Via ODiSy

November 14, 2013

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Ms. Ilonah Jane T. Torres
Analyst
Disclosure Department

Re: **AG Finance Inc. SEC 17Q report**
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Ladies:

We submit with this letter AG Finance Inc.'s SEC 17Q report as of 30 September 2013.

We trust you will find the attached document in order.

Thank you.

Very truly yours,

ELMER B. SERRANO
Corporate Information Officer

111132013002098

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to39Fax:(632)725-5293Email:mis@sec.gov.ph

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Company Information

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Industry Classification	
Company Type	Stock Corporation

Document Information

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1) For the quarterly period ended **September 30, 2013**

2) Commission identification number **A200115151**

3) BIR Tax Identification number **219-045-668**

4) Exact name of issuer as specified in its charter: **AG Finance, Incorporated**

5) Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**

6) Industry Classification Coc (SEC Use Only)

7) Address of issuer's principal office and postal code:

Unit 2205A East, PSE Centre, Exchange Road, Ortigas Center, Pasig City 1605

8) Issuer's telephone number, including area code: **(632) 635-2835**

9) Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

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

Title of each Class	Number of shares of common stock outstanding
Common Shares	**261,824,002**

Amount of debt outstanding
P49,229,847

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

Yes [✓] No [ ]

Stock Exchange	Securities Listed
Philippine Stock Exchange	**Common Shares**

12) Indicate by check mark whether the registrant:

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

Yes [✓] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [✓] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited financial statements are filed as part of this Form 17-Q.

Item 2. Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations.

The following is a discussion and analysis of the financial performance of AG Finance, Incorporated (the Company) and should be read in conjunction with the unaudited consolidated financial statements of the Company filed as part of this report.

Material Changes to the Statements of Income for the Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012 (Increase/Decrease Of 5% Or More)

Total revenue from financing resulted to an increase of 81% to P44.4 million in the first nine months of 2013 as compared to the same period last year. The increase is due to the continued growth in loans receivable during the period.

The interest income on OFW loans increased by 89% to P43.8 million. This is attributable to the increase in loan releases to OFW borrowers. OFW borrowers, mostly nurses and student nurses, bound to Australia registered a large number in the first nine months of 2013.

Interest income on salary loans increased by 12% to P658,396.58. This is attributable to the increase in loan releases to local borrowers.

Interest Income on Deposit increased by 74% to P27,764.57. The increase was mainly attributable to the increase in collections of receivables.

Other operating income, which includes processing fees, penalties and pre-termination fees and rental income, net increased by 4% to P548,092.45. This was attributable to the increase in payment of penalties charged to borrowers, decrease in rental income due to the termination of lease contract in June 2013, and decrease in processing fee due to waiver of the said fees for nurses-borrowers.

Interest expense increased by 22% to P503,641.82. The increase was mainly attributable to the carried over of the P100 million loans payable balance from 2012 to 2013 and an additional loan of P37M in year 2013.

The cost of financing showed a net increase of 86% brought by the increase in loan releases and IPO indirect expenses in the first nine months of 2013. Operating expenses went up due to higher salaries and wages including employee benefits, representation, taxes and licenses, legal and bank charges, office supplies and marketing fees as a result of increase in headcount, manpower cost and other miscellaneous expenses.

Material Changes to the Balance Sheet as of September 30, 2013
Compared to December 31, 2012 (Increase/Decrease of 5% or more)

Cash increased by 190% to P261.81 million as of September 30, 2013 from P90.43 million as of December 31, 2012. This increase was mainly due to proceeds from issuance of capital stock and pre-termination of OFW loans in the first nine months.

Loans receivables decreased by 21% to P188.76 million as of September 30, 2013 from P240.31million as of December 31, 2012. This increase was primarily due to pre-termination of OFW loans in the first nine months.

Property and equipment decreased by 6% to P13.3 million as of September 31, 2013 from P14.2 million as of December 31, 2012. This increase was primarily due to monthly depreciation charges of P1.3 million notwithstanding the Company's purchase of office furniture and fixtures, office equipment and condominium improvement amounting to P451,530.

Other current asset increased by 70% to P10.2 million as of September 31, 2013 from P6.0 as of December 31, 2012, mainly due to realization of deferred tax asset.

Loans payable decreased by 63% to P37.0 million as of September 31, 2013 from P100.0 million as of December 31, 2012 due to repayment of loans from the bank.

Paid-up capital increased by 249% to P261.8 million as of September 31, 2013 from P75.0 million as of December 31, 2012, due to additional subscription in the form of cash and stock dividend declaration.

The 95% increase in Retained earnings arise from the Net Income after tax of the Company for the nine months ended September 30, 2013 less stock dividends.

PART II--OTHER INFORMATION

Please refer to the financial ratios.

SIGNATURES

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

AG Finance, Inc.
Issuer

By:

Leila Jorge
President

Emiliana G. Mauricio
Accounting Manager

AG FINANCE, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

	Notes	**September 30, 2013 (Unaudited)**	December 31, 2012 (Audited)
A S S E T S			
CASH	*5*	**P 261,817,260**	P90,428,846
LOANS RECEIVABLE – Net	*6*	**188,761,161**	240,309,956
PROPERTY AND EQUIPMENT - Net	*7*	**13,331,033**	14,213,086
OTHER ASSETS - Net	*8*	**10,189,635**	5,998,232
TOTAL ASSETS		**P474,099,089**	P350,950,120
LIABILITIES AND EQUITY			
LOANS PAYABLE	*9*	**P37,000,000**	P100,000,000
ACCRUED EXPENSES AND OTHER PAYABLES	*10*	**6,706,222**	6,598,010
INCOME TAX PAYABLE	*17*	**5,523,625**	7,347,087
Total Liabilities		**49,229,847**	113,945,097
CAPITAL STOCK	*11*	**261,824,002**	75,000,000
ADDITIONAL PAID-IN CAPITAL	*11*	**74,277,247**	-
DEPOSITS FOR FUTURE STOCK SUBSCRIPTION	*11*	**-**	53,150,000
STOCK DIVIDENDS DISTRIBUTABLE	*11*	**-**	65,600,002
RETAINED EARNINGS		**88,767,993**	43,255,021
Total Equity		**424,869,242**	237,005,023
TOTAL LIABILITIES AND EQUITY		**P474,099,089**	P350,950,120

See Notes to the Financial Statements.

