks are controlled and mitigated through the set-up of an appropriate organizational structure, supported by human resource allocation, staff training and education, combination of robust policies, procedures and standards, information technology and periodic performance measurement.

The Company's risk management policies are summarized below:

Credit Risk

Credit risk is the risk that the Company suffers losses when a counterparty to a credit transaction fails to meet its financial obligation.

The Company's Credit Committee manages the credit risk associated with counterparty borrowers and sets out objectives related to overall quality and diversification of the Company's portfolio.

The Credit Review Unit under the RMD provides an objective appraisal of the credit approved loans and applications for potential or identified loan problems. It also ensures that the credit policies and procedures are adequate to meet the demands of the business. Its function also involves the review of the Company's loan portfolio, including the development of a strategy to achieve its desired portfolio mix and risk profile based on a risk-adjusted return on capital. It also reviews and controls identified concentration of credit risks in order to manage the Company's sensitivity to developments affecting a particular industry or geographic location. It also manages the Company's credit risk rating systems which use a combination of quantitative and qualitative factors to assess the general credit worthiness and changes in credit quality of the prospective and existing borrowers, respectively.

Loan amounts that exceed the approval limit of the Credit Department head are brought up to the Credit Committee. Loan amounts that exceed the limit of Credit Committee are elevated to the Executive Committee and recommended to the BOD for approval.

All DOSRI loans are subject to approval of the BOD. All such loans are on commercial arm's length basis. BSP Circular No. 560 states that "the total outstanding loans, other credit accommodations and guarantees to each of the company's subsidiaries and affiliates shall not exceed 10.00% of the net worth".

The credit policy manual defines the evaluation process in order to provide an objective assessment of credit worthiness of counterparties. The credit policy manual undergoes a minimum of annual review.

Investment grade pertains to cash in banks, deposited or invested in BSP and other banks based on a mark-to-market value exposure to each counterparty. For receivables financed and finance lease receivables using the credit rating system, investment grade pertains to receivables predicted as low risk; non-investment grade pertains to receivables predicted as normal to high risk.



Maximum exposure to credit risk

The tables below provide the analysis of the maximum exposure to credit risk of the Company's loans and receivables, excluding those where the carrying values reflected in the statement of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancement.

2023				
	Gross Maximum Exposure	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Receivables financed	₱11,578,802,446	₱18,932,612,850	₱115,485,848	₱11,463,316,598
Finance lease receivables	113,135,265,762	125,386,313,767	5,634,647,815	107,500,617,947
	₱124,714,068,208	₱144,318,926,617	₱5,750,133,663	₱118,963,934,545

2022				
	Gross Maximum Exposure	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Receivables financed	₱10,308,291,062	₱16,714,705,850	₱104,508,143	₱10,203,782,919
Finance lease receivables	101,839,228,054	108,356,109,449	9,138,033,442	92,701,194,612
	₱112,147,519,116	₱125,070,815,299	₱9,242,541,585	₱102,904,977,531

The carrying values of the other financial assets represent the maximum exposure to credit risk as of March 31, 2023 and 2022.

Concentration of risks of financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Concentration by industry

An analysis of concentrations of credit risk for financial assets at the reporting date based on carrying amount is shown below:

2023				
	Loans and Receivables	Loans and Advances to Banks*	Others**	Total
Community, social and personal activities	₱21,211,286,045	₱-	₱-	₱21,211,286,045
Wholesale and retail trade	21,022,992,105	-	-	21,022,992,105
Education	10,251,535,000	-	-	10,251,535,000
Transportation, storage and communication	9,340,402,715	-	-	9,340,402,715
Real estate, renting and business activities	9,018,466,035	-	-	9,018,466,035
Manufacturing (various industries)	6,211,695,177	-	-	6,211,695,177
Financial intermediaries	4,825,140,373	7,726,682,739	1,976,750,691	14,528,573,803
Hotels and restaurants	4,375,664,830	-	-	4,375,664,830

(Forward)



2023				
	Loans and Receivables	Loans and Advances to Banks*	Others**	Total
Agricultural, hunting and forestry	₱2,687,757,680	₱-	₱-	₱2,687,757,680
Construction	3,091,321,798	-	-	3,091,321,798
Electricity, gas and water	1,422,862,613	-	-	1,422,862,613
Mining and quarrying	358,411,864	-	-	358,411,864
Others	31,054,243,110	-	-	31,054,243,110
	124,871,779,345	7,726,682,739	1,976,750,691	134,575,212,775
Less: allowance for credit and impairment losses	2,012,015,485	235,102	-	2,012,250,587
	₱122,859,763,860	₱7,726,447,637	₱1,976,750,691	₱132,562,962,188

* Comprised of Cash in banks, Cash equivalents, Due from BSP and SPURA

** Comprised of Derivative assets

2022				
	Loans and Receivables	Loans and Advances to Banks*	Others**	Total
Community, social and personal activities	₱20,734,806,456	₱-	₱-	₱20,734,806,456
Wholesale and retail trade	18,957,465,170	-	-	18,957,465,170
Education	9,607,237,332	-	-	9,607,237,332
Transportation, storage and communication	6,821,730,475	-	-	6,821,730,475
Real estate, renting and business activities	7,502,961,534	-	-	7,502,961,534
Manufacturing (various industries)	5,223,777,722	-	-	5,223,777,722
Financial intermediaries	4,358,856,414	8,487,929,278	665,835,309	13,512,621,001
Hotels and restaurants	3,695,471,892	-	-	3,695,471,892
Agricultural, hunting and forestry	2,522,551,468	-	-	2,522,551,468
Construction	2,729,502,633	-	-	2,729,502,633
Electricity, gas and water	1,303,916,512	-	-	1,303,916,512
Mining and quarrying	289,082,263	-	-	289,082,263
Others	28,567,882,193	-	1,600,000	28,569,482,193
	112,315,242,064	8,487,929,278	667,435,309	121,470,606,651
Less: allowance for credit and impairment losses	2,087,291,365	235,102	-	2,087,526,467
	₱110,227,950,699	₱8,487,694,176	₱667,435,309	₱119,383,080,184

* Comprised of Cash in banks, Cash equivalents, Due from BSP and SPURA

** Comprised of Derivative assets and Financial assets at FVOCI

Concentration by geographical location

The distribution of the Company's financial assets by geographical location as of March 31, 2023 and 2022 follows:

2023				
	Loans and receivables	Loans and Advances to Banks*	Others**	Total
Metro Manila	₱30,471,034,625	₱7,726,682,739	-	₱38,197,717,364
Luzon (except Metro Manila)	69,293,070,695	-	-	69,293,070,695
Visayas	12,177,757,543	-	-	12,177,757,543
Mindanao	12,929,916,482	-	-	12,929,916,482
Foreign	-	-	1,976,750,691	1,976,750,691
	124,871,779,345	7,726,682,739	1,976,750,691	134,575,212,775
Less: Allowance for credit and impairment losses	2,012,015,485	235,102	-	2,012,250,587
	₱122,859,763,860	₱7,726,447,637	₱1,976,750,691	₱132,562,962,188

* Comprised of Cash in banks, Cash equivalents, Due from BSP and SPURA

** Comprised of Derivative assets



	2022			
	Loans and receivables	Loans and Advances to Banks*	Others**	Total
Metro Manila	₱25,842,272,673	₱8,487,929,278	₱1,600,000	₱34,331,801,951
Luzon (except Metro Manila)	63,647,197,641	-	-	63,647,197,641
Visayas	10,730,945,097	-	-	10,730,945,097
Mindanao	12,094,826,653	-	-	12,094,826,653
Foreign	-	-	665,835,309	665,835,309
	112,315,242,064	8,487,929,278	667,435,309	121,470,606,651
Less: Allowance for credit and impairment losses	2,087,291,365	235,102	-	2,087,526,467
	₱110,227,950,699	₱8,487,694,176	₱667,435,309	₱119,383,080,184

* Comprised of Cash in banks, Cash equivalents, Due from BSP and SPURA

** Comprised of Derivative assets and Financial assets at FVOCI

Credit quality

The credit quality of the financial assets was determined as follows:

- *Cash and cash equivalents, Due from BSP, SPURA and financial assets at FVOCI* - Investment grade pertains to cash in banks, cash equivalents placed, deposited or invested in local banks and investments in golf shares from issuer with a credit rating of AAA, AA and A.
- *Receivables financed and finance lease receivables* - Using the credit rating system, investment grade pertains to receivables predicted as low risk; non-investment grade pertains to receivables predicted as normal to high risk; past due but not impaired pertains to receivables that are delinquent but are not subject to impairment; and past due and credit impaired pertains to receivables that are delinquent and non-performing. Allowance for credit and impairment losses is classified into investment and non-investment grade based on the credit rating system.
- *Other receivables* - Investment grade pertains to receivables predicted as low risk; non-investment grade pertains to receivables predicted as normal; past due but not impaired pertains to receivables predicted as medium risk; and past due and impaired are the receivable considered to be high risk and delinquent.

Credit quality per class of financial assets

The following tables provide information regarding the credit risk exposure of the Company by classifying financial assets according to the Company's credit ratings of the counterparties.

	2023			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents - net *				
Investment grade	₱1,504,698,249	₱-	₱-	₱1,504,698,249
Due from BSP				
Investment grade	5,187,676,595	-	-	5,187,676,595
SPURA				
Investment grade	1,034,162,082	-	-	1,034,162,082
Receivables financed - net**				
Investment grade	6,161,804,850	4,408,196,882	-	10,570,001,732
Non-investment grade	478,110,229	353,758,347	-	831,868,576
Past due but not impaired	-	56,724,970	-	56,724,970
Past due and impaired	-	-	120,207,168	120,207,168
Finance lease receivables - net***				
Investment grade	49,061,377,301	45,419,195,520	-	94,480,572,821
Non-investment grade	6,761,053,730	7,181,966,326	-	13,943,020,056
Past due but not impaired	-	1,064,267,110	-	1,064,267,110
Past due and impaired	-	-	3,647,405,775	3,647,405,775
Receivables from clients				
Investment grade	9,341,212	-	-	9,341,212
Non-investment grade	32,356,353	-	-	32,356,353
Past due but not impaired	-	90,670,894	-	90,670,894

(Forward)



	2023			Total
	Stage 1	Stage 2	Stage 3	
Receivables from employees				
Investment grade	₱23,819,916	₱-	₱-	₱23,819,916
Past due and impaired	-	-	-	-
Accrued interest receivable				
Investment grade	1,173,284	-	-	1,173,284
Others				
Investment grade	349,477	-	-	349,477
	₱70,255,923,278	₱58,574,780,049	₱3,767,612,943	₱132,598,316,270

* Excludes Cash on hand

** Net of Unearned finance income

*** Net of Unearned lease income

	2022			Total
	Stage 1	Stage 2	Stage 3	
Cash and cash equivalents - net *				
Investment grade	₱1,356,125,322	₱-	₱-	₱1,356,125,322
Due from BSP				
Investment grade	6,580,524,994	-	-	6,580,524,994
SPURA				
Investment grade	551,268,962	-	-	551,268,962
Receivables financed - net**				
Investment grade	1,464,118,917	716,764,836	-	2,180,883,753
Non-investment grade	4,522,993,403	3,263,715,564	-	7,786,708,967
Past due but not impaired	-	79,273,230	-	79,273,230
Past due and impaired	-	-	261,425,112	261,425,112
Finance lease receivables - net***				
Investment grade	8,129,481,316	4,864,443,477	-	12,993,924,793
Non-investment grade	42,307,428,971	40,710,119,222	-	83,017,548,193
Past due but not impaired	-	1,443,471,888	-	1,443,471,888
Past due and impaired	-	-	4,384,283,182	4,384,283,182
Receivables from clients				
Investment grade	13,954,220	242,198	-	14,196,418
Non-investment grade	22,294,125	7,081,296	-	29,375,421
Past due but not impaired	-	101,709,231	-	101,709,231
Receivables from employees				
Investment grade	20,032,855	-	-	20,032,855
Past due and impaired	-	-	-	-
Accrued interest receivable				
Investment grade	316,578	-	-	316,578
Others				
Investment grade	2,092,445	-	-	2,092,445
	₱64,970,632,108	₱51,186,820,942	₱4,645,708,293	₱120,803,161,344

* Excludes Cash on hand

** Net of Unearned finance income

*** Net of Unearned lease income

Analysis of movement of gross carrying amounts

The credit quality by class of the Company's loans and receivables from customers (gross of allowance for credit losses) as of March 31, 2023 and 2022 follows:

	2023			Total
	Stage 1	Stage 2	Stage 3	
Receivables financed				
Balances as of April 1, 2022	₱5,987,112,319	₱4,059,753,631	₱261,425,112	₱10,308,291,062
New assets originated or purchased	3,572,380,518	2,859,238,663	3,567,685	6,435,186,866
Assets derecognized or repaid/recovered	(1,451,933,047)	(1,705,538,576)	(111,793,855)	(3,269,265,478)
Transfer to Stage 1	1,669,751,618	(1,639,796,779)	(29,954,839)	-
Transfer to Stage 2	(2,104,095,384)	2,138,570,867	(34,475,483)	-
Transfer to Stage 3	(42,556,027)	(29,183,148)	71,739,175	-
Accounts written off	-	-	(20,200,825)	(20,200,825)
Accounts written off - interest	-	-	(2,392,954)	(2,392,954)
	7,630,659,997	5,683,044,658	137,914,016	13,451,618,671
Unearned interest and discount	(990,744,918)	(864,364,459)	(17,706,848)	(1,872,816,225)
Balance at March 31, 2023	₱6,639,915,079	₱4,818,680,199	₱120,207,168	₱11,578,802,446

(Forward)