AG FINANCE, INCORPORATED
STATEMENTS OF COMPREHENSIVE INCOME

		2013 Unaudited		2012 Unaudited	
	Notes	**July 1 – September 30**	**January 1 – September 30**	July 1 – September 30	January 1 – September 30
INTEREST INCOME	*12*	**P28,551,480**	**P99,121,586**	P22,264,364	P54,661,103
INTEREST EXPENSE	9	**(649,833)**	**(2,772,913)**	(1,193,854)	(2,269,271)
NET INTEREST INCOME		**27,901,647**	**96,348,673**	21,070,510	52,391,832
IMPAIRMENT LOSS	*6*	**(1,500,000)**	**(12,723,690)**	(750,000)	(2,250,000)
NET INTEREST INCOME AFTER IMPAIRMENT LOSS		**26,401,647**	**83,624,983**	20,320,510	50,141,832
OTHER OPERATING INCOME	13	**3,076,403**	**13,043,646**	4,908,202	12,495,553
OTHER OPERATING EXPENSES	*14*	**(12,528,810)**	**(30,775,682)**	(6,928,038)	(19,844,950)
PROFIT BEFORE TAX		**16,949,240**	**65,892,947**	18,300,674	42,792,435
TAX EXPENSE	*17*	**(5,523,625)**	**(20,379,975)**	(5,748,349)	(13,724,662)
NET PROFIT		**P11,425,615**	**P45,512,972**	P12,552,325	P29,067,773
Basic Earnings Per Share	*19*	**0.17**	**0.17**	**0.38**	**0.38**
Diluted Earnings Per Share	*19*	**0.17**	**0.17**	**0.15**	**0.15**

See Notes to the Financial Statements.

AG FINANCE, INCORPORATED
STATEMENTS OF CASH FLOWS

		January 1 to September 30	
	Note	**2013 (Unaudited)**	2012 (Unadited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**P65,892,947**	P42,792,435
Adjustments for:			
Interest income	*12*	**(99,121,586)**	(54,661,103)
Interest received		**98,501,467**	48,511,266
Impairment loss	*6*	**12,723,690**	2,250,000
Interest expense	9	**2,772,913**	2,269,271
Interest paid		**(2,910,413)**	(2,234,375)
Depreciation	*7*	**1,333,583**	1,356,376
Unrealized foreign exchange gain (losses)	*14*	**(644,223)**	744,149
Operating profit before changes in operating assets and liabilities		**78,548,378**	41,028,019
Decrease (increase) in loans receivable		**39,445,224**	(81,334,440)
Decrease (increase) in other assets		**(4,191,403)**	2,803,407
Increase (decrease) in accrued expenses and other payables		**245,712**	(126,750)
Cash provided by (used in) operations		**114,047,911**	(37,629,764)
Cash paid for income taxes	*17*	**(22,203,438)**	(15,191,815)
Net Cash Provided by (Used in) Operating Activities		**91,844,474**	(52,821,579)
CASH FLOWS FROM AN INVESTING ACTIVITY			
Acquisitions of property and equipment	*7*	**(451,530)**	(556,269)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bank loans	*9*	**102,000,000**	75,000,000
Payments of bank loans	*9*	**(165,000,000)**	
Proceeds from issuance of capital stock	*11*	**142,351,247**	-
Net cash provided by financing activities		**79,351,247**	75,000,000
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	*14*	**644,223**	(744,149)
NET INCREASE IN CASH		**171,621,777**	20,878,003
CASH AT BEGINNING OF THE YEAR		**90,428,846**	5,933,575
CASH AT THE END OF THE PERIOD		**P261,817,260**	P26,811,578

See Notes to the Financial Statements.

AG FINANCE, INCORPORATED

STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock	Additional Paid-in Capital	Deposit for Future Stock Subscription	Stock Dividends Distributable	Retained Earnings	Total Equity
BALANCE AT JANUARY 1, 2013		**P75,000,000**	-	**P53,150,000**	**P65,600,002**	**P43,255,021**	**P237,005,023**
Application of deposits for future stock subscription on the increase in authorized capital stock		**53,150,000**	-	**(53,150,000)**	-	-	-
Stock dividends distributed		**65,600,002**	-	-	**(65,600,002)**	-	-
Issuance of capital stock		**68,074,000**	**74,277,247**	-	-	-	**142,351,247**
Net profit for the period		-	-	-	-	**45,512,972**	**45,512,972**
BALANCE AT SEPTEMBER 30, 2013 (UNAUDITED)	*11*	**P261,824,002**	**P74,277,247**	-	-	**P88,767,993**	**P424,869,242**
BALANCE AT JANUARY 1, 2012		P75,000,000	-	-	-	P65,667,977	P140,667,977
Net profit for the period		-	-	-	-	29,067,772	29,067,772
BALANCE AT SEPTEMBER 30, 2012 (UNAUDITED)		P75,000,000	-	-	-	P94,735,749	P169,735,749
BALANCE AT JANUARY 1, 2011		P30,000,000	-	-	-	P25,403,648	P55,403,648
Issuance of capital stock		20,000,000	-	-	-	-	20,000,000
Net profit for the period		-	-	-	-	30,565,119	30,565,119
BALANCE AT SEPTEMBER 30, 2011 (UNAUDITED)		P50,000,000	-	-	-	P55,968,767	P105,968,767

See Notes to the Financial Statements.

1. CORPORATE MATTERS

1.01 Organization and Operations

AG Finance, Incorporated (the Company) was organized in the Philippines on December 14, 2001. The Company is registered with the Securities and Exchange Commission (SEC) to operate as a financing company and is governed by Republic Act (R.A.) No. 8556, *The Financing Company Act of 1998* (see Note 18).

As a financing entity, the Company presently extends credit facilities for various purposes and provides access to immediate funds to employees of other domestic entities and to individuals availing of its Overseas Filipino Workers (OFW) Financing Program.

The Company's registered office, which is also its principal place of business, is located at Unit 2205A, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

The Company's unissued common shares were subsequently approved for initial public offering and were listed at the main board of the Philippine Stock Exchange (PSE) on August 13, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.01 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expense in a single statement of comprehensive income.

When the Company applies an accounting policy retrospectively or makes a retrospective restatement or reclassifies items in the financial statements, it presents two comparative periods for the statements of financial position, with no related notes presented on the statements of financial position as at the beginning of the preceding period.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.02 Adoption of New and Amended PFRS

The significant accounting policies used in these financial information are consistent with those applied in the Company's annual financial statements as at and for the year ended December 31, 2012, except for the application of the following standards as of January 1, 2013.

(i) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income*. The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. This amendment did not have a significant impact on the Company's financial statements as the Company does not have other items of comprehensive income.

(ii) PAS 19 (Revised), *Employee Benefits*. The revision made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all gains and losses arising in the reporting period;

- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The Company has not recognized the effect of PAS 19 (Revised) in its financial statement as at and for the nine months ended September 30, 2013. The Company is currently assessing the impact of the amendment to PAS 19.

The following amended standards that are effective for financial statements for the annual period beginning on or after January 1, 2013 were not adopted early, as allowed by SEC memorandum circular no. 6, series of 2013, but will be reflected in the Company's financial statements starting with the period ending June 30, 2013.

(i) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*. The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32. The amendment also requires disclosure of information about recognized financial instruments subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32, and amounts related to a financial collateral. These disclosures allowed financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's financial position. The Company assessed that the adoption of the amendment will not have a significant impact on its financial statements.

(ii) PFRS 13, *Fair Value Measurement*. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The Company does not expect this new standard to have significant impact on its financial statements.

(iii) Annual Improvements to PFRS. Annual Improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to the Company but management assessed that these improvements does not have a material impact on the Company's financial statements.

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies the requirements for presenting comparative information for the following:

- Requirements for opening statement of financial position

  If an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period (i.e., opening statement of financial position), it shall present such third statement of financial position.

  Other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

Requirements for additional comparative information beyond minimum requirements

If an entity presented comparative information in the financial statements beyond the minimum comparative information requirements, the additional financial statements information should be presented in accordance with PFRS including disclosure of comparative information in the related notes for that additional information. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

(b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment*. The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory.

(c) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes*. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the 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.

3.01 Critical Management Judgment in Applying Accounting Policies

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

(a) Distinction between Operating and Finance Leases

The Company has entered into lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 20.

3.02 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Impairment of Loans Receivable

Adequate amount of allowance is made and provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The Company also considers the loan loss provisioning requirements of R.A. No. 8556.

The carrying value of loans receivable and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(b) Estimating Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment are presented in Note 7. There is no change in the estimated useful lives of property and equipment during the period. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) Determining Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at September 30, 2013 and December 31, 2012 will be fully utilized in the subsequent periods. The carrying value of deferred tax assets as at those dates is disclosed in Note 17.

(d) Impairment of Non-financial Assets

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on non-financial assets in 2013, 2012 and 2011.

(f) Valuation of Post-employment Defined Benefit

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the expense and the carrying amount of post-employment obligation in such future periods.

(g) Fair Value of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the statements of financial position are shown below.

		September 30, 2013		**December 31, 2012**	
	Notes	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets					
Cash	**5**	**P261,817,260**	**P261,817,260**	P90,428,846	P90,428,846
Loans receivable	**6**	**188,761,161**	**188,761,161**	240,309,956	240,309,956
Advances to employees and clients	**8**	**2,034,062**	**2,034,062**	724,914	724,914
		P452,612,483	**P452,612,483**	P331,463,716	P331,463,716
Financial Liabilities					
Loans Payable	**9**	**P37,000,000**	**P37,000,000**	P100,000,000	P100,000,000
Accrued expenses and other payables*	**10**	**4,755,518**	**4,755,518**	4,233,811	4,233,811
		P41,755,518	**P41,755,518**	P104,233,811	P104,233,811

**Excluding salaries and payable to government agencies*

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's risk management focuses on actively securing the Company's short-to-medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

4.01 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk which result from both its operating and investing activities.

(a) *Foreign Currency Risk*

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Company's loans to OFWs, which are primarily denominated in United States (U.S.) dollars. The Company also holds U.S. dollar-denominated cash.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

U.S. dollar-denominated financial assets, translated to Philippine pesos at closing rate, are as follows:

	September 30, 2013	**December 31, 2012**
Cash	P 1,212,192	P 710,854
Loans to OFWs	8,356,299	8,896,643
	P 9,568,491	P 9,607,497

If, at September 30, 2013 and December 31, 2012, the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, profit before tax in 2013 and 2012 would have decreased by P344,970 and P1,328,717, respectively, at reasonably possible change in rates of +/- 3.56% and +/- 13.83% in 2013 and 2012, respectively. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

Exposures to foreign exchange rates vary during the period depending on the volume of transactions denominated in U.S. dollar. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

(b) *Interest Rate Risk*

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. As at September 30, 2013 and December 31, 2012, the Company is exposed to changes in market interest rates through its bank borrowings and cash and cash equivalents, which are subject to variable interest rates (see Notes 5 and 9). All other financial assets and liabilities are noninterest-bearing or has fixed interest rate.