	2023			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balances as of April 1, 2022	₱50,436,910,286	₱47,018,034,586	₱4,384,283,182	₱101,839,228,054
New assets originated or purchased	27,359,164,368	27,786,146,367	360,313,763	55,505,624,498
Assets derecognized or repaid/recovered	(9,938,545,515)	(13,619,415,796)	1,269,325,103	(22,288,636,208)
Transfer to Stage 1	19,239,363,623	(18,368,821,526)	(870,542,097)	-
Transfer to Stage 2	(20,637,550,438)	21,618,549,601	(980,999,163)	-
Transfer to Stage 3	(388,907,922)	(286,181,538)	675,089,460	-
Accounts written off	-	-	(382,238,248)	(382,238,248)
Accounts written off - interest	-	-	(49,318,648)	(49,318,648)
	66,070,434,402	64,148,311,694	4,405,913,352	134,624,659,448
Unearned interest and discount	(10,248,003,371)	(10,482,882,738)	(758,507,577)	(21,489,393,686)
Balance at March 31, 2023	55,822,431,031	53,665,428,956	3,647,405,775	113,135,265,762
Other receivables				
Balances as of April 1, 2022	58,690,225	109,032,723	-	167,722,948
New assets originated or purchased	31,874,591	78,397,534	-	110,272,125
Assets derecognized or repaid/recovered	(8,263,788)	(112,020,149)	-	(120,283,937)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(15,260,786)	15,260,786	-	-
Transfer to Stage 3	-	-	-	-
Balance at March 31, 2023	67,040,242	90,670,894	-	157,711,136
Total loans and receivables - gross				
Balances as of April 1, 2022	56,482,712,830	51,186,820,940	4,645,708,294	112,315,242,064
New assets originated or purchased	30,963,419,477	30,723,782,564	363,881,448	62,051,083,489
Assets derecognized or repaid/recovered	(11,398,742,350)	(15,436,974,521)	1,157,531,248	(25,678,185,623)
Transfer to Stage 1	20,909,115,241	(20,008,618,305)	(900,496,936)	-
Transfer to Stage 2	(22,756,906,608)	23,772,381,254	(1,015,474,646)	-
Transfer to Stage 3	(431,463,949)	(315,364,686)	746,828,635	-
Accounts written off	-	-	(402,439,073)	(402,439,073)
Accounts written off - interest	-	-	(51,711,602)	(51,711,602)
	73,768,134,641	69,922,027,246	4,543,827,368	148,233,989,255
Unearned interest and discount	(11,238,748,289)	(11,347,247,197)	(776,214,425)	(23,362,209,911)
Balance at March 31, 2023	₱62,529,386,352	₱58,574,780,049	₱3,767,612,943	₱124,871,779,344

An analysis of changes in loans and receivables as of March 31, 2022 follows:

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables financed				
Balances as of April 1, 2021	₱6,633,041,273	₱5,019,902,428	₱277,244,920	₱11,930,188,621
New assets originated or purchased	2,865,890,448	1,857,223,802	4,619,400	4,727,733,650
Assets derecognized or repaid/recovered	(3,181,882,176)	(1,468,816,341)	(117,805,405)	(4,768,503,922)
Transfer to Stage 1	2,327,602,766	(2,292,322,143)	(35,280,623)	-
Transfer to Stage 2	(1,742,467,095)	1,752,926,943	(10,459,848)	-
Transfer to Stage 3	(82,682,620)	(128,552,578)	211,235,198	-
Accounts written off	-	(273,984)	(26,018,716)	(26,292,700)
Accounts written off - interest	-	(14,240)	(3,993,253)	(4,007,493)
	6,819,502,596	4,740,073,887	299,541,673	11,859,118,156
Unearned interest and discount	(832,390,277)	(680,320,256)	(38,116,561)	(1,550,827,094)
Balance at March 31, 2022	5,987,112,319	4,059,753,631	261,425,112	10,308,291,062

(Forward)



	2022			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balances as of April 1, 2021	₱52,811,359,211	₱49,459,245,078	₱3,748,565,573	₱106,019,169,862
New assets originated or purchased	26,570,325,509	23,762,462,378	1,087,052,253	51,419,840,140
Assets derecognized or repaid/recovered	(19,586,300,273)	(15,101,264,728)	(1,529,043,683)	(36,216,608,684)
Transfer to Stage 1	18,278,116,666	(18,089,062,338)	(189,054,328)	-
Transfer to Stage 2	(17,371,064,864)	17,514,243,895	(143,179,031)	-
Transfer to Stage 3	(1,154,757,336)	(1,624,674,918)	2,779,432,254	-
Accounts written off	(3,290,036)	(1,876,584)	(325,990,311)	(331,156,931)
Accounts written off - interest	(631,090)	(142,257)	(69,148,920)	(69,922,267)
	59,543,757,787	55,918,930,526	5,358,633,807	120,821,322,120
Unearned interest and discount	(9,106,847,501)	(8,900,895,940)	(974,350,625)	(18,982,094,066)
Balance at March 31, 2022	50,436,910,286	47,018,034,586	4,384,283,182	101,839,228,054
Other receivables				
Balances as of April 1, 2021	60,403,165	96,407,946	218,498	157,029,609
New assets originated or purchased	24,934,200	48,298,318	-	73,232,518
Assets derecognized or repaid/recovered	(6,266,217)	(56,054,463)	(218,498)	(62,539,178)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(20,380,923)	20,380,923	-	-
Transfer to Stage 3	-	-	-	-
Balance at March 31, 2022	58,690,225	109,032,724	-	167,722,949
Total loans and receivables - gross				
Balances as of April 1, 2021	59,504,803,649	54,575,555,451	4,026,028,992	118,106,388,092
New assets originated or purchased	29,461,150,157	25,667,984,498	1,091,671,653	56,220,806,308
Assets derecognized or repaid/recovered	(22,774,448,667)	(16,626,135,533)	(1,647,067,585)	(41,047,651,785)
Transfer to Stage 1	20,605,719,433	(20,381,384,480)	(224,334,953)	-
Transfer to Stage 2	(19,133,912,881)	19,287,551,762	(153,638,881)	-
Transfer to Stage 3	(1,237,439,956)	(1,753,227,495)	2,990,667,451	-
Accounts written off	(3,290,036)	(2,150,568)	(352,009,027)	(357,449,631)
Accounts written off - interest	(631,090)	(156,497)	(73,142,172)	(73,929,759)
	66,421,950,609	60,768,037,138	5,658,175,478	132,848,163,225
Unearned interest and discount	(9,939,237,778)	(9,581,216,197)	(1,012,467,185)	(20,532,921,160)
Balance at March 31, 2022	₱56,482,712,831	₱51,186,820,941	₱4,645,708,293	₱112,315,242,065

Collateral and other credit enhancements

The Company holds collateral against loans and receivables in the form of chattel mortgages. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is assessed to be impaired.

The following table shows the fair value of collateral held against loans and receivables:

	2023	2022
Against neither past due nor impaired	₱139,221,283,857	₱118,471,033,687
Against past due but not specifically impaired	5,097,642,760	6,599,781,612
	₱144,318,926,617	₱125,070,815,299

It is the Company's policy to dispose assets acquired in an orderly fashion. The proceeds of the sale of the foreclosed assets classified as assets held for sale are used to reduce or repay the outstanding claim.

Liquidity Risk

Liquidity risk is the risk of encountering difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity of the Company's operations are managed with highest degree of accuracy, supported by sufficient, locally available, committed and uncommitted sources of funds for shorter periods and a sound and conservative funding plan with an appropriate internal authorization for longer periods. The funding structure is diversified as to financial instruments adopted, geographical markets approached and funding maturities in order to maintain stable access to low cost funds.



The Asset Liability Committee (ALCO) oversees the management of liquidity risks. The Company's Treasury Department has the primary responsibility for managing the Company's sources of funding and is tasked with ensuring that the Company has adequate liquidity at all times. As part of this function, the Treasury Department prepares an annual funding plan that places the highest priority on liquidity and diversity of funding structure. The Department also prepares an annual contingency funding plan based on stress scenarios which include inability to access the debt market for an extended period. As such, computation of Days until Alternative Funding key risk indicator and setting of appropriate limits provides management the means to adopt measures that will strengthen its liquidity position.

The Company's principal source of funding are borrowings from international and domestic banks amounting to ₱80.24 billion and ₱72.67 billion as of March 31, 2023 and 2022, respectively, with maturity periods ranging from 1 month to 5 years in 2023 and 2022. The Company also issues bonds totaling to ₱27.09 billion and ₱24.37 billion as of March 31, 2023 and 2022, respectively with maturity periods ranging from 2 month to 5 years in 2023 and 2 to 4 years in 2022.

The Company maintains what it believes to be a sufficient cash level. In addition, the Company manages its liquidity by managing the maturity profile of its outstanding loans.

Analysis of financial assets and liabilities by remaining contractual maturities

The following tables set forth the financial assets and liabilities based on undiscounted future cash flows of the Company as of March 31, 2023 and 2022 into their relevant maturity groups based on the remaining period at reporting dates to their contractual maturities.

	2023						Total
	On demand	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 12 months	Beyond 1 year	
Financial Assets							
Cash and cash equivalents	₱1,504,844,062	₱-	₱-	₱-	₱-	₱-	₱1,504,844,062
Due from BSP	5,187,676,595	-	-	-	-	-	5,187,676,595
SPURA	-	1,034,162,082	-	-	-	-	1,034,162,082
Financial assets at FVOCI	-	-	-	-	-	-	-
Receivables from customers							
Receivables financed	103,577,040	433,165,986	848,790,206	1,318,335,333	2,446,363,845	8,301,386,261	13,451,618,671
Finance lease receivable	1,816,804,249	3,181,637,621	6,765,095,063	10,843,928,285	21,236,991,719	90,780,202,511	134,624,659,448
Other receivables							
Receivables from clients	132,368,459	-	-	-	-	-	132,368,459
Receivables from employees	11,247	831,071	1,317,220	2,063,465	3,337,886	16,259,027	23,819,916
Accrued interest receivable	-	1,173,283	-	-	-	-	1,173,283
Other receivables	-	349,478	-	-	-	-	349,478
Derivative asset							
Receive leg	-	60,915,277	175,512,301	209,891,264	336,328,852	828,302,227	1,610,949,921
Pay leg	-	(129,489,437)	(358,675,549)	(424,366,736)	(833,523,986)	(1,977,305,718)	(3,723,361,426)
	₱ 8,745,281,652	₱4,582,745,361	₱7,432,039,241	₱11,949,851,611	₱23,189,498,316	₱97,948,844,308	₱153,848,260,489
Financial Liabilities							
Loans payable							
Bank loans	₱-	₱941,768,071	₱1,722,114,433	₱5,224,122,450	₱8,679,365,490	₱40,671,662,644	₱57,239,033,088
Bank loan from Mizuho	-	20,554,875	24,927,684	1,244,662,043	1,262,064,238	2,659,035,112	5,211,243,952
Bonds payable from BTMU	-	-	16,839,867	1,275,270,142	43,365,799	7,404,934,793	8,740,410,601
Fixed rate notes	-	3,965,167,500	2,052,603,375	-	1,699,530,522	2,500,000,000	10,217,301,397
Notes payable	-	1,121,590,040	1,999,220,372	2,002,600,542	2,035,962,917	301,417,463	7,460,791,334
Bank loan from TNB	-	17,618,290	1,322,437,056	17,667,000	2,458,661,542	1,260,458,909	5,076,842,797
Bonds payable from SMBC	-	-	32,204,902	1,258,143,150	75,998,300	6,920,812,350	8,287,158,702
Bank loan from TSB	-	1,628,110	-	1,683,613	1,533,521,730	1,393,952,954	2,930,786,407
Bank loans from TMFNL Loans	-	-	1,300,916,401	41,860,598	1,259,852,558	4,169,451,485	6,772,081,042
Bank loans from JIBC	-	-	30,436,391	-	30,721,441	5,396,107,121	5,457,264,953
Accounts payable and other liabilities							
Accounts payable	2,120,175,790	215,018,755	-	-	-	-	2,335,194,545
Accrued interest payable and other expenses	-	251,208,442	41,236,114	45,203,373	91,199,071	502,981,212	931,828,212
Lease liabilities	-	7,271,897	3,703,625	4,094,283	16,595,075	46,161,979	77,826,859
Deposits on lease contracts	816,800	-	-	-	-	36,186,986	37,003,786
	₱2,120,992,590	₱6,541,825,980	₱8,546,640,220	₱11,115,307,194	₱19,186,838,683	₱73,263,163,008	₱120,774,767,675



	2022						Total
	On demand	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 12 months	Beyond 1 year	
Financial Assets							
Cash and cash equivalents	P1,356,135,322	P-	P-	P-	P-	P-	P1,356,135,322
Due from BSP	6,580,524,994	-	-	-	-	-	6,580,524,994
SPURA	-	551,268,962	-	-	-	-	551,268,962
Financial assets at FVOCI	-	-	-	-	-	1,600,000	1,600,000
Receivables from customers							
Receivables financed	141,119,867	324,185,100	694,403,844	1,169,753,431	2,194,962,321	7,334,693,593	11,859,118,156
Finance lease receivable	1,682,786,697	2,270,429,656	5,463,948,290	9,376,801,753	18,496,676,510	83,530,679,214	120,821,322,120
Other receivables							
Receivables from clients	145,281,070	-	-	-	-	-	145,281,070
Receivables from employees	138,130	1,046,000	1,769,152	1,866,974	3,270,159	11,942,440	20,032,855
Accrued interest receivable	-	316,578	-	-	-	-	316,578
Other receivables	-	2,092,445	-	-	-	-	2,092,445
Derivative asset							
Receive leg	-	38,426,421	86,812,433	139,620,471	268,363,257	720,776,447	1,253,999,029
Pay leg	-	(146,781,596)	(293,662,325)	(401,659,004)	(700,769,172)	(2,172,250,283)	(3,715,122,380)
	P9,905,986,080	P3,040,983,566	P5,953,271,394	P10,286,383,625	P20,262,503,075	P89,427,441,411	P138,876,569,151
Loans payable							
Bank loans	-	3,185,601,333	3,284,462,866	2,994,622,570	10,087,084,216	18,675,984,837	38,227,755,822
Bank loan from Mizuho	-	7,942,230	1,327,980,147	1,236,721,391	39,636,717	3,884,244,402	6,496,524,887
Bonds payable from BTMU	-	5,392,505	16,084,673	24,268,612	55,289,156	7,352,226,406	7,453,261,352
Fixed rate notes	-	25,167,500	3,054,064,083	60,502,833	3,101,810,762	6,000,000,000	12,241,545,178
Notes payable	-	935,203,772	3,381,299,276	2,005,048,601	989,527,267	293,331,324	7,604,410,240
Bank loan from MUTB	-	-	-	-	-	-	-
Bank loan from TNB	-	16,672,496	10,200,190	1,369,062,831	45,004,525	5,073,794,559	6,514,734,601
Bank loan from RBL	-	2,903,908	-	1,342,377,527	-	-	1,345,281,435
Bonds payable from SMBC	-	-	3,005,950	16,743,639	24,070,957	5,050,587,797	5,094,408,343
Bank loan from TSB	-	5,515,282	-	8,343,873	1,291,580,098	1,401,182,059	2,706,621,312
Bank loans from TMFNL Loans	-	-	19,002,081	27,678,079	54,471,155	5,104,903,393	5,206,054,708
Bank loans from JBIC	-	-	25,789,393	-	29,331,190	5,449,241,807	5,504,362,390
Accounts payable and other liabilities							
Accounts payable	778,106,254	122,627,051	-	-	-	-	900,733,305
Accrued interest payable and other expenses	-	142,415,804	40,669,013	55,653,511	82,234,859	359,954,735	680,927,922
Lease liabilities	-	7,361,699	3,321,996	22,372,763	28,704,819	12,941,136	74,702,413
Deposits on lease contracts	962,200	-	-	-	-	15,011,361	15,973,561
	P779,068,454	P4,456,803,580	P11,165,879,608	P9,163,396,230	P15,828,745,721	P58,673,403,816	P100,067,297,469

Market Risk

Market risk is exposure to changes in market rates that may adversely affect the Company value and ability to meet obligations as they mature. Market risks cover interest rate and foreign exchange risks.

Interest rate risk

Interest rate risk arises from interest margin compression due to an adverse movement in the market interest rates. This risk applies only to accrual positions as the Company has no trading portfolio.

The ALCO establishes and oversees the Company's interest rate risk as part of the market risk management program. In considering interest rate exposures, the Company measures its risk profile in terms of asset and debt/derivative notional size, asset yields and market rates, maturity profile, prepayment and re-pricing characteristics. Interest rate risks exposures are evaluated using a variety of techniques and measures, each of which are based on projecting asset and liability cash flows under interest rate and market price scenarios.

Interest rate risk exposures are reported via portfolio hedge ratio. This tool highlights the level of gap in amounts in fixed rates of interest between assets and liabilities, as a measure of exposure to interest rate changes, the critical components of which are notional size, maturities and re-pricing profiles.

The Company also measures the potential impact of bps yield curve parallel shift on the expected earnings. This tool gives a measure of expected earnings at risk as a result of interest rate risk exposure.



The table below demonstrates the sensitivity of net interest income (NII) using the earnings at risk (EAR) model. NII sensitivity was computed by calculating the changes in the banking book gaps assuming a parallel shift in the yield curve.

	2023		2022	
	+100 bps	-100 bps	+100 bps	-100 bps
Sensitivity of NII	₱5,419,902	(₱5,419,902)	₱29,462,856	(₱29,462,856)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the value of foreign currencies which include volatility in exchange rates, correlations across currencies and changes in currency regime.

As a general rule, the Company is not allowed to have a forex position. All foreign borrowings must be fully hedged from inception until maturity. The Company's foreign exchange risk results primarily from movements of the PHP against the USD with respect to USD-denominated financial assets (such as cash and cash equivalents) and USD-denominated financial liabilities (such as accounts payable and other liabilities) which is not material to the overall financial statements.

25. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7, *Financial Instruments: Disclosures*, require the Company to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements.

The effects of these arrangements are disclosed below:

March 31, 2023						
Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Financial assets						
Cross-currency interest rate swaps	₱1,976,750,691	₱-	₱1,976,750,691	₱237,819,492	₱-	₱1,738,931,199
SPURA	1,034,162,082	-	1,034,162,082	-	1,034,162,082	-
	3,010,912,773	-	3,010,912,773	237,819,492	1,034,162,082	1,738,931,199
Financial liabilities						
Cross-currency interest rate swaps	₱542,583,875	₱-	₱542,583,875	₱237,819,492	₱-	₱780,403,367
March 31, 2022						
Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Financial assets						
Cross-currency interest rate swaps	₱665,835,309	₱-	₱665,835,309	₱134,969,827	₱-	₱530,865,482
SPURA	551,268,962	-	551,268,962	-	551,268,962	-
	₱1,217,104,271	₱-	₱1,217,104,271	₱134,969,827	₱551,268,962	₱530,865,482
Financial liabilities						
Cross-currency interest rate swaps	₱405,073,340	₱-	₱405,073,340	₱134,969,827	₱-	₱540,043,167



26. Notes to Statements of Cash Flows

Noncash investing activities pertain to transfer of repossessed vehicles classified as assets held for sale to property and equipment amounting to ₱2.46 million and ₱4.65 million in 2023 and 2022, respectively. It also includes foreclosure of repossessed vehicles classified as assets held for sale amounting to ₱4.85 billion and ₱5.19 billion in 2023 and 2022, respectively.

Changes in liabilities arising from financing activities

	March 31, 2022	Additions	Cash flows*	Changes in fair values and amortization costs	Accretion of interest	March 31, 2023
Loans payable	₱104,591,259,416	₱-	₱8,539,373,873	₱1,458,501,248	₱-	₱114,589,134,537
Capital Stock	8,700,000,000	-	-	-	-	8,700,000,000
Lease liability	74,702,414	97,586,798	(99,189,715)	-	4,727,362	77,826,859
Total liabilities from financing activities	₱113,365,961,830	₱97,586,798	₱8,440,184,158	₱1,458,501,248	₱4,727,362	₱123,366,961,396

*Represent net of availments and payments

	March 31, 2021	Additions	Cash flows*	Changes in fair values and amortization costs	Accretion of interest	March 31, 2022
Loans payable	₱91,764,285,071	₱-	₱10,281,534,465	₱2,545,439,880	₱-	₱104,591,259,416
Capital Stock	6,700,000,000	-	2,000,000,000	-	-	8,700,000,000
Lease liability	114,722,818	38,637,294	(85,009,326)	-	6,351,628	74,702,414
Total liabilities from financing activities	₱98,579,007,889	₱38,637,294	₱12,196,525,139	₱2,545,439,880	₱6,351,628	₱113,365,961,830

*Represent net of availments and payments

The Company classifies interest paid as cash flows under operating activities.

The Company entered into new lease contracts scoped under PFRS16 which resulted to recognition of ROU assets and lease liabilities amounting to ₱115.21 million and ₱77.83 million, respectively, as of March 31, 2023 and amounting to ₱94.50 million and ₱74.70 million, respectively, as of March 31, 2022.

27. Supplementary Information Required Under BSP Circular No. 1075

Presented below is the supplementary information required by BSP under Appendix Q-33 of BSP Circular No. 1075 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

A. Capital position

The Company has started its operations as a quasi-bank effective April 1, 2009. Thus, the Company began to actively manage its capital in accordance with regulatory requirements of BSP. The primary objective of which is to ensure that the Company maintains adequate capital to cover risks inherent to its quasi-banking activities without prejudice to optimizing shareholder's value.

Under existing BSP regulations, the capital accounts of the Company should not be less than an amount equal to 10.00% of its risk assets. Risk assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.



The following table sets the Company's regulatory capital as reported to BSP as at March 31, 2023 and 2022 (amounts in thousands):

	2023	2022
CET1 capital	₱15,674,938	₱14,054,945
Tier 1 capital	15,674,938	14,054,945
Tier 2 capital	214,830	110,319
Gross qualifying capital	₱15,889,768	₱14,165,264
Total risk weighted assets	₱121,743,683	₱107,852,057
CET1 ratio	12.88%	13.03%
Tier 1 ratio	12.88%	13.03%
Risk-based CAR	13.05%	13.13%

B. Leverage ratio

On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Basel III Leverage Ratio Framework which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 under BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. The leverage ratio shall not be less than 5.00% computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies). The Company's leverage ratio is 11.63% and 11.60% for March 31, 2023 and 2022, respectively.

C. Total exposure measure

An analysis of concentrations of credit risk for loans and receivable (gross up for any allowance for credit losses) of the Company as of March 31, 2023 and 2022 are as follows:

	2023		2022	
	Amount	%	Amount	%
Other community and personal activities	₱31,012,932,332	24.87%	₱28,519,864,830	25.43%
Social work activities	21,194,281,153	16.99%	20,715,297,787	18.47%
Wholesale and retail trade	20,996,768,418	16.84%	18,930,284,991	16.88%
Education	10,247,195,790	8.22%	9,601,631,080	8.56%
Transportation, storage and communication	9,330,945,566	7.48%	6,810,180,354	6.07%
Real estate, renting and business activities	9,006,939,164	7.22%	7,491,506,743	6.68%
Manufacturing	6,205,840,081	4.98%	5,218,177,541	4.65%
Financial intermediaries	4,795,727,298	3.85%	4,332,053,301	3.86%
Hotels and restaurants	4,370,993,743	3.50%	3,690,401,668	3.29%
Agricultural, hunting and forestry, fishing	3,086,484,951	2.47%	2,519,683,429	2.25%
Construction	2,685,074,777	2.15%	2,725,720,097	2.43%
Electricity, gas and water	1,421,823,905	1.14%	1,303,057,576	1.16%
Mining and quarrying	358,244,230	0.29%	288,697,519	0.26%
	₱124,713,251,408	100.00%	₱112,146,556,916	100.00%

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio.



D. Breakdown of total loans as to security

All of the Company's receivables from customers are secured by chattel mortgage. The following table shows the breakdown of secured receivables from customers as of March 31, 2023 and 2022:

	2023		2022	
	Amount	%	Amount	%
Secured by:				
Chattel mortgage	₱11,578,802,445	9.28	₱10,308,291,062	9.19
Contract of lease*	113,134,448,963	90.72	101,838,265,854	90.81
	₱124,713,251,408	100.00	₱112,146,556,916	100.00

*For leasing accounts, official receipt and certificate of registration is under the name of the Company; thus, ownership is retained by the Company until such time that accounts have been fully settled.

E. Breakdown of total loans as to status

Generally, non-performing loans (NPLs) refer to loans whose principal and/or interest is unpaid for ninety (90) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semiannual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

The following table shows the breakdown of receivables from customer net of unearned interest and discount and residual value of leased assets as to performing and non-performing as of March 31, 2023 and 2022:

	2023	2022
Performing loans		
Finance lease receivables	₱109,490,636,763	₱97,454,938,362
Receivables financed	11,459,546,608	10,046,896,376
	₱120,950,183,371	₱107,501,834,738
NPLs		
Finance lease receivables	₱3,643,812,199	₱4,383,327,492
Receivables financed	119,255,838	261,394,685
	₱3,763,068,037	₱4,644,722,177

The Company considered the loans as NPL, even if not considered impaired if any principal and/or interest is unpaid for more than ninety (90) days from the contractual due date.

F. Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, which include guidelines on minimum liquidity ratio (MLR). To promote short-term resilience to liquidity shocks, banks/ QBs shall maintain a stock of liquid assets proportionate to their on- and off-balance sheet liabilities. The prudential MLR requirement applies to all thrift banks (TBs), rural/ cooperative banks and QBs that are not subsidiaries of universal or commercial banks. A prudential MLR of 20.00% shall apply to banks/quasi banks (QB) on an ongoing basis absent a period of financial stress. The liquidity ratio is expressed as a percentage of the banks/QBs eligible stock of liquid assets to its total qualifying liabilities. The Company's MLR is 77.28% and 94.31% for March 31, 2023 and 2022, respectively.



The computation of the MLR is simple and straightforward. Under BSP Circular No. 996, MLR is expressed as a percentage of a covered institution's eligible stock of liquid assets to its total qualifying liabilities. The stock of liquid assets is required to be unencumbered and readily liquefiable, while the qualifying liabilities include both on-balance sheet and off-balance sheet commitments. Based on impact studies, BSP believes that covered institutions will be able to readily adjust to the new standard.

The method for computing the MLR was revised per BSP Circular No. 1035 issued on March 15, 2019. The 20.00% MLR aims to ensure that stand-alone thrift, rural and cooperative banks and QBs set aside a liquidity buffer that will enable them to withstand liquidity stress events. It relates a bank/QB's eligible liquid assets to its qualifying liabilities. The revised MLR computation converges with the LCR framework as interbank placements are now counted as eligible liquid assets. Moreover, the amount of qualifying liabilities has been adjusted through the application of conversion factors as shown in the table below:

Liability	Conversion factor
Retail current and regular savings deposits with outstanding balance per account of PhP500,000 and below	50.00%
Deposits where the account holder has no contractual or legal discretion to withdraw said deposit or pre-terminate the account within the next 30 calendar days (e.g., negotiable certificates of deposits)	0.00%
Borrowings that are non-callable in, or have contractual maturity dates beyond, the next 30 calendar days	0.00%
Obligations arising from operational expenses	0.00%

G. Financial performance indicator

Basic ratios that measure the financial performance of the Company follow:

	2023	2022
Return on average equity (ROE)	11.84%	8.03%
Return on average asset (ROA)	1.40%	0.91%
Net interest margin over average earning assets	5.26%	4.94%

For purpose of computing ROE and ROA, average balances of equity and assets, respectively, were used.