The table below illustrates the sensitivity of the Company's profit before tax for the three months ended September 30, 2013 and 2012 to a reasonably possible change in interest rates of +/-0.27% , +/-0.37%, +/-0.32% and for Philippine peso in 2013 and 2012 and 2011, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	Profit before tax	
	+	-
2013	**P 94,996**	**(P 94,996)**
2012	P 242,050	(242,050)
2011	P 159,152	(159,152)

(c) *Operational Risk*

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, or may lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage this risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment processes, including the maintenance of internal audit.

4.02 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from granting loans to customers and placing deposits with banks.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to financial statements, as summarized below.

	Notes	**September 30, 2013**	**December 31, 2012**
Cash	5	**P261,817,260**	P90,418,846
Loans receivable-net	6	**188,761,161**	240,309,956
Advances to employees and clients	8	**2,034,062**	724,914
		P452,612,483	P331,145,716

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash as described below.

(a) Cash

The credit risk for cash in bank is considered negligible since the counterparties are reputable banks with high quality external credit rating. Cash in bank is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Loans Receivable

In respect of loans receivable, the Company is not exposed to any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. The Company manages credit risk by setting limits for individual borrowings, and group of borrowers and industry segments. The Company maintains a general policy of avoiding excessive exposure in any particular sector of the Philippine economy. The Company actively seeks to increase its exposure in industry sectors which it believes to possess attractive growth opportunities. Conversely, it actively seeks to reduce its exposure in industry sectors where growth potential is minimal. Although the Company's loan portfolio is composed of transactions with OFWs, the results of operations and financial condition of the Company may be adversely affected by any downturn in this sector as well as in the Philippine economy in general.

Based on historical information about customer default rates, management considers the credit quality of loans receivable that are not past due or impaired to be good. As at September 30, 2013 and December 31, 2012, past due loans receivable amounted to P36,044,850 and P24,717,061, respectively. The amount of past due but not impaired, with age of more than one year, amounted to P17,335,557 as at September 30, 2013 and P10,227,793 as at December 31, 2012 (see Note 6). Past due loans represent loans that have not been paid from date of final maturity.

(*c*) *Advances to Employees and Clients*

With respect to the Company's advances to employees and clients, the Company is not exposed to any significant credit exposure. Past due but not impaired advances to employees and clients amounted to P28,205 as at December 31, 2012. There were no past due advances to employees and clients as at September 30, 2013.

4.03 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's financial liabilities are due within 6 months from the cut-off dates. The following summarizes the Company's financial liabilities as at September 30, 2013 and December 31, 2012 based on undiscounted amounts:

	September 30, 2013	**December 31, 2012**
Loans	P37,185,000	P100,976,042
Accrued expenses and other payables	4,755,518	4,233,811
	P41,940,518	P105,209,853

Since the financial liabilities reflect gross cash flows, the above amounts may differ from the carrying values of the liabilities at the end of the reporting periods.

5. CASH

Cash includes the following components:

	September 30, 2013	**December 31, 2012**
Cash in banks	P261,807,260	P90,418,846
Cash on hand	10,000	10,000
	P261,817,260	P90,428,846

Cash in banks consists of regular current and savings deposit accounts with local banks earning interest at rates based on daily bank deposit rates.

6. LOANS RECEIVABLE

The composition of this account follows:

	September 30, 2013	December 31, 2012
Loans receivable-gross	P179,514,689	P218,959,914
Interest receivable	36,459,430	35,839,310
	215,974,119	254,799,224
Less Allowance for impairment	27,212,958	14,489,268
	P188,761,161	P240,309,956

All loans are not secured by any collateral. Salary loans granted to employees of other domestic entities bear annual interest at rates ranging from 24% to 40% and 18% to 45%, as of September 30, 2013 and December 31, 2012, respectively. Loans to individuals who avail of the Company's OFW Financing Program bear annual interest at rates ranging from 42% to 54% and 21% to 56% in September 30, 2013 and December 31, 2012, respectively. All salary loans are due within one year or less. OFW loans have maturity dates that fall within 8 to 20 months.

In 2013, the Company started to offer OFW loans that will mature within 14 to 20 months. Of the total outstanding OFW loans released in 2013, P35 million will mature within 14 to 20 months. Total outstanding long-term loans (loans with maturities beyond one year from statement of financial position date) amounted to P24.96 million as at September 30, 2013. There were no outstanding long-term loans as at December 31, 2012.

All of the Company's loans receivable have been reviewed for indications of impairment. Certain loans receivable, which are mostly due from OFWs, were found to be impaired, hence, adequate amounts of allowance for impairment have been recognized.

As at September 30, 2013 and December 31, 2012, past due loans receivable amounted to P36.05 million and P24.72 million, respectively. The amount of past due but not impaired, with age of more than one year, amounted to P17.34 million as at September 30, 2013 and P10.23 million as at December 31, 2012. Past due loans represent loans that have not been paid from date of final maturity.

The carrying amounts of loans receivable are subsequently measured at amortized cost using the effective interest method. Total loans have average effective interest rates of 37% and 39% and in September 30, 2013 and December 31, 2012, respectively.

Changes in the allowance for impairment are summarized below.

	September 30, 2013	December 31, 2012
Allowance at beginning of year	P14,489,268	P9,170,756
Impairment loss during the year	12,723,690	5,318,512
Allowance at end of year	P27,212,958	P14,489,268

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of September 30, 2013 and December 31, 2012 are shown below.