H. Capital instruments

As of March 31, 2023 and 2022, the Company's capital instrument pertains to common stock amounting to ₱8.70 billion for both years.

I. Information on related party loans

Under BSP Regulatory Manual Section 4357S, *Direct/Indirect Borrowings; Ceilings*, the Company should not directly or indirectly make a loan to any directors, officers, stockholders and related interests. As of March 31, 2023 and 2022, the Company has no DOSRI account.

J. Aggregate amount of secured liabilities and asset pledged as security

As of March 31, 2023 and 2022, other than SPURA, the Company did not pledge as security any of its assets and did not have secured liabilities.



K. Commitments and contingencies

As of March 31, 2023 and 2022, the Company has derivative financial instruments with notional amount of ₱40.89 billion and ₱38.95 billion, respectively. There are no other contingencies and commitments arising from off-balance sheet items.

28. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes for the year ended March 31, 2023:

Gross Receipts Tax

The Company is subject to GRT on its gross income from Philippine sources. GRT is imposed on interest, commissions and discounts from lending activities at 5.00% or 1.00%, depending on the remaining maturities of instruments from which such receipts are derived, and at 7.00% on non-lending fees and commissions, trading and foreign exchange gains and other items constituting gross income.

Details of the Company's income and GRT accounts in 2023 are as follows:

	Gross Receipts	GRT
Income derived from lending activities	₱11,287,301,437	₱564,365,072
Other income	530,226,300	33,961,845
	<u>₱11,817,527,737</u>	<u>₱598,326,917</u>

Taxes and Licenses

For the year ended March 31, 2023, 'Taxes and licenses' account of the Company consists of:

Gross receipt taxes	₱598,326,917
Documentary stamps taxes	70,409,177
Local taxes	26,666,896
Others	20,613,508
	<u>₱716,016,498</u>

Others include fringe benefits tax, Land Transportation Office registration and SEC registration fee.

Withholding Taxes

	Total Remittances	Balance
Expanded withholding taxes	₱210,467,836	₱23,718,968
Final withholding taxes	184,575,638	20,188,832
Withholding taxes on compensation and benefits	39,949,226	14,490,190
	<u>₱434,992,700</u>	<u>₱58,397,990</u>



Toyota Financial Services Philippines Corporation

Unaudited Interim Condensed
Financial Statements
as at June 30, 2025 and
for the three months ended
June 30, 2025 and 2024
(With Comparative Audited Statement of
Financial Position as at March 31 2025)

and

Report on Review of Interim
Condensed Financial Statements



REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

The Stockholders and the Board of Directors
Toyota Financial Services Philippines Corporation

Introduction

We have reviewed the accompanying interim condensed financial statements of Toyota Financial Services Philippines Corporation, which comprise the interim statement of financial position as at June 30, 2025 and the related interim statements of comprehensive income, interim statements of changes in equity and interim statements of cash flows for the three-month periods ended June 30, 2025 and 2024, and other explanatory information. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with PAS 34, *Interim Financial Reporting*.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño

Glenda C. Anisco-Niño

Partner

CPA Certificate No. 114462

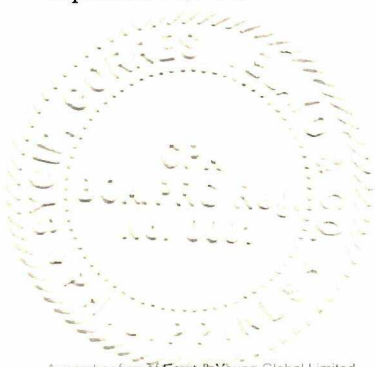
Tax Identification No. 225-158-629

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10465259, January 2, 2025, Makati City

September 16, 2025



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION
(With Comparative Audited Figures as at March 31, 2025)

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
ASSETS		
Cash on hand and in banks (Notes 5, 11 and 19)	₱2,433,729,282	₱2,537,042,253
Due from Bangko Sentral ng Pilipinas (Note 5)	4,075,006,653	2,689,111,050
Securities purchased under resale agreement (Note 6)	–	715,000,000
Loans and receivables (Notes 7 and 11)	157,638,949,702	154,437,967,433
Assets held for sale (Notes 8 and 11)	1,471,964,155	1,429,767,387
Property and equipment (Note 9)	1,050,774,432	1,133,504,079
Software costs (Note 10)	647,341,373	669,537,349
Deferred tax assets (Note 17)	506,354,226	407,196,435
Derivative asset (Note 14)	362,711,099	1,255,109,073
Other assets (Note 10)	252,113,521	201,008,481
	₱168,438,944,443	₱165,475,243,540
LIABILITIES AND EQUITY		
LIABILITIES		
Loans payable (Note 12)	₱141,837,389,780	₱140,646,779,711
Derivative liability (Note 14)	193,759,063	119,912,975
Income tax payable (Note 17)	246,403,414	150,885,066
Lease liabilities (Note 18)	78,456,034	104,614,070
Deposits on lease contracts	78,735,996	78,902,506
Accounts payable and other liabilities (Notes 13 and 19)	5,590,242,930	3,967,261,428
	148,024,987,217	145,068,355,756
EQUITY		
Capital stock - ₱100 par value		
Authorized - 90,000,000 shares,		
issued and outstanding - 87,000,000 shares (Note 21)	8,700,000,000	8,700,000,000
Retained earnings (Note 21)	11,840,452,021	11,620,079,533
Cash flow hedge reserve (Note 14)	(88,498,473)	124,804,573
Actuarial loss on retirement plan	(37,996,322)	(37,996,322)
	20,413,957,226	20,406,887,784
	₱168,438,944,443	₱165,475,243,540

See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended June 30	
	2025	2024
INTEREST INCOME		
Loans and receivables (Note 7)	₱3,972,459,571	₱3,581,281,968
Due from Bangko Sentral ng Pilipinas (Note 5)	24,736,837	19,202,917
Securities purchased under resale agreement (Note 6)	14,385,373	28,390,419
Cash in banks (Notes 5 and 19)	212,068	178,310
TOTAL INTEREST INCOME	4,011,793,849	3,629,053,614
INTEREST EXPENSE		
Loans payable and derivatives (Note 12)	2,325,761,188	2,027,173,245
Lease liabilities (Note 18)	849,999	1,561,367
TOTAL INTEREST EXPENSE	2,326,611,187	2,028,734,612
NET INTEREST INCOME	1,685,182,662	1,600,319,002
SERVICE FEES AND OTHER INCOME (Note 16)	94,915,793	217,226,739
OPERATING EXPENSES		
Provision for credit and impairment losses (Note 11)	551,230,884	408,892,392
Taxes and licenses	241,863,451	209,812,841
Compensation and fringe benefits (Note 19)	156,579,725	133,540,007
Litigation and collection	119,533,787	113,408,127
Depreciation and amortization (Notes 9 and 10)	118,974,498	104,378,545
Occupancy (Notes 19)	82,199,486	60,888,356
Sales and marketing	65,886,499	91,870,393
Computer hardware and software expenses	59,925,404	45,169,644
Credit investigation	27,560,128	21,560,728
Supervision fees	14,016,049	13,491,645
Contractual services	12,135,483	10,878,584
Postage, cable and telegram	8,038,193	5,555,994
Management and professional fees (Note 19)	3,784,830	4,403,232
Transportation and travel	3,612,936	4,701,944
Entertainment, amusement and recreation	239,110	221,483
Others	18,817,076	15,634,624
	1,484,397,539	1,244,408,539
INCOME BEFORE INCOME TAX	295,700,916	573,137,202
PROVISION FOR INCOME TAX (Note 17)	75,328,428	166,998,768
NET INCOME	220,372,488	406,138,434
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods:		
Net movement in cash flow hedge reserve (Note 14)	(213,303,046)	222,626,611
TOTAL COMPREHENSIVE INCOME	₱7,069,442	₱628,765,045

See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION**UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY****For the Three Months Ended June 30, 2025 and 2024**

	Capital Stock (Note 21)	Retained Earnings (Note 21)	Cash Flow Hedge Reserve (Note 14)	Actuarial Loss on Retirement Plan	Total
Balances at April 1, 2025	₱8,700,000,000	₱11,620,079,533	₱124,804,573	(₱37,996,322)	₱20,406,887,784
Total comprehensive income (loss) for the period	–	220,372,488	(213,303,046)	–	7,069,442
Balances at June 30, 2025 (Unaudited)	₱8,700,000,000	₱11,840,452,021	(₱88,498,473)	(₱37,996,322)	₱20,413,957,226
Balances at April 1, 2024	₱8,700,000,000	₱9,920,007,468	(₱591,549,268)	(₱28,942,922)	₱17,999,515,278
Total comprehensive income for the period	–	406,138,434	222,626,611	–	628,765,045
Balances at June 30, 2024 (Unaudited)	₱8,700,000,000	₱10,326,145,902	(₱368,922,657)	(₱28,942,922)	₱18,628,280,323

See accompanying Notes to Financial Statements.

TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION**UNAUDITED INTERIM STATEMENTS OF CASH FLOWS****For the Three Months Ended June 30, 2025 and 2024**

	For the Three Months Ended June 30	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱295,700,916	₱573,137,202
Adjustments for:		
Depreciation and amortization (Notes 9 and 10)	118,974,498	104,378,545
Amortization of debt issue cost on loans payable (Note 12)	71,551,019	58,824,203
Interest expense on lease liabilities (Note 18)	849,999	1,561,367
Provision for impairment losses on property and equipment (Notes 9 and 11)	676,407	3,743,336
Loss (gain) on sale of property and equipment (Note 16)	4,445	(34,163)
Changes in operating assets and liabilities:		
Increase in:		
Loans and receivables	(3,200,982,269)	(4,753,215,688)
Assets held for sale (Note 8)	(45,403,542)	(70,205,121)
Other assets	(51,105,039)	(7,766,152)
Increase (decrease) in:		
Deposits on lease contracts	(166,510)	5,496,738
Accounts payable and other liabilities	1,651,182,959	948,478,700
Net cash used in operations	(1,158,717,117)	(3,135,601,033)
Income taxes paid	(7,866,856)	(10,003,587)
Contribution to retirement fund	(28,201,460)	–
Net cash used in operating activities	(1,194,785,433)	(3,145,604,620)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 9)	(42,046,915)	(115,934,297)
Software (Note 10)	(6,864,527)	(24,962,944)
Proceeds from sale of:		
Property and equipment	37,388,492	13,135,855
Net cash used in investing activities	(11,522,950)	(127,761,386)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of loans payable	15,306,792,567	14,251,774,715
Settlement of loans payable and derivatives	(13,505,893,517)	(12,772,527,470)
Payment of lease liabilities (Note 24)	(27,008,035)	(15,969,672)
Net cash provided by financing activities	1,773,891,015	1,463,277,573
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	567,582,632	(1,810,088,433)

(Forward)

	For the Three Months Ended June 30	
	2025	2024
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash on hand and in banks	₱2,537,042,253	₱2,304,294,848
Due from Bangko Sentral ng Pilipinas	2,689,111,050	5,777,954,719
Securities purchased under resale agreement	715,000,000	—
	5,941,153,303	8,082,249,567
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Notes 5 and 6)		
Cash on hand and in banks	2,433,729,282	1,764,629,056
Due from Bangko Sentral ng Pilipinas	4,075,006,653	2,482,532,078
Securities purchased under resale agreement	—	2,025,000,000
	₱6,508,735,935	₱6,272,161,134
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱4,970,766,693	₱5,054,585,357
Interest paid	2,055,244,921	1,697,677,381

See accompanying Notes to Financial Statements.



TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

1. Corporate Information

Incorporation and operations

Toyota Financial Services Philippines Corporation (the Company) is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 2002. The Company's registered address is 32F GT Tower, Ayala Ave. cor. HV Dela Costa St. Makati City. The Company has a corporate life of 50 years.

The Company serves customers of Toyota vehicles through financing and leasing services, as well as Toyota dealers, through inventory stock financing. On May 8, 2008, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) granted the Company its quasi-banking license, which enables the Company to diversify its sources of funds, as well as offer a wider range of financing products to its growing customers and perform other quasi-banking functions effective April 1, 2009.

The following table sets forth the ownership structure of the Company:

	Percentage of ownership
Toyota Financial Services Corporation (TFSC)	60.00%
GT Capital Holdings, Inc. (GT Capital)	40.00%

The Company's ultimate parent company is TFSC, a financial services company based in Japan.

Approval of financial statements

The interim condensed financial statements of the Company as of June 30, 2025 and for the three months ended June 30, 2025 and 2024 were approved and authorized for issue by the Board of Directors (BOD) on September 16, 2025.

2. Material Accounting Policy Information

Basis of Preparation of Interim Condensed Financial Statements

The interim condensed financial statements of the Company as of June 30, 2025 and for the three months ended June 30, 2025 and 2024 have been prepared using the historical cost basis except for derivative financial instruments, which have been measured at fair value.

The accompanying interim condensed financial statements are presented in Philippine peso (₱), which is also the Company's functional currency.

All values are rounded to the nearest peso unless otherwise stated.

The accompanying interim condensed financial statements have been prepared by the Company for its debt offering transaction.



Statement of Compliance

The interim condensed financial statements of the Company have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed financial statements do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended March 31, 2025 prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Presentation of Financial Statements

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (noncurrent) is presented in Note 15.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those of the Company's annual financial statements as of and for the year ended March 31, 2025, except for the adoption of the amendments to Amendments to PAS 21, *Lack of exchangeability*, which became effective April 1, 2025. The adoption of these amendments to PFRS Accounting Standards did not have an impact on the Company's interim condensed financial statements.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Seasonality or Cyclicity of Interim Operations

Seasonality or cyclicity of interim operations is not applicable to the Company's type of business.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying interim condensed financial statements in accordance with PAS 34 requires management to make judgments and estimates that affect the amounts reported in the interim condensed financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

The significant judgments and assumptions made in the unaudited interim condensed financial statements of the Company are consistent with the most recent annual financial statements issued, unless otherwise indicated.

Estimates

a. Impairment of Loans and Receivables

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

The significant factors affecting the estimates on the ECL model include:

- The criteria for assessing if there has been a significant increase in credit risk.
- The definition of default, which is consistent with the regulatory requirements.
- Segmentation of the portfolio into individual and corporate.



- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs. For the three months ended June 30, 2025 and 2024, the Company revisited the historical default and recovery experiences and updated its forecast of macroeconomic variables affecting the default of its individual and corporate loan segments and reflected them in the overlay.
- Incorporation of expert judgment in the selection of the forward looking macroeconomic scenarios to derive the economic inputs. For the three months ended June 30, 2025 and 2024, the Company evaluated its expectations of economic recovery based on available market and published data and reflected such in the scenario weights.

The carrying amounts of the loans and receivables and related allowance are disclosed in Notes 7 and 11.

b. Valuation of Assets Held for Sale

The Company's assets held for sale are carried at the lower of their carrying amount and fair value less costs to sell. Fair value is based on the valuation performed by the internal appraiser. As of June 30, 2025 and 2024, the Company reassessed the valuation of these assets in view of their current market price, together with its historical sales experience, and made the adjustments, as necessary, to their valuation to reflect the expectations of recoverability of these assets.

As of March 31, 2025 and 2024, assets held for sale is disclosed in Note 8.

4. Operating Segments

The Company operates as a financing company engaged in finance activities, and has only one operating segment. The results of operations are reviewed by the President to make strategic decisions and assess the Company's financial performance.

Performance is evaluated based on key financial metrics such as Net Income Margin, Net Income, and Total Operating Profit. These indicators reflect the Company's ability to generate returns from its core financing operations.

Total Financing Revenue represents total interest income generated by the Company from its normal business activities, which includes the interest income from loans and receivables, due from Bangko Sentral ng Pilipinas, and cash in banks. The amount is equal to the "Total Interest Income" presented in the statement of comprehensive income. Total Operating Profit is calculated as the total operating income (i.e., total financing revenue plus service fees and other income) less interest and operating expenses, excluding provision for income tax. Net Income Margin is calculated as Net Income divided by Total Financing Revenues.



Presented below are the Company's Net income, Net Income Margin and Total Operating Profit for the three-month periods ended June 30, 2025 and 2024:

	For the three months ended June 30	
	2025	2024
	(Unaudited)	(Unaudited)
Total Financing Revenues (a)	₱4,011,793,849	₱3,629,053,614
Service Fees and Other Income	94,915,793	217,226,739
Total Operating Income	4,106,709,642	3,846,280,353
Interest Expense	2,326,611,187	2,028,734,612
Operating Expenses	1,484,397,539	1,244,408,539
Total Operating Profit	295,700,916	573,137,202
Provision for Income Tax	75,328,428	166,998,768
Net Income (b)	₱220,372,488	₱406,138,434
Net Income Margin (b/a)	5.49%	11.19%

5. Cash on hand and in banks and Due from Bangko Sentral ng Pilipinas

Cash on hand and in banks

This account consists of:

	June 30, 2025	March 31, 2025
	(Unaudited)	(Audited)
Cash on hand	₱2,074,326	₱2,769,720
Cash in banks (Note 19)	2,431,890,058	2,534,507,635
	2,433,964,384	2,537,277,355
Allowance for credit losses (Note 11)	(235,102)	(235,102)
	₱2,433,729,282	2,537,042,253

For the three months ended June 30, 2025 and 2024, cash in banks earn annual interest ranging from 0.06% to 0.25%.

Interest earned on cash in banks amounted to ₱0.21 million and ₱0.18 million for the three-month periods ended June 30, 2025 and 2024, respectively.

Due from BSP

This account consists of:

	June 30, 2025	March 31, 2025
	(Unaudited)	(Audited)
Demand deposits	₱1,905,000,000	₱696,000,000
Overnight deposits	1,370,006,653	1,193,111,050
Term deposits	800,000,000	800,000,000
	₱4,075,006,653	₱2,689,111,050



Due from BSP includes non-interest-bearing demand deposit account. It also includes overnight deposit facility that earns annual interest ranging from 4.75% to 5.25% and from 5.00% to 6.00% for the three months June 30, 2025 and 2024, respectively, and term deposit facility that earns annual interest ranging from 5.05% to 5.80% and from 5.50% to 6.56% for the three months ended June 30, 2025 and 2024, respectively. Total interest earned on Due from BSP amounted to ₱24.74 million and ₱19.20 million for the three months ended June 30, 2025 and 2024, respectively.

As of June 30, 2025 and March 31, 2025, the Company is in compliance with the BSP's reserve requirement. The total available reserves booked under 'Due from BSP' amounted to ₱1.37 billion and ₱1.19 billion as of June 30, 2025 and March 31, 2025, respectively.

6. Securities Purchased Under Resale Agreement (SPURA)

This account consists of government securities purchased under reverse repurchase agreement with the BSP as counterparty. These government securities, with face value amounting to nil and ₱715.00 million as of June 30, 2025 and March 31, 2025, respectively, were pledged in favor of the Company as collateral for SPURA, which is equivalent to the face value of the government securities.

The annual interest is ranging from 5.25%.% to 5.75% and from 5.25%.% to 6.58% for the three months ended June 30, 2025 and 2024, respectively.

Total interest earned on SPURA amounted to ₱14.38 million and ₱28.39 million for the three months ended June 30, 2025 and 2024, respectively.

7. Loans and Receivables

This account consists of:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Receivables from customers		
Receivables financed	₱19,321,385,694	₱19,037,912,344
Unearned finance income	(2,831,619,620)	(2,781,945,398)
	16,489,766,074	16,255,966,946
Finance lease receivables		
Finance lease receivables	172,331,554,703	168,614,838,097
Residual value of leased assets	318,000	318,000
	172,331,872,703	168,615,156,097
Unearned lease income	(29,449,157,822)	(28,541,418,962)
	142,882,714,881	140,073,737,135
	159,372,480,955	156,329,704,081
Other receivables		
Receivables from clients	199,633,322	118,734,022
Receivables from employees	33,714,408	33,779,413
Accrued interest receivable	771,750	788,012
Others	939,775	758,349
	235,059,255	154,059,796
Allowance for credit losses (Note 11)	(1,968,590,508)	(2,045,796,444)
	₱157,638,949,702	₱154,437,967,433



For the three months ended June 30, 2025 and 2024, receivables financed earn fixed interest ranging from 6.37% to 18.44% and from 7.09% to 18.44%, respectively, while finance lease receivables earn fixed interest ranging from 6.02% to 18.87% in both periods.

As of June 30, 2025 and March 31, 2025, the Company's allowance for credit losses for loans and receivables is in compliance with the requirements of RA No. 8556.

8. Assets Held for Sale

As of June 30, 2025 and March 31, 2025, the Company's assets held for sale amounting to ₱1.47 billion and ₱1.43 billion, respectively. For the three months ended June 30, 2025 and 2024, the Company repossessed collaterals from customers amounting to ₱1.98 billion and ₱1.59 billion, respectively. For the same periods, the Company sold assets held for sale with net book value of ₱1.76 billion and ₱1.51 billion, recognizing loss on disposal amounting to ₱188.66 million and ₱39.05 million, respectively (see Note 16). For the three months ended June 30, 2025 and 2024, the Company recorded provision for impairment losses amounting to ₱506.07 million and ₱271.50 million, respectively (see Note 11).

9. Property and Equipment

For the three months ended June 30, 2025 and 2024, the Company acquired property and equipment amounting to ₱42.05 million and ₱115.93 million, respectively. For the same periods, the Company disposed property and equipment with net book value of ₱37.39 million and ₱13.10 million, respectively.

The Company recognized a depreciation expense amounting to ₱89.91 and ₱82.83 million for the three months ended June 30, 2025 and 2024, respectively.

As of June 30, 2025 and March 31, 2025, the Company has no property and equipment pledged as collateral nor commitments to purchase any property or equipment.

10. Software Costs and Other Assets

Software Costs

For the three months ended June 30, 2025 and 2024, the Company acquired software with cost of ₱6.86 million and ₱24.96 million, respectively. Amortization of software costs, included in the 'Depreciation and amortization' in the statements of comprehensive income, amounted to ₱29.06 million and ₱21.54 million for the three months ended June 30, 2025 and 2024, respectively.



Other Assets

This account consists of:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Financial assets		
Security deposits	₱45,277,949	₱41,979,336
Non-financial assets		
Prepaid expenses	198,687,538	155,403,847
Creditable withholding taxes	8,148,034	3,625,298
	₱252,113,521	₱201,008,481

11. Allowance for Credit and Impairment Losses

This account consists of:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Cash in banks (Note 5)*	₱235,102	₱235,102
Loans and receivables (Note 7):		
Finance lease receivables	₱1,815,015,385	₱1,890,208,830
Receivables financed	153,356,625	155,369,116
Other receivables	218,498	218,498
	1,968,590,508	2,045,796,444
Assets held for sale (Note 8)	521,309,024	336,020,646
Property and equipment	12,421,066	11,744,658
Balance at end of period	₱2,502,555,700	₱2,393,796,850

*Allowance under stage 1

With the foregoing level of allowance for credit and impairment losses, management believes that the Company has sufficient allowance to absorb any losses that may be incurred from the non-collection or nonrealization of its receivables and assets held for sale.

The rollforward analysis of this account for the three months ended June 30, 2025 and 2024 follows:

	June 30, 2025 (Unaudited)				
	Cash in banks	Loans and receivables	Assets held for sale	Property and equipment	Total
Beginning balance	₱235,102	₱2,045,796,444	₱336,020,646	₱11,744,658	₱2,393,796,850
Provision for credit and impairment losses	—	44,488,897	506,065,579	676,408	551,230,884
Write-off	—	(121,694,833)	—	—	(121,694,833)
Reversal through disposal	—	—	(320,777,201)	—	(320,777,201)
	₱235,102	₱1,968,590,508	₱521,309,024	₱12,421,066	₱2,502,555,700



	June 30, 2024 (Unaudited)				
	Cash in banks	Loans and receivables	Assets held for sale	Property and equipment	Total
Beginning balance	₱235,102	₱1,921,575,848	₱116,400,269	₱6,128,584	₱2,044,339,803
Provision for credit and impairment losses	—	133,650,604	271,498,451	3,743,337	408,892,392
Write-off	—	(101,871,804)	—	—	(101,871,804)
Reversal through disposal	—	—	(257,934,582)	—	(257,934,582)
	₱235,102	₱1,953,354,648	₱129,964,138	₱9,871,921	₱2,093,425,809

Below is the breakdown of the provision for credit and impairment losses:

	For the Three Months Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Loans and receivables (Note 7)		
Finance lease receivables	₱54,727,695	₱101,077,047
Receivables financed	(10,238,798)	32,573,557
	44,488,897	133,650,604
Assets held for sale (Note 8)	506,065,579	271,498,451
Vehicle under operating lease	676,408	3,743,337
	₱551,230,884	₱408,892,392

12. Loans Payable

This account consists of the Company's borrowings, net of unamortized debt transaction costs:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Domestic bank loans (Note 19)	₱97,474,059,108	₱96,251,157,302
Fixed rate notes	17,446,827,189	13,787,949,983
Bonds payable	12,247,343,819	12,365,701,244
Notes payable	9,890,042,518	9,958,699,491
Foreign bank loans	4,779,117,146	8,283,271,691
	₱141,837,389,780	₱140,646,779,711



The movements in loans payable follow:

	For the Three Months Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Balance at beginning of the period (gross of unamortized transaction costs)	₱141,365,609,491	₱130,625,539,496
Availments	15,365,636,544	14,298,713,322
Settlements	(13,900,518,517)	(13,466,602,470)
Changes in foreign exchange	(287,215,000)	1,366,730,000
Balance at end of the period (gross of unamortized transaction costs)	142,543,512,518	132,824,380,348
Unamortized debt transaction cost	(706,122,738)	(662,615,742)
	₱141,837,389,780	₱132,161,764,606

For the three months ended June 30, 2025 and 2024, the movements in the unamortized debt transaction costs on loans payable are as follows:

	For the Three Months Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Balance at beginning of the period	₱718,829,780	₱674,501,338
Additions	58,843,977	46,938,607
Amortization	(71,551,019)	(58,824,203)
Balance at end of the period	₱706,122,738	₱662,615,742

Maturities of loans payable are presented below:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Less than one year	₱49,755,917,959	₱46,689,811,804
One year up to 2 years	47,992,529,288	45,192,269,469
More than 2 yrs to 3 years	38,945,065,271	41,183,528,218
More than 3 years to 5 years	5,850,000,000	8,300,000,000
	₱142,543,512,518	₱141,365,609,491

As of June 30, 2025 and March 31, 2025, the outstanding loans payable are unsecured.

Bank loans

As of June 30, 2025 and March 31, 2025, the Company's bank loans have maturity periods of 18 months to 5 years and 1 month to 5 years, respectively. For the three months ended June 30, 2025 and 2024, domestic bank loans bear annual interest rates ranging from 4.00% to 7.33% and 3.75% to 7.33%, respectively.

Fixed rate notes

As of June 30, 2025 and March 31, 2025, the Company's retail fixed rate notes have maturity periods of 24 to 36 months and 3 to 36 months, respectively. For the three months ended June 30, 2025 and 2024, the fixed rate notes bear annual interest rates ranging from 6.01% to 7.08% and 6.25% to 7.01%, respectively.



On May 8, 2025, the Company issued additional retail fixed rates notes amounting to ₱5.00 billion with annual interest rates ranging from 6.16% to 6.30% and have maturity periods of 30 months to 3 years.

Notes payable

As of June 30, 2025 and March 31, 2025, the Company's notes payable has maturity periods of 1 month to 3 years. For the three months ended June 30, 2025 and 2024, notes payable bears annual interest rates ranging from 5.13% to 6.63% and 2.63% to 6.63%, respectively.