	Condominium Units and Parking Lots	Furniture, Fixtures and Office Equipment	Total
September 30, 2013			
Cost	**P19,909,183**	**P3,080,779**	**P22,989,962**
Less Accumulated depreciation	**7,145,948**	**2,512,981**	**9,658,929**
Net carrying amount	**P12,763,235**	**P567,798**	**P13,331,033**
December 31, 2012			
Cost	P19,594,682	P2,943,749	P22,538,431
Less Accumulated depreciation	6,110,663	2,214,682	8,325,345
Net carrying amount	P13,484,019	P729,067	P14,213,086
January 1, 2012			
Cost	P19,585,593	P2,374,270	P21,959,863
Less Accumulated depreciation	4,758,846	1,743,557	6,502,403
Net carrying amount	P14,826,747	P630,713	P28,462,266

A reconciliation of the carrying amounts of property and equipment at the beginning and end of September 30, 2013 and December 31, 2012 are shown below.

	Condominium Units and Parking Lots	Furniture, Fixtures and Office Equipment	Total
Balance at January 1, 2013 net of accumulated depreciation	**P13,484,019**	**P729,067**	**P14,213,086**
Additions	**314,500**	**137,030**	**451,530**
Depreciation charges for the period	**(1,035,284)**	**(298,299)**	**(1,333,583)**
Balance at September 30, 2013 net of accumulated depreciation	**P12,763,235**	**P567,798**	**P13,331,033**
Balance at January 1, 2012 net of accumulated depreciation	P14,826,747	P630,713	P15,457,460
Additions	9,089	569,479	578,568
Depreciation charges for the period	(1,351,817)	(471,125)	(1,822,942)
Balance at December 31, 2012 net of accumulated depreciation	P13,484,019	P729,067	P14,213,086

No impairment loss was recognized in 2013, 2012 and 2011.

8. OTHER ASSETS

The composition of this account is shown below.

	Notes	September 30, 2013	December 31, 2012
Deferred tax asset – net	17.01	P7,590,521	P4,598,414
Advances to employees and clients	16.03	2,034,062	724,914
Miscellaneous		565,052	674,904
		P10,189,635	P5,998,232

9. LOANS PAYABLE

Bank loans, which were obtained to finance the Company's operations, represent unsecured loans from local banks. These bear annual interest of 6% in September 30, 2013 and interest ranging from 6% to 7% in December 31, 2012. Interest expense on loans payable amounted to P2.78 million, P2.27 million and P4.14 million for the three months ended September 30, 2013, 2012 and 2011, respectively, and are presented as Interest Expense in the statements of comprehensive income. All of the Company's loans payable are short-term in nature.

Accrued interest amounted to nil and P137,500 as at September 30, 2013 and December 31, 2012, respectively, and is presented as part of Accrued Expenses and Other Payables in the statements of financial position (see Note 10).

10. ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of:

	Notes	September 30, 2013	December 31, 2012
Accrued expenses		P2,330,569	P1,867,270
Post-employment benefit obligation	16.03	1,699,939	1,699,939
Withholding taxes		189,955	610,746
Others		2,485,758	2,420,055
		P6,706,222	P6,598,010

Accrued expenses include unpaid utilities, professional fees and other expenses that are expected to be settled within 12 months from the end of the reporting period. Among the accrued and other payables account presented in September 30, 2013 and December 31, 2012 statements of financial position, only the post-employment benefit obligation account is non-current.

The carrying amount of accrued expenses and other payables, which are expected to be settled within the next 12 months from the end of the reporting period is a reasonable approximation of their fair values.

11. EQUITY

11.01 Capital Management Objectives, Policies and Procedures

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to its stockholders, by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity less cash as presented on the face of the statements of financial position.

The Company sets the amount of capital in proportion to its overall financing structure. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Under Section 6 of the R.A. No. 8556, the Company is required to maintain a minimum paid-up capital of not less than P10,000,000.

The Company is in compliance with the minimum paid-up capital requirement as at September 30, 2013 and December 31, 2012 (see Notes 11.02 and 18.01).

The Company's capital and overall financing as at September 30, 2013 and December 31, 2012 are determined as follows:

	September 30, 2013	December 31, 2012
Equity	**P424,869,242**	P237,005,023
Cash	**(261,817,260)**	(90,428,846)
Capital	**P163,051,982**	P146,576,177
Loans payable	**P37,000,000**	P100,000,00
Equity	**424,869,242**	237,005,023
Overall financing	**P461,869,242**	P337,005,023
Capital-to-overall financing ratio	**1.00:2.83**	1.00:2.30

11.02 Capital Stock

Capital stock consists of P1 par value common shares as follows:

Number of Shares	Amount

	2013	2012	2011	**2013**	2012	2011
Authorized – 75,000,000 shares						
Issued and outstanding:						
Balance at beginning of period	**75,000,000**	75,000,000	30,000,000	**P 75,000,000**	P75,000,000	P 30,000,000
Issuance during the period	**186,824,002**	-	45,000,000	**186,824,002**	-	45,000,000
Balance at end of period	**261,824,002**	75,000,000	75,000,000	**P261,824,002**	P75,000,000	P75,000,000

The Company has seven stockholders owning 100 or more shares each of the Company's capital stock as at September 30, 2013 and December 31, 2012.

11.03 Deposits for Future Stock Subscription

On June 29, 2012, the Company's BOD and stockholders approved the application for the increase in the Company's authorized capital stock from P75,000,000 divided into 75,000,000 shares to P550,000,000 divided into 550,000,000 shares both with a par value of P1 per share. Out of the increase in the authorized capital stock, 118,750,002 shares were subscribed and, of which, subscription will be paid in the form of cash and stock dividends. On June 29, 2012, the Company's BOD approved the declaration of stock dividends amounting to P65,600,002 (see Note 11.04). On December 11, 2012 and December 14, 2012, the stockholders initially subscribed to such increase by paying cash amounting to P53,150,000.

On November 29, 2012, the Company filed its application for the increase in its authorized capital stock to the SEC. Such application was formally accepted by the SEC on January 11, 2013 on which necessary SEC fees amounting to P960,010 have been paid. On February 13, 2013, the said application for the increase in authorized capital stock was approved by the SEC. As at September 30, 2013, the amount of the subscription paid by the stockholders are presented as part of Capital Stock account in the 2013 statement of financial position.

11.04 Stock Dividends Distributable

On June 29, 2012, the Company's BOD approved the declaration of stock dividends amounting to P65,600,002 or 65,600,002 shares at P1 par value. As mentioned in Note 11.03, portion of the application for the increase in authorized capital stock will be subscribed, and of which, subscription will be paid in the form of stock dividends. Stock dividends were issued to the corresponding proportionate shares of stock to stockholders of record as of June 29, 2012. On February 13, 2013, the SEC approved the Company's application for the increase in its authorized capital stock. As at September 30, 2013, the amount of the subscription paid in the form of stock dividends by the stockholders are presented as part of Capital Stock account in the 2013 statement of financial position.

12. INTEREST INCOME

Interest income for the nine months ended September 30, 2013, 2012 and 2011 consists of the following:

	2013	2012	2011
OFW loans	**P92,732,558**	P48,958,235	P51,552,303
Salary loans	**6,323,555**	5,665,159	5,077,236
Cash in banks	**65,473**	37,709	30,156
	P99,121,586	P54,661,103	P56,659,695

13. OTHER OPERATING INCOME

For the nine months ended September 30, 2013, 2012 and 2011, this account is composed of the following:

	Note	2013	2012	2011
Processing fees		**P7,448,350**	P8,934,185	P6,643,472
Penalties		**5,532,296**	3,468,444	3,326,162
Rental income	16.04	**63,000**	92,925	-
		P13,043,646	P12,495,554	P9,969,634

14. OTHER OPERATING EXPENSES

The composition of this account as of September 30, 2013, 2012 and 2011 is shown below.

	Notes	2013	2012	2011
Taxes and licenses		**P8,266,600**	P4,682,582	P4,185,078
Salaries and employee benefits	15	**7,420,236**	5,488,304	4,780,518
Professional fees		**4,180,888**	657,560	378,000
Contractual services		**1,339,674**	1,286,334	1,039,994
Depreciation	7	**1,333,583**	1,356,376	1,183,462
Office supplies		**1,015,000**	642,826	583,863
Communication and utilities		**959,944**	960,306	717,717
Marketing and collection		**854,827**	1,189,852	766,824
Unrealized foreign currency losses (gains)		**(644,223)**	744,149	204,776
Representation		**598,395**	359,729	86,736
Transportation and travel		**525,715**	1,009,315	237,835
Dues and subscriptions		**427,107**	452,252	358,821
Insurance		**287,796**	202,983	283,820
Miscellaneous		**4,210,140**	812,382	627,386
		P30,775,682	P19,844,950	P15,434,830

15. EMPLOYEE BENEFITS

15.01 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits for the nine months ended September 30, 2013, 2012 and 2011 are presented below (see Note 14).

	2013	2012	2011
Salaries	**P6,154,722**	P4,826,095	P4,386,322
Others	**1,265,514**	662,209	394,196
	P7,420,236	P5,488,304	P4,780,518

15.02 Retirement Benefit Obligation

For the nine months ended September 30, 2013, the Company has yet to obtain an actuarial valuation as management believes that the retirement benefit expense and obligation as of the period ended would not significantly differ with the amount accrued as of December 31, 2012 (see Note 2.02).

The amounts of retirement benefit obligation recognized in the statements of financial position are presented below (see Note 10).

	September 30, 2013 (Unaudited)	**December 31, 2012 (Audited)**
Present value of the obligation	**P1,699,939**	P1,281,683
Unrecognized actuarial gains	**-**	418,256
	P1,699,939	P1,699,939

The movements in the present value of the post-employment benefit obligation recognized in the books are as follows:

	September 30, 2013 (Unaudited)	**December 31, 2012 (Audited)**
Balance at beginning of year	**P1,699,939**	P1,281,683
Current service cost and interest cost	**-**	399,396
Net actuarial loss recognized in the plan during the year	**-**	18,860
	P1,699,939	P1,699,939

The post-employment benefit expense, recognized as of December 31, 2012, is composed of current service cost, interest cost and net actuarial losses which amounted to P310,960, P88,436 and P18,860, respectively.

The discount rate, salary increase rate and employee turnover rate are 6.90%, 8.00% and 1.25%, respectively. These rates were the actuarial assumptions used in determining the retirement benefit obligation as of December 31, 2012.

As at September 30, 2013, the Company has yet to determine when to fund the retirement plan.

16. RELATED PARTY TRANSACTIONS

The Company's related parties include its stockholders, related parties under common ownership, its key management personnel and others.

The summary of the Company's significant transactions with its related parties as at and for the three months ended September 30, 2013, 2012 and 2011 follows:

		Amount of Transactions			Outstanding Balance	
Relationship	**Notes**	September 30, 2013 (Unaudited)	September 30, 2012 (Unaudited)	September 30, 2011 (Unaudited)	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Stockholders						
Stock subscription	16.02	**(P53,150,000)**	P53,150,000	P-	**P-**	P53,150,000
Key Management Personnel:						
Cash advances	16.03	-	-	-	-	1,763
Compensation		**2,387,907**	2,658,027	2,533,590	-	-
Under Common Ownership						
Lease of property	16.04	**63,000**	93,935		-	-

The details of the Company's related party transactions are discussed below.