The interest expense on loans payable, including amortization of debt issue costs, amounted to ₱2.23 billion and ₱1.86 billion for the three-month periods ended June 30, 2025 and 2024, respectively.

13. Accounts Payable and Other Liabilities

This account consists of:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Financial liabilities		
Accounts payable (Note 19)	₱3,505,322,247	₱2,009,158,947
Accrued interest payable (Note 19)	1,176,990,548	1,110,887,306
Accrued expenses	558,427,305	436,938,925
	5,240,740,100	3,556,985,178
Non-financial liabilities		
Accrued expenses	244,133,980	277,010,849
Withholding tax payable	62,710,301	71,873,841
Retirement liability	38,332,794	57,177,616
Others	4,325,755	4,213,944
	349,502,830	410,276,250
	₱5,590,242,930	₱3,967,261,428

Accrued expenses pertain to accruals of gross receipts tax (GRT) and fringe benefit tax, unbilled utilities, employees' compensated leaves and absences and BSP annual supervision fees.

14. Derivative Instruments Designated As Hedges

The breakdown of derivative assets (liabilities) designated as hedge instruments in cash flow hedges as of June 30, 2025 and March 31, 2025 is as follows:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Derivative asset	₱362,711,099	₱1,255,109,073
Derivative liability	(193,759,063)	(119,912,975)



The movements in fair value changes of the derivative asset (liability) for the three months period ended June 30, 2025 and 2024 follow:

	June 30, 2025 (Unaudited)	June 30, 2024 (Audited)
Beginning balance	₱1,135,196,098	₱1,422,942,642
Net settlements	(394,625,000)	(694,075,000)
Fair value changes during the period	(571,619,062)	1,663,565,481
Ending balance	₱168,952,036	₱2,392,433,123

As of June 30, 2025 and March 31, 2025, both the Company and its counterparties maintained good credit standing, with no significant credit risk concerns.

As of June 30, 2025 and March 31, 2025, the Company has the following instruments with maturities of 1 to 5 years to hedge exposures to changes in interest rates and foreign exchange currency rates:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Cross-currency interest rate swaps		
Nominal amount	₱16,940,520,000	₱22,926,720,000
Average foreign exchange rate	51.01	53.42
Average fixed interest rate	5.51%	5.35%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness as of June 30, 2025 and March 31, 2025 are as follows:

Cross-currency interest rate swaps	Nominal amount	Carrying amount	Changes in fair values	Changes in the value of the hedging instrument recognized in OCI	Hedge ineffectiveness recognized in statement of income	Amount reclassified from the 'Cash flow hedge reserve' to statement of income
June 30, 2025	₱16,940,520,000	₱168,952,036	(₱571,619,062)	(₱571,619,062)	₱-	₱287,215,000
March 31, 2025	22,926,720,000	1,135,196,097	1,663,565,481	1,663,565,481	-	(1,366,730,000)

The Company's financial instruments designated as hedged items in cash flow hedge relationships follow:

	June 30, 2025 (Unaudited)	June 30, 2024 (Unaudited)
Floating/fixed rate dollar-denominated notes		
Change in value used for calculating hedge ineffectiveness	(₱571,619,062)	₱1,663,565,481



The movements in cash flow hedge reserve follow:

	June 30, 2025 (Unaudited)	June 30, 2024 (Audited)
Beginning balance (net of tax)	₱124,804,573	(₱591,549,268)
Net unrealized gain (loss) on cash flow hedges	(571,619,062)	1,663,565,481
Net loss (gain) on cash flow hedges reclassified to profit or loss	287,215,000	(1,366,730,000)
Movement during the period (gross of tax)	(159,599,489)	294,713,787
Deferred tax for the period	71,101,016	74,208,870
Ending balance (net of tax)	(₱88,498,473)	(₱368,922,657)

15. Maturity Analysis of Assets and Liabilities

The following tables present the assets and liabilities as of June 30, 2025 and March 31, 2025 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	June 30, 2025 (Unaudited)			March 31, 2025 (Audited)		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Assets						
Cash on hand and in banks	₱2,433,964,384	₱-	₱2,433,964,384	₱2,537,277,355	₱-	₱2,537,277,355
Due from BSP	4,075,006,653	-	4,075,006,653	2,689,111,050	-	2,689,111,050
SPURA	-	-	-	715,000,000	-	715,000,000
Loans and receivables	-	-	-	-	-	-
Receivables from customers	-	-	-	-	-	-
Receivables financed	7,876,278,659	11,445,107,035	19,321,385,694	7,760,791,135	11,277,121,209	19,037,912,344
Finance lease receivables	59,441,727,528	112,890,145,175	172,331,872,703	58,671,662,586	109,943,493,511	168,615,156,097
Other receivables	-	-	-	-	-	-
Receivables from clients	199,633,322	-	199,633,322	118,734,022	-	118,734,022
Receivables from employees	10,500,031	23,214,377	33,714,408	10,885,657	22,893,756	33,779,413
Accrued interest receivable	771,750	-	771,750	788,012	-	788,012
Others	939,775	-	939,775	758,349	-	758,349
Derivative asset	-	362,711,099	362,711,099	-	1,255,109,073	1,255,109,073
Other assets	-	-	-	-	-	-
Security deposits	-	45,277,949	45,277,949	-	41,979,336	41,979,336
	74,038,822,102	124,766,455,635	198,805,277,737	72,505,008,166	122,540,596,885	195,045,605,051
Nonfinancial Assets						
Assets held for sale	1,993,273,179	-	1,993,273,179	1,765,788,033	-	1,765,788,033
Property and equipment	-	1,985,173,095	1,985,173,095	-	1,962,577,178	1,962,577,178
Software costs	-	1,075,086,863	1,075,086,863	-	1,063,711,801	1,063,711,801
Deferred tax assets	-	506,354,226	506,354,226	-	407,196,435	407,196,435
Other assets	-	-	-	-	-	-
Prepaid expenses	198,687,538	-	198,687,538	155,403,847	-	155,403,847
Creditable withholding taxes	8,148,034	-	8,148,034	3,625,298	-	3,625,298
	2,200,108,751	3,566,614,184	5,766,722,935	1,924,817,178	3,433,485,414	5,358,302,592
Less: Unearned finance and lease income	14,726,191,189	17,554,586,253	32,280,777,442	14,366,601,298	16,956,763,062	31,323,364,360
Allowance for credit and impairment losses	958,799,243	1,543,756,456	2,502,555,699	354,491,928	2,039,304,922	2,393,796,850
Accumulated depreciation and amortization	-	1,349,723,088	1,349,723,088	-	1,211,502,893	1,211,502,893
	₱60,553,940,421	₱107,885,004,022	₱168,438,944,443	₱59,708,732,118	₱105,766,511,422	₱165,475,243,540



	June 30, 2025 (Unaudited)			March 31, 2025 (Audited)		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Liabilities						
Loans payable						
Domestic bank loans	₱28,213,858,181	₱69,260,200,927	₱97,474,059,108	₱24,864,785,586	₱71,386,371,716	₱96,251,157,302
Fixed rate notes	5,704,000,000	11,742,827,189	17,446,827,189	4,674,000,000	9,113,949,983	13,787,949,983
Notes payable	9,605,617,959	284,424,559	9,890,042,518	9,677,394,610	281,304,881	9,958,699,491
Bond payable	2,807,374,134	9,439,969,685	12,247,343,819	2,845,474,550	9,520,226,694	12,365,701,244
Foreign banks	1,967,125,604	2,811,991,542	4,779,117,146	5,431,847,507	2,851,424,184	8,283,271,691
	48,297,975,878	93,539,413,902	141,837,389,780	47,493,502,253	93,153,277,458	140,646,779,711
Derivative liability	-	193,759,063	193,759,063	-	119,912,975	119,912,975
Accounts payable and other liabilities						
Accounts payable	3,505,322,247	-	3,505,322,247	2,009,158,947	-	2,009,158,947
Accrued interest payable	421,335,845	755,654,703	1,176,990,548	439,724,322	671,162,984	1,110,887,306
Accrued expenses	558,427,305	-	558,427,305	436,938,925	-	436,938,925
Deposits on lease contracts	318,000	78,417,996	78,735,996	318,000	78,584,506	78,902,506
Lease liability	75,232,104	3,223,930	78,456,034	63,415,882	41,198,188	104,614,070
	52,858,611,379	94,570,469,594	147,429,080,973	50,443,058,329	94,064,136,111	144,507,194,440
Nonfinancial Liabilities						
Income tax payable	246,403,414	-	246,403,414	150,885,066	-	150,885,066
Accounts payable and other liabilities						
Accrued expenses	244,133,980	-	244,133,980	277,010,849	-	277,010,849
Withholding tax payable	62,710,301	-	62,710,301	71,873,841	-	71,873,841
Retirement liability	-	38,332,794	38,332,794	-	57,177,616	57,177,616
Others	4,325,755	-	4,325,755	4,213,944	-	4,213,944
	557,573,450	38,332,794	595,906,244	503,983,700	57,177,616	561,161,316
	₱53,416,184,829	₱94,608,802,388	₱148,024,987,217	₱50,947,042,029	₱94,121,313,727	₱145,068,355,756

16. Service Fees and Other Income

This account consists of:

	For the Three Months Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Service and other fees	₱175,845,089	₱145,386,245
Operating lease revenues	75,753,125	73,248,926
Recoveries from accounts written off	31,984,448	37,607,220
Loss on disposal of assets held for sale	(188,662,424)	(39,049,815)
Gain (loss) on disposal of property and equipment (Note 9)	(4,445)	34,163
	₱94,915,793	₱217,226,739

Service and other fees include income from late payments and service charges. Late payment charges are those imposed on customers upon default of their amortization payments. Service charges are collected from processing and registration fees.



17. Income Taxes

Provision for (benefit from) income tax consists of:

	For the Three Months Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Current		
Regular	₱95,518,347	₱171,422,648
Final	7,866,856	9,554,328
	103,385,203	180,976,976
Deferred	(28,056,775)	(13,978,208)
	₱75,328,428	₱166,998,768

As of June 30, 2025 and March 31, 2025, the Company recognized deferred tax assets amounting to ₱506.35 million and ₱407.20 million, respectively, with the increase primarily attributed to the increase in allowance for credit and impairment losses.

The components of net deferred tax assets are as follow:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Deferred tax assets:		
Allowance for credit and impairment losses	₱625,638,925	₱598,449,213
Cash flow hedge reserve – losses	29,499,490	–
Lease liabilities	19,614,008	26,153,518
Unamortized past service cost	11,622,766	11,622,766
Accrued expenses	10,856,261	8,722,457
Retirement liability	9,583,198	14,294,404
Transportation equipment - depreciation	1,602,412	1,358,418
Unrealized foreign exchange loss	239,269	224,940
	708,656,329	660,825,716
Deferred tax liabilities:		
Unamortized debt issue cost	176,530,684	179,707,445
Right-of-use assets	25,528,350	32,085,809
Unrealized foreign exchange gain	243,069	234,502
Cash flow hedge reserve – gains	–	41,601,525
	202,302,103	253,629,281
	₱506,354,226	₱407,196,435



18. Lease Commitments

Company as a Lessee

The following are the amounts recognized in statements of income:

	For the Three Months Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Rent expense related to short-term leases	₱34,384,087	₱14,447,715
Depreciation expense of right-of-use assets included in property and equipment (Note 9)	26,229,836	25,721,338
Interest expense on lease liabilities	849,999	1,561,367
	₱61,463,922	₱41,730,420

Company as Lessor

For the three months ended June 30, 2025 and 2024, rental income of the Company related to these property leases amounting to ₱75.75 million and ₱73.25 million, respectively, is presented under the 'Service fees and other income' in the statements of income.

19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence (referred to as affiliates).

In the normal course of business, the Company enters into transactions with its related parties principally consisting of advances and other borrowings. Under RA No. 8556, *Financing Company Act*, the Company's amount of credit accommodation to its directors, officers, stockholders and other related parties should not exceed 15.00% of its net worth. In 2025 and 2024, the Company has complied with this regulatory requirement.

The Company has several business relationships with related parties. The terms of the transactions with such parties are listed below on substantially the same terms, including interest and collaterals as those prevailing at the time for comparable transactions with other parties, and are usually settled in cash. These transactions also did not involve more than the nominal risk of collectability or present other unfavorable conditions.



The summary of significant related party transactions of the Company are as follows:

Category	June 30, 2025		March 31, 2025		Nature/Terms and Conditions
	Amount of transaction	Outstanding Balance	Amount of transaction	Outstanding Balance	
Stockholder					
TFSC (Ultimate Parent Company)					
Accounts payable	(P510,524)	P261,604	P101,348	P772,128	Amount payable to TFSC relating to billing for the support services being provided to the Company
Subsidiaries of the Stockholder					
TMFNL					
Loans payable	(44,000,000)	2,816,500,000	(1,357,500,000)	2,860,500,000	Loan availment with interest ranging from 4.59% to 6.78%
Accrued interest payable	270,447	17,947,794	(2,278,865)	17,677,348	Accrued interest payable to TMFNL USD
MBTC					
Cash in bank	(51,569,775)	296,211,070	(152,869,030)	347,780,846	Demand deposit account with annual interest of 0.125
Loans payable	-	16,500,000,000	5,750,000,000	16,500,000,000	Loan payments on loans availed with interest rates ranging from 3.70% to 6.78%
Accrued interest payable	(4,862,210)	116,292,089	52,023,998	121,154,299	Accrued Interest payable to MBTC
Philippine Savings Bank (PS Bank)					
Cash in bank	(205,632)	3,166,040	(1,770,412)	3,371,673	Demand deposit account with annual interest of 0.25%
Federal Land, Inc.					
Accounts payable	33,672	542,942	(294,768)	509,270	Accrual for water, electricity and other maintenance fees.
Toyota Motor Philippines Corporation					
Vehicle (Lease rental asset)	(12,529,299)	35,872,868	(40,293,863)	48,402,167	Lease Rental Asset - Outstanding Balance

Category	June 30, 2025	June 30, 2024	Nature/Terms and Conditions
	Transaction during the period	Transaction during the period	
Stockholder			
TFSC (Ultimate Parent Company)			
Management and other professional fees	P-	P375,360	Expense incurred relating to billing for the support services provided by TFSC to the Company
Subsidiaries of the Stockholder			
TMFNL			
Interest expense	25,875,224	36,140,877	Interest expense on Foreign Loans
MBTC			
Interest income	(346)	(23)	Interest earned from the deposit account
Interest expense	259,820,959	154,428,767	Interest expense on bank loans
Philippine Savings Bank (PS Bank)			
Interest income	(2,559)	(1,719)	Interest earned from the deposit account
Federal Land, Inc.			
Occupancy	16,714,621	18,484,999	Expenses incurred pertaining to office rent
Toyota Motor Philippines Corporation			
Computer Software Expense	-	248,640	Expense incurred pertaining to Computer Software and Maintenance (TAAP Fee)
FSL Repairs & Maintenance	-	(6,063,384)	Expenses incurred pertaining to FSL Vehicle Repair and Maintenance
Philippine Axa Life Insurance Corporation			
Car Insurance	-	-	Expenses incurred pertaining to car insurance policy and group life insurance
Toyota Mobility Solutions			
FSL Repairs and Maintenance	10,582,893	6,063,384	FSL Vehicle Repaid and Maintenance
Key Management Personnel			
Salaries and wages			
Salaries and other short-term benefits	27,387,969	113,694,256	Salaries and other short-term benefits for its key management personnel
Post-employment benefits	54,045,663	51,908,086	The post-employment benefits for its key management personnel

Transactions with related parties are made on similar terms and conditions as disclosed in the most recent annual audited financial statements.



Transactions with Retirement Plan

Under PFRS Accounting Standards, certain post-employment benefit plans are considered as related parties. The carrying value of the fund which approximates its fair value follows:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Cash in banks	₱10,169,777	₱109,257
Investments in securities and UITFs	163,375,154	149,475,384
Accrued interest receivable	2,149,098	–
Accrued expenses	(159,794)	(46,317)
	₱175,534,235	₱149,538,324

As of June 30, 2025 and March 31, 2025, the cash in banks of the Company's retirement plan is with MBTC Trust Banking Group.

20. Fair Value Measurement

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

Cash on hand and in banks, Due from BSP and SPURA – Due to the short-term nature of the instruments, the fair values approximate the carrying amounts as of the reporting date.

Loans and receivables – The fair value was determined using discounted cash flow method. The discount rate applied was the Bloomberg Valuation (BVAL), adjusted by an additional 450 basis points.

Derivative financial instruments – The fair values of cross-currency interest rate swap transactions are derived using market observable inputs, primarily foreign exchange rates and interest rate curves prevailing at the reporting date. In estimating the fair value, the Company uses the discounted cash flow model.

Loans payable – Fair value was computed using the discounted cash flow method. The discount rate used was the zero curve for BVAL rate plus 200 bps in 2025 and 2024.

Accounts payable and other liabilities – Due to the short-term nature of the transactions, the fair value approximates the carrying amount as of the reporting date.

Lease liabilities – Fair value of lease liabilities is measured using the BVAL rate as of the reporting date plus the spread which is the derived difference between the actual market rate and the BVAL rate.



The following tables summarize the carrying amount and fair values of the financial assets and liabilities, analyzed based on the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

June 30, 2025 (Unaudited)					
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value:					
Financial assets:					
Derivative asset	₱362,711,099	₱–	₱362,711,099	₱–	₱362,711,099
Financial liabilities:					
Derivative liability	193,759,063	–	193,759,063	–	193,759,063
Assets and liabilities for which fair value is disclosed:					
Financial assets:					
Loans and receivables					
Receivables financed – net	16,489,766,074	–	–	17,697,874,690	17,697,874,690
Finance lease receivables - net	142,882,714,881	–	–	157,827,272,121	157,827,272,121
Financial liabilities:					
Loans payable					
Bank loans	97,474,059,108	–	–	100,979,207,379	100,979,207,379
Fixed rate notes	17,446,827,189	–	–	18,162,214,723	18,162,214,723
Notes payable	9,890,042,518	–	–	9,056,246,277	9,056,246,277
Bonds payable	12,247,343,819	–	–	11,949,271,091	11,949,271,091
Foreign banks	4,779,117,146	–	–	4,484,519,608	4,484,519,608
Deposits on lease contracts	78,620,996	–	–	78,620,996	78,620,996
March 31, 2025 (Audited)					
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value:					
Financial assets:					
Derivative asset	₱1,255,109,073	₱–	₱1,255,109,073	₱–	₱1,255,109,073
Financial liabilities:					
Derivative liability	119,912,975	–	119,912,975	–	119,912,975
Assets and liabilities for which fair value is disclosed:					
Financial assets:					
Loans and receivables					
Receivables financed - net	16,255,966,946	–	–	17,438,804,544	17,438,804,544
Finance lease receivables - net	140,073,737,135	–	–	154,428,081,060	154,428,081,060
Financial liabilities:					
Loans payable					
Bank loans	96,251,157,302	–	–	100,340,996,532	100,340,996,532
Fixed rate notes	13,787,949,983	–	–	14,198,811,727	14,198,811,727
Notes payable	9,958,699,491	–	–	9,148,113,365	9,148,113,365
Bonds payable	12,365,701,244	–	–	13,015,170,550	13,015,170,550
Foreign banks	8,283,271,691	–	–	8,085,890,909	8,085,890,909
Deposits on lease contracts	78,902,506	–	–	78,902,506	78,902,506

As of June 30, 2025 and March 31, 2025, no transfers were made among the three levels in fair value hierarchy.



21. Capital Management

Capital Stock

	Shares		Amount	
	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Authorized				
Common stock – ₱100 par value	90,000,000	90,000,000	₱9,000,000,000	₱9,000,000,000
Common stock issued and outstanding				
Balance at beginning and end of period	87,000,000	87,000,000	8,700,000,000	8,700,000,000

Issuance of Stocks

On September 28, 2018, BSP approved the increase in authorized capital stock to ₱9.00 billion (90,000,000 shares with par value of ₱100.00). Consequently, the Company filed the application with the SEC on December 11, 2018 and was approved on January 25, 2019. 18,000,000 shares were issued at par on February 4, 2019.

On December 23, 2021, TFSC and GT Capital infused additional capital amounting to ₱1.20 billion and ₱800.0 million, respectively. Total capital infusion amounted to ₱2.00 billion (20,000,000 shares with par value of ₱100.00) recognized as capital stock under equity. Share issuance cost amounted to ₱20.00 million.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and 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 e dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the periods ended June 30, 2025 and March 31, 2025.

The Company considers the following as capital:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Capital stock	₱8,700,000,000	₱8,700,000,000
Retained earnings	11,840,452,021	11,620,079,533
	₱20,540,452,021	₱20,320,079,533

The Company monitors capital using debt-to-equity ratio. The Company targets a debt-to-equity ratio not exceeding 10.00:1. The Company's debt-to equity ratio is shown below:

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
Total liabilities (a)	₱148,024,987,217	₱145,068,355,756
Equity (b)	20,413,957,226	20,406,887,784
Debt-to-equity ratio (a/b)	7.25:1	7.11:1



Under the Financing Company Act, the Company is mandated to maintain the following capital requirements:

- Minimum paid-up capital of ₱10.00 million; and
- Additional capital requirements of ₱1.00 million for each branch established in Metro Manila, ₱0.50 million for branches established in other classes of cities and ₱0.20 million for branches established in municipalities.

As of June 30, 2025 and March 31, 2025, the Company was in compliance with this minimum paid-up capital.

Regulatory qualifying capital

The following table sets the Company's regulatory capital as reported to BSP as at June 30, 2025 and March 31, 2025 (amount in thousands):

	June 30, 2025 (Unaudited)	March 31, 2025 (Audited)
CET1 Capital	₱19,672,977	₱19,485,417
Tier 1 Capital	19,672,977	19,485,417
Tier 2 Capital	1,477,832	1,519,070
Gross qualifying capital	₱21,150,809	₱21,004,487
Total risk weighted assets	₱165,815,083	₱164,474,167
CET1 ratio	11.86%	11.85%
Tier 1 ratio	11.86%	11.85%
Risk-based Capital Adequacy Ratio (CAR)	12.76%	12.77%

As of June 30, 2025 and March 31, 2025, the Company was in compliance with the minimum CAR, as reported to the BSP.

Retained Earnings

Under the Revised Corporation Code of the Philippines (the Code), a stock corporation is prohibited from retaining surplus profits in excess of 100.00% of its paid-in capital stock, except when:

- Justified by definite corporate expansion projects or programs approved by the board of directors;
- The corporation is prohibited under any loan agreement with any financial institution or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or
- It can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

Appropriation of retained earnings

Under the existing regulations of the BSP, in cases when the computed allowance for credit losses on Stage 1 accounts is less than the required 1% general loan loss provision, the deficiency shall be recognized as appropriation of retained earnings. General provision recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in retained earnings shall be considered as Tier 2 capital subject to limit provided under the Capital Adequacy Ratio framework.

As of June 30, 2025 and March 31, 2025, total appropriated retained earnings that complies with the above BSP requirement amounted to ₱921.47 million.



22. Financial Risk Management Objectives and Policies

There have been no changes in the Company's risk management framework, structure, strategy, monitoring and reporting processes, and control and mitigation measures from those disclosed in the audited financial statements as of March 31, 2025.

The Company has exposure to the following risks from its use of financial statements:

Credit Risk

The Company's exposure to credit risk concentrations by customer, industry, and geography remains consistent with the disclosures in the annual audited financial statements for the fiscal year ended March 31, 2025.

Credit quality

The credit quality by class of the Company's loans and receivables from customers (gross of allowance for credit losses) per staging classification and the related allowance for credit losses as of June 30, 2025 and March 31, 2025 follows:

Gross Carrying Amount

	June 30, 2025 (Unaudited)			Total
	Stage 1	Stage 2	Stage 3	
Receivables financed	₱16,189,039,311	₱159,564,142	₱141,162,621	₱16,489,766,074
Finance lease receivable	137,522,290,791	2,296,464,493	3,063,641,597	142,882,396,881
Balances at June 30, 2025	₱153,711,330,102	₱2,456,028,635	₱3,204,804,218	₱159,372,162,955

	March 31, 2025 (Audited)			Total
	Stage 1	Stage 2	Stage 3	
Receivables financed	₱15,940,867,382	₱179,292,170	₱135,807,393	₱16,255,966,945
Finance lease receivable	134,649,741,087	2,433,206,770	2,990,471,279	140,073,419,136
Balances at March 31, 2025	₱150,590,608,469	₱2,612,498,940	₱3,126,278,672	₱156,329,386,081

Allowance for Credit Losses

	June 30, 2025 (Unaudited)			Total
	Stage 1	Stage 2	Stage 3	
Receivables financed	₱639,811,713	₱242,029,174	₱933,174,498	₱1,815,015,385
Finance lease receivable	86,395,408	17,329,681	49,631,536	153,356,625
Balances at June 30, 2025	₱726,207,121	₱259,358,855	₱982,806,034	₱1,968,372,010

	March 31, 2025 (Audited)			Total
	Stage 1	Stage 2	Stage 3	
Receivables financed	₱99,187,787	₱19,206,437	₱36,974,892	₱155,369,116
Finance lease receivable	794,678,765	271,859,547	823,670,518	1,890,208,830
Balances at March 31, 2025	₱893,866,552	₱291,065,984	₱860,645,410	₱2,045,577,946

Collateral and other credit enhancements

The Company holds collateral against loans and receivables in the form of chattel mortgages. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is assessed to be impaired.



Liquidity risk

As of June 30, 2025, the Company maintains what it believes to be a sufficient cash level. In addition, the Company manages its liquidity by managing the maturity profile of its outstanding loans.

The Company's exposure to liquidity risk and its management approach remain consistent with the disclosures in the audited financial statements for the fiscal year ended March 31, 2025.

Market Risk

Market risk is exposure to changes in market rates that may adversely affect the Company value and ability to meet obligations as they mature. Market risks cover interest rate and foreign exchange risks.

Interest rate risk

Interest rate risk arises from interest margin compression due to an adverse movement in the market interest rates. This risk applies only to accrual positions as the Company has no trading portfolio.

The Company also measures the potential impact of bps yield curve parallel shift on the expected earnings. This tool gives a measure of expected earnings at risk as a result of interest rate risk exposure.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the value of foreign currencies which include volatility in exchange rates, correlations across currencies and changes in currency regime. The Company's exposure to foreign currency risk remain consistent with the disclosures in the audited financial statements for the fiscal year ended March 31, 2025.

23. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7, *Financial Instruments: Disclosures*, require the Company to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements.

The effects of these arrangements are disclosed below:

June 30, 2025 (Unaudited)						
Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Financial assets						
Cross-currency interest rate swaps	₱362,711,099	₱-	₱362,711,099	₱29,193,548	₱-	₱333,517,551
Financial liabilities						
Cross-currency interest rate swaps	₱193,759,063	₱-	₱193,759,063	₱29,193,348	₱-	₱164,565,715



March 31, 2025 (Audited)

Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]		[d]	[e]
Financial assets						
Cross-currency interest rate swaps	₱1,255,109,073	₱-	₱1,255,109,073	₱263,305,860	₱-	₱991,803,213
SPURA	715,000,000	-	715,000,000	-	715,000,000	-
	1,970,109,073	-	1,970,109,073	263,305,860	715,000,000	991,803,213
Financial liabilities						
Cross-currency interest rate swaps	₱119,912,975	₱-	₱119,912,975	₱263,305,860	₱-	₱383,218,835

24. Notes to Statements of Cash Flows

Noncash activities

Noncash investing activities pertain to transfer of repossessed vehicles classified as assets held for sale to property and equipment amounting to ₱3.53 million and ₱3.02 million for the three months ended June 30, 2025 and 2024, respectively. It also includes foreclosure of repossessed vehicles classified as assets held for sale amounting to ₱6.00 billion and ₱5.42 billion for the three months ended June 30, 2025 and 2024, respectively.