16.01 Advances from Stockholders

Advances from stockholders represent emergency funds for use in the Company's operations, which are unsecured, noninterest-bearing and are payable within a year.

16.02 Stock Subscription

In 2012, the Company's BOD and stockholders approved the application for increase in the Company's authorized capital stock from 75,000,000 shares to 550,000,000 shares of P1 par value. The stockholders subscribed to such increase wherein the Company received P53,150,000 in 2012. As at September 30, 2013, the amount of the subscription paid by the stockholders are presented as part of Capital Stock account in the 2013 statement of financial position upon SEC's approval on February 13, 2013 of the application for increase in the Company's authorized capital stock.
(see Note 11.03).

16.03 Advances to Officers

Advances to officers pertain to unliquidated expenses which are noninterest-bearing, unsecured and collectible within a year. The outstanding balance of advances to officers is presented as part of Advances to Employees and Clients under Other Assets in the statements of financial position [see Notes 8 and 18.03 (c)].

16.04 Lease of Condominium Unit to a Related Party

In 2013 and 2012, the Company leased to Philippine Management, Inc (PMI), a related party under common ownership, a condominium unit identified as Unit E2204 C at the Philippine Stock Exchange Centre, Exchange Road Ortigas Center, Pasig City, under a short-term operating lease agreement. Rent income is presented as part of Other Operating Income in the 2013 statement of comprehensive income (see Note 13). There were no accrued rent income due from PMI as at September 30, 2013 and December 31, 2012.

16.05 Key Management Compensation

Key management compensation for the nine months ended September 30 consists of:

	2013	2012	2011
Salaries	**P2,203,699**	P2,458,704	P2,352,817
Other benefits	**184,208**	199,323	180,773
	P2,387,907	P2,658,027	P2,533,590

17. TAXES

17.01 Current and Deferred Taxes

The components of tax expense as reported in the statements of comprehensive income for the nine months ended September 30 follow:

	2013	2012	2011
Current tax expense	**P21,557,061**	P13,724,662	P14,168,659
Tax benefit	**(2,992,107)**	-	-
	P18,564,954	P13,724,662	P14,168,659

The Company is subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income, as defined under the tax regulations, or RCIT, whichever is higher. No MCIT was reported in 2013, 2012 and 2011 as the RCIT was higher than MCIT in those years.

In 2013, 2012 and 2011, the Company opted to claim itemized deductions in computing its income tax due.

17.02 Income Tax Payable

The movements in income tax payable are as follows:

	Note	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Balance at beginning of year		**P7,347,087**	P6,786,203
RCIT		**23,372,082**	20,541,342
Payments during the period		**(25,192,394)**	(19,974,214)
Creditable withholding tax applied		**(3,150)**	(6,244)
Balance at end of year		**P5,523,625**	P7,347,087

18. COMPLIANCE WITH R.A NO. 8556, THE FINANCING COMPANY ACT OF 1998

The Company, which was organized for the purpose of extending credit facilities to consumers by direct lending, is governed by the R.A. No. 8556. Presented below are the significant provisions under R.A. No. 8556 that are applicable to the Company.

18.01 Form of Organization

Under Section 2 of R.A. No. 8556, financing companies shall be organized in a form of stock corporation in accordance with the provisions of the Corporation Code of the Philippines, subject to the following:

(a) At least 40% of the voting stock of the corporation shall be owned by citizens of the Philippines.

As at September 30, 2013 and December 31, 2012 the Company's capital stock is 100% owned by Filipino citizens.

(b) A minimum paid-up capital of P10,000,000 for financing companies located in Metro Manila and other 1st class cities.

The Company is in compliance with the minimum paid-up capital requirement as at September 30, 2013 and December 31, 2012 (see Note 11.01).

(c) The corporate name of financing companies shall contain the term "financing company" or other title or word(s) descriptive of its operations and activities as a financing company (see Note 1.01).

18.02 Licensing Fees

Under Section 8 of R.A. No. 8556, an annual fee amounting to P10,000 for offices in Metro Manila shall be charged and the same shall be paid not later than 45 days before the anniversary date of the Certificate of Authority to Operate as a Financing Company and for as long as its licence to operate is in effect.

The Company's licensing fees for the nine months ended September 30, 2013, 2012 and 2011 are presented as part of Taxes and Licenses account under Other Operating Expenses in the statements of comprehensive income (see Note 14).

18.03 Loans and Investments

The following are the provisions under Section 9 of the R.A. No. 8556:

(a) The total investment of a financing company in real estate and in shares of stock in a real estate development corporation and other real estate based projects shall not at any time exceed 25% of its net worth.

The Company has no such investments as at September 30, 2013 and December 31, 2012.

(b) More than 50% of the funds of a financing company shall be used or invested in financing company activities; provided, that in the computation of the amount of funds used or invested in financing company activities, investments in government securities with maturity not more than one year and special savings deposits shall be taken into consideration.

For September 30, 2013 and December 31, 2012, the Company obtained loans for working capital purposes (see Note 9).

(b) The total credit that a financing company may extend to its directors, officers and stockholders shall not exceed 15% of its net worth.

Advances to officers amounting to nil and P1,763 as at September 30, 2013 and December 31, 2012 do not exceed 15% of the Company's net worth (see Note 16.03).

(c) The total credit that a financing company may extend to any person, company, corporation or firm shall not exceed 30% of its net worth.

The maximum loan extended to a borrower amounts to P650,000 which does not exceed 30% of the Company's net worth as at September 30, 2013 and December 31, 2012.

(d) Unless collected, interest income shall not be recognized on loans receivables that remain outstanding beyond maturity dates.

The Company is in compliance of this provision as it recognizes interest income earned from loan date up to its maturity.

(e) A 100% allowance for probable losses should be set up on certain loans and receivables that meet the requirements and conditions set by R.A. No. 8856.