Changes in liabilities arising from financing activities

	April 1, 2025	Net Cash flows*	Foreign exchange movements	Amortization of debt issue cost and accretion of interest	June 30, 2025 (Unaudited)
Loans payable	₱140,646,779,711	₱1,406,274,050	(₱287,215,000)	₱71,551,019	₱141,837,389,780
Lease liability	104,614,070	(27,008,035)	-	849,999	78,456,034
	₱140,751,393,781	₱1,379,266,015	(₱287,215,000)	₱72,401,018	₱141,915,845,814

*Represent net of availments and settlements

	April 1, 2024	Net Cash flows*	Foreign exchange movements	Amortization of debt issue cost and accretion of interest	June 30, 2024
Loans payable	₱129,951,038,158	₱785,172,245	₱1,366,730,000	₱58,824,203	₱132,161,764,606
Lease liability	154,605,255	(15,969,672)	-	1,561,367	140,196,950
	₱130,105,643,413	₱769,202,573	₱1,366,730,000	₱60,385,570	₱132,301,961,556

*Represent net of availments and settlements

The Company classifies interest paid as cash flows under operating activities.



PARTIES TO THE TRANSACTION

ISSUER

Toyota Financial Services Philippine Corporation
32nd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. dela Costa St., Makati City

JOINT LEAD ARRANGERS AND BOOKRUNNERS AND SELLING AGENTS

First Metro Investment Corporation
45th Floor, GT Tower International
6813 Ayala Avenue corner
H.V. Dela Costa St., Makati City

ING Bank N.V., Manila Branch
22/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

SELLING AGENTS

Metropolitan Bank & Trust Company
GT Tower International
6813 Ayala Avenue corner
H.V. dela Costa St., Makati City

BPI Capital Corporation
23/F, Ayala Triangle Gardens Tower 2
Paseo de Roxas Cor. Makati Avenue
Makati City, 1226 Philippines

TRUSTEE

**Development Bank of the Philippines –
Trust Banking Group**
4th Floor, DBP Building
Sen Gil J. Puyat Avenue, Makati City

REGISTRAR AND PAYING AGENT

Philippine Depository & Trust Corp.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City

LEGAL ADVISER TO THE JOINT LEAD ARRANGERS AND BOOKRUNNERS

Picazo Buyco Tan Fider Santos & Dee
Liberty Center – Picazo Law
104 H.V. dela Costa St., Salcedo Village, Makati City

LEGAL ADVISER TO THE ISSUER

Siguion Reyna Montecillo & Ongsiako
4th & 6th Floors, BDO Towers Paseo
8741 Paseo de Roxas, Makati City

INDEPENDENT AUDITOR

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
Makati City

FINAL PRICING SUPPLEMENT DATED 9 OCTOBER 2025

OFFER OF SERIES A BONDS
BY TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
OF ₱2,500,000,000

Under its ₱20 Billion Bond Programme

This document constitutes the Final Pricing Supplement relating to Series A Bonds being offered and described herein (the “Offer”). Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “General Terms and Conditions”) set forth in the Trust Indenture and the Offering Circular dated 17 September 2025 (the “Offering Circular”). This Final Pricing Supplement contains the final terms of this Offer and the Series A Bonds and must be read in conjunction with the Offering Circular. Full information on the Company and the Offer is contained in the Offering Circular and in this Final Pricing Supplement. All information contained in the Offering Circular are deemed incorporated by reference in this Final Pricing Supplement.

Company	Toyota Financial Services Philippines Corporation (the “Company”)
Issue	Series A Bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Company
Company Credit Rating	PRS Aaa with Stable Outlook issuer credit rating from Philippine Rating Services Corporation (“PhilRatings”)
Specified Currency or Currencies	Philippine Peso
The Offer Size	₱2,500,000,000
Issue Price	At par (or 100% of face value)
Use of Proceeds	The issuance of the Bonds, after deducting fees, commissions, and other related expenses will be used by the Company to diversify funding sources and to align with the projected growth in assets. This will also enable the Company to tap a wider investor base targeting both institutional and individual investors.
Form and Denomination of the Bonds	The Series A Bonds shall be issued in scripless form in minimum denominations of ₱ 100,000.00 each, and in multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market
Offer Period	The offer of the Bonds shall commence at 10:00 am on 6 October 2025 and end at 5:00 pm on 13 October 2025, or such other dates as may be determined by the Company and the Joint Lead Arrangers and Bookrunners
Issue Date	21 October 2025
Interest Date	Commencement 21 October 2025
Interest Payment Date (s)	21 January, 21 April, 21 July, and 21 October of each year

Interest Rate	5.7725% per annum
Day Count Fraction	30/360 day count basis
Maturity Date	2 years from Issue Date or 21 October 2027
Payment Account Name	Philippine Depository & Trust Corp. ("PDTC") as Paying Agent of: Series A Bonds: Toyota Financial Services Philippines Corporation FAO TFSPH Fixed Rate Series A Bonds Due 2027
Listing	The Series A Bonds will be listed on the Philippine Dealing & Exchange Corp.
Governing Law	Philippine Law

PROVISIONS RELATING TO REDEMPTION

Company Redemption Option	N/A
Final Redemption Amount	At par (100% of face value) on Maturity Date
Early Redemption Date	Upon election of the Company, when changes in tax or changes in law or circumstance occur as set forth in Condition 6(b) and 6(c) of the Terms and Conditions
Early Redemption Amount	At par (100% of face value) plus accrued interest, payable on redemption for changes in tax or changes in law or circumstance occur as set forth in Condition 6(b) and 6(c) of the Terms and Conditions

PARTIES

Trustee	Development Bank of the Philippines – Trust Banking Group
Registrar & Paying Agent	Philippine Depository & Trust Corp.
Joint Lead Arrangers and Bookrunners	First Metro Investment Corporation ING Bank N.V., Manila Branch
Selling Agents	First Metro Investment Corporation ING Bank N.V., Manila Branch Metropolitan Bank & Trust Company BPI Capital Corporation
Market Maker	ING Bank N.V., Manila Branch

ADDITIONAL INFORMATION
Amendment or Supplement to the Offering Circular

The following disclosure in **page 37** of the Offering Circular shall be amended as follows (amendments underlined and in bold):

From FY2020 to FY2025, TFSPH achieved consistent double-digit growth in its loan portfolio, expanding from ₱75.4 billion to ₱154.44 billion, with a 15.41 CAGR. The strongest growth occurred in FY2021, during the height of the COVID-19 pandemic, when TFSPH continued lending while many banks **refrained from lending during COVID**. By maintaining operations and supporting Toyota sales, TFSPH increased its market penetration from 20% pre-pandemic to 55% during the crisis.

The following disclosure in **page 39** of the Offering Circular shall be amended as follows (amendments stricken through and in bold):

myTOYOTA Wallet:

myTOYOTA Wallet helps Toyota customers navigate today's increasingly cashless society. It offers a safe, easy, and convenient way to handle all your Toyota transactions digitally. Use it to pay for your monthly amortization, periodic maintenance and repairs, parts and accessories, or even insurance. You can use myTOYOTA Wallet at Toyota dealerships nationwide or directly through the myTOYOTA App. Plus, a new recurring payment feature lets you schedule your monthly amortization payments, ensuring you never miss a due date that will otherwise incur late payment fees.

<u>myTOYOTA Wallet Data</u>	<u>FY 2025 (in ₱ Bn)</u>	<u>As of June 2025</u>
Cumulative Registrations	164,454	174,867
Registrations	48,809	10,413
Transaction count	5,715	14,636
Transaction amount (₱)	24,040,377	57,361,197

The Company confirms the information contained in this Pricing Supplement and accepts responsibility therefor.

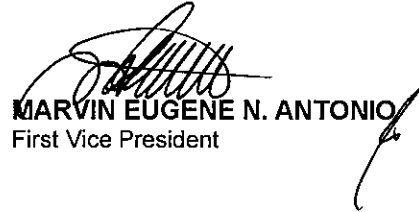
TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION

Company

By:



DR. DAVID GO
Treasurer



MARVIN EUGENE N. ANTONIO
First Vice President

FINAL PRICING SUPPLEMENT DATED 9 OCTOBER 2025

OFFER OF SERIES B BONDS
BY TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
OF ₱2,500,000,000

Under its ₱20 Billion Bond Programme

This document constitutes the Final Pricing Supplement relating to Series B Bonds being offered and described herein (the “Offer”). Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “General Terms and Conditions”) set forth in the Trust Indenture and the Offering Circular dated 17 September 2025 (the “Offering Circular”). This Final Pricing Supplement contains the final terms of this Offer and the Series B Bonds and must be read in conjunction with the Offering Circular. Full information on the Company and the Offer is contained in the Offering Circular and in this Final Pricing Supplement. All information contained in the Offering Circular are deemed incorporated by reference in this Final Pricing Supplement.

Company	Toyota Financial Services Philippines Corporation (the “Company”)
Issue	Series B Bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Company
Company Credit Rating	PRS Aaa with Stable Outlook issuer credit rating from Philippine Rating Services Corporation (“PhilRatings”)
Specified Currency or Currencies	Philippine Peso
The Offer Size	₱2,500,000,000
Issue Price	At par (or 100% of face value)
Use of Proceeds	The issuance of the Bonds, after deducting fees, commissions, and other related expenses will be used by the Company to diversify funding sources and to align with the projected growth in assets. This will also enable the Company to tap a wider investor base targeting both institutional and individual investors.
Form and Denomination of the Bonds	The Series B Bonds shall be issued in scripless form in minimum denominations of ₱ 100,000.00 each, and in multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market
Offer Period	The offer of the Bonds shall commence at 10:00 am on 6 October 2025 and end at 5:00 pm on 13 October 2025, or such other dates as may be determined by the Company and the Joint Lead Arrangers and Bookrunners
Issue Date	21 October 2025
Interest Commencement Date	21 October 2025
Interest Payment Date (s)	21 January, 21 April, 21 July, and 21 October of each year

Interest Rate	5.9418% per annum
Day Count Fraction	30/360 day count basis
Maturity Date	3 years from Issue Date or 21 October 2028
Payment Account Name	Philippine Depository & Trust Corp. ("PDTC") as Paying Agent of: Series B Bonds: Toyota Financial Services Philippines Corporation FAO TFSPH Fixed Rate Series B Bonds Due 2028
Listing	The Series B Bonds will be listed on the Philippine Dealing & Exchange Corp.
Governing Law	Philippine Law

PROVISIONS RELATING TO REDEMPTION

Company Redemption Option	N/A
Final Redemption Amount	At par (100% of face value) on Maturity Date
Early Redemption Date	Upon election of the Company, when changes in tax or changes in law or circumstance occur as set forth in Condition 6(b) and 6(c) of the Terms and Conditions
Early Redemption Amount	At par (100% of face value) plus accrued interest, payable on redemption for changes in tax or changes in law or circumstance occur as set forth in Condition 6(b) and 6(c) of the Terms and Conditions

PARTIES

Trustee	Development Bank of the Philippines – Trust Banking Group
Registrar & Paying Agent	Philippine Depository & Trust Corp.
Joint Lead Arrangers and Bookrunners	First Metro Investment Corporation ING Bank N.V., Manila Branch
Selling Agents	First Metro Investment Corporation ING Bank N.V., Manila Branch Metropolitan Bank & Trust Company BPI Capital Corporation
Market Maker	ING Bank N.V., Manila Branch

ADDITIONAL INFORMATION
Amendment or Supplement to the Offering Circular

The following disclosure in **page 37** of the Offering Circular shall be amended as follows (amendments underlined and in bold):

From FY2020 to FY2025, TFSPH achieved consistent double-digit growth in its loan portfolio, expanding from ₱75.4 billion to ₱154.44 billion, with a 15.41 CAGR. The strongest growth occurred in FY2021, during the height of the COVID-19 pandemic, when TFSPH continued lending while many banks **refrained from lending during COVID**. By maintaining operations and supporting Toyota sales, TFSPH increased its market penetration from 20% pre-pandemic to 55% during the crisis.

The following disclosure in **page 39** of the Offering Circular shall be amended as follows (amendments stricken through and in bold):

myTOYOTA Wallet:

myTOYOTA Wallet helps Toyota customers navigate today's increasingly cashless society. It offers a safe, easy, and convenient way to handle all your Toyota transactions digitally. Use it to pay for your monthly amortization, periodic maintenance and repairs, parts and accessories, or even insurance. You can use myTOYOTA Wallet at Toyota dealerships nationwide or directly through the myTOYOTA App. Plus, a new recurring payment feature lets you schedule your monthly amortization payments, ensuring you never miss a due date that will otherwise incur late payment fees.

<u>myTOYOTA Wallet Data</u>	<u>FY 2025 (in ₱ Bn)</u>	<u>As of June 2025</u>
Cumulative Registrations	164,454	174,867
Registrations	48,809	10,413
Transaction count	5,715	14,636
Transaction amount (₱)	24,040,377	57,361,197

The Company confirms the information contained in this Pricing Supplement and accepts responsibility therefor.

TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION

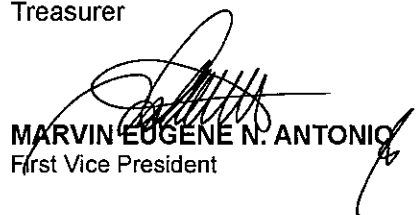
Company

By:



DR. DAVID GO

Treasurer



MARVIN EUGENE N. ANTONIO

First Vice President