The requirements and conditions set by R.A. No. 8556 in setting up the allowance for doubtful accounts were accordingly considered by the Company in the determination of impairment loss provision on its loans receivables (see Note 6).

19. EARNINGS PER SHARE

Basic and diluted earnings per share for the nine months ended September 30, 2013 are computed as follows:

	2013	**2012**	**2011**
Net profit	**P45,512,972**	P29,067,773	P32,140,518
Weighted average number of outstanding common shares for basic earnings per share	**261,824,002**	75,000,000	75,000,000
Dilutive shares arising from stock dividends	**-**	118,750,002	-
Adjusted weighted average number of common shares for diluted earnings per share	**261,824,002**	193,750,002	75,000,000
Earnings per share	**0.17**	0.38	0.43
Diluted earnings per share	**0.17**	0.15	0.43

20. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. As at September 30, 2013 and December 31, 2012, management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

21. APPLICATION OF IPO PROCEEDS

For the quarter ended September 30, 2013, the applications of the net proceeds are broken down as follows:

Gross Proceeds from the Offer		P 148,401,320
Less: Offer Expenses		
Underwriting and selling agent fees	P 4,606,675	
Taxe	3,308,396	
Professional fees (i.e., legal and accounting fees)	2,396,434	
PSE listing and processing fees	695,269	
SEC registration and filing fees	349,474	
Brokers' commission	296,807	
Miscellaneous [1]	462,433	12,115,488
Net		136,285,832
Less: Utilization of Proceeds		
OFW loan portfolio		
Skilled workers	P 8,266,000	
Professional	6,338,528	14,604,528
Repayment of outstanding loans		
China Banking Corporation [2]		
Balance of Proceeds as of September 30,		**P 121,681,304**

[1]Exclusive of accrued various offer expenses amounting to P427,844 as of September 30, 2013.
[2]The Company plans to make the full settlement of its loans with CBC within the last quarter of 2013.

22. AGING OF LOANS RECEIVABLE

Below is the Company's aging of accounts receivable:

	September 30, 2013 (Unaudited)	**December 31, 2012 (Audited)**
Current	**P179,929,269**	P230,082,163
Past due:		
Within one year	**18,709,293**	11,091,061
Beyond one year	**17,335,557**	13,626,000
Balance at end of year	**P215,974,119**	P254,799,224

AG FINANCE, INCORPORATED
Schedule of Financial Soundness Indicators as Required
Under SRC Rule 68, as Amended
SEPTEMBER 30, 2013 AND DECEMBER 31, 2012
(Amounts in Philippine Pesos)

	September 30 2013 (Nine Months)	December 31, 2012 (One Year)	September 30 2013 (Nine Months)	December 31, 2012 (One Year)
I. Current/Liquidity Ratios				
Current Ratio				
(Cash+Loans+ Other Current Assets)	**452,792,871**	331,722,861	**9.20**	2.91
Total Liabilities	**49,229,847**	113,945,097		
Quick Ratio				
(Cash+Loans Receivable)	**450,578,421**	330,738,802	**9.15**	2.90
Total Liabilities	**49,229,847**	113,945,097		
II. Solvency Ratios, Debt-to-Equity Ratios				
Solvency Ratio				
(After-tax Net Profit+Depreciation)	**46,846,555**	45,009,988	**0.95**	0.40
Total Liabilities	**49,229,847**	113,945,097		
Debt-to-Equity Ratio				
Total Liabilities	**49,229,847**	113,945,097	**0.12**	0.48
Total Equity	**424,869,242**	237,005,023		
III. Asset-to-Equity Ratios				
Asset-to-Equity				
Total Assets	**474,099,089**	350,950,120	**1.12**	1.48
Total Equity	**424,869,242**	237,005,023		
IV. Interest Coverage Ratio				
Interest Coverage Ratio				
EBIT	**68,665,860**	65,594,624	**24.76**	16.82
Interest Expense	**2,772,913**	3,898,942		

V. Profitability Ratios

Net Profit Margin

Net profit	**45,512,972**	43,187,046	**0.41**	0.44
Interest Income+ Other Operating Income	**112,165,232**	98,996,553		

Return on Equity

Net profit	**45,512,972**	43,187,046	**0.14**	0.23
Average Equity	**330,937,133**	188,836,495		

Return on Assets

Net profit	**45,512,972**	43,187,046	**0.11**	0.16
Average Assets	**412,519,604**	264,597,536		

AG FINANCE, INCORPORATED
Schedule of Other Supplementary Information
as Required Under SRC Rule 68, as Amended
SEPTEMBER 30, 2013 AND DECEMBER 31, 2012
(Amounts in Philippine Pesos)

	September 30, 2013 (Nine Months)	December 31, 2012 (One Year)	September 30, 2013 (Nine Months)	December 31, 2012 (One Year)

a) Total Real Estate Investments to Assets

Not Applicable. The Company does not have investment properties. Condominium units and parking lots are treated as property and equipment.

b) Total Receivables to Assets

	September 30, 2013 (Nine Months)	December 31, 2012 (One Year)	September 30, 2013 (Nine Months)	December 31, 2012 (One Year)
Loans Receivable	**188,761,161**	240,309,956	**0.40**	0.68
Total Assets	**474,089,089**	350,950,120		

c.) DOSRI* to Net Worth

	September 30, 2013 (Nine Months)	December 31, 2012 (One Year)	September 30, 2013 (Nine Months)	December 31, 2012 (One Year)
Receivables from DOSRI	**-**	1,763	**-**	-
Total Equity	**424,869,242**	237,005,023		

d.) Amount of receivables from a single corporation to total receivables

Not applicable. The Company grants loans to individuals.

*Directors, Officers, Stockholders and Other Related Interests