

ANNUAL REPORT 2021



ORIX

ORIX METRO

Leasing and Finance Corporation

Metrobank Group

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VISION

To be the most admired finance company

MISSION

We are committed to deliver excellent and diversified services to our customers ensuring their full satisfaction.

This is made certain by a highly motivated team of professionals and strong global network.

We shall provide a fair return to our Shareholders and contribute to our country's socio-economic development.

VALUES

Moral Integrity

Passion for Excellence

Love for Work and Service

Innovation

Unity and Cooperation

Message to the Stockholders

Dear Valued Stockholders,

ORIX METRO Leasing and Finance Corporation (OMLF) concluded fiscal year 2021 (FY 2021) amid a period of anxiety and uncertainty brought about by the COVID-19 pandemic. We started the year on the heels of slightly improving sales volume and collection as the Company reeled from this extraordinary crisis that caused massive job displacement and recession in the country.

Our slow recovery was sidetracked by the government's re-imposition of intermittent lockdowns nationwide when the more infectious Delta variant began to wreak havoc in the third quarter. The rising wave of new coronavirus cases dampened our recovery prospects as OMLF faced another setback that compounded an already subdued volume of business.

The drawn-out COVID-19 outbreak has had a material impact on our financial performance as we ended FY 2021 with a net income after tax of P164 million, a decline of 25.2 percent compared to last year's P219 million. This is equivalent to a Return on Average Equity (ROE) of 1.8 percent. Our Return on Assets (ROA) still stood at 0.4 percent.

During the year under review, our Company was beset with increasing non-performing loans (NPL) ratio which grew to 14.02 percent from 8.72 percent in 2020. A good number of our clients failed to meet their repayment obligations on time because their businesses were weighed down by the ensuing market difficulties.

For 2021, our provisioning for possible credit losses decreased to P707 million from P1.429 billion in 2020.

We continued to perform a comprehensive review on all our accounts nationwide through the Business Survivability Risk Test (BSRT). The Company first implemented the BSRT in 2020 to determine the impact of the COVID crisis on our clients and to protect our portfolio. In 2021, a total of 9,314 clients underwent the BSRT review, with 2,181 clients availing the moratorium under the Bayanihan Act. On the other hand, 122 clients requested for their accounts to be restructured.

The Company also created a Remedial Management Unit which was tasked to help in effectively managing,



particularly, the more critical problem accounts. One of the functions of this specialized unit is to better assess our clients' cash flow position, negotiate and formulate effective repayment arrangements based on our clients' capacity. This is part of our financial relief efforts to help our distressed clients with their businesses during these challenging times.

We had tightened our credit approval parameters and processes in view of the highly unpredictable business environment resulting from the crisis. Since the height of the pandemic, we focused on stepping up our collection efforts. The Company also adopted a programmed strategy for bad asset disposal through the repossessed asset or ROPA sales wherein we had successfully sold a total of 436 ROPA units. Moving forward, we will continue to promote ROPA sales as this can unlock more business opportunities for OMLF.

The complex financial climate in 2021 called for ways to lessen its impact on our Company bottom line. We only hired new employees for roles which were deemed critical, but all non-critical positions will remain vacated until the situation improves. In addition, we rationalized our branch network by closing 10 branches, bringing our total number of branches to 102 nationwide.

Amid the challenges of doing business during the pandemic, OMLF ensured to provide continuous service to clients. The Business Continuity Plan (BCP) site in our Calamba Office was activated, and nine of our critical business units were deployed there to ensure that in the unlikely event that the Head Office had to temporarily discontinue operations due to the effects of COVID-19, the Company can operate in a business-as-usual mode.

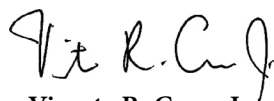
We implemented the work-from-home scheme with priority given to employees who have been identified as part of the "most at risk population" and whose work

output can be delivered remotely. We enforced safety protocols such as wearing of face masks and observing physical distancing in all of our branches and offices. Meetings and trainings are now mostly conducted online.

OMLF had also intensified the fight against COVID-19 with the rollout of the vaccination program for regular and probationary employees, their dependents, as well as outsourced workers. To date, almost 100% of our workforce had been fully inoculated through our vaccination drive in partnership with the Metrobank Group as well as the vaccinations administered by local government units.

The Philippine economy is showing signs of recovery with increased progress in the vaccination rate nationwide. Our normal activities are now resuming as we are able to do the things that we had to put on hold because of the pandemic. The Company plans to leverage on these positive developments and on top of our list is to market the Truck Maintenance Lease solution offered by ORIX Rental Corporation (ORC), our wholly-owned subsidiary engaged in long-term full service operating lease (FSOL) of cars and light trucks. We ramped up the operations of ORC, with our total fleet under FSOL and fleet management now composed of 7,897 cars, pick-ups, vans and light trucks. We will also explore new opportunities to market our products and services, upgrade our technology infrastructure and improve our internal processes in order to better serve our clients.

In closing, allow us to thank our Board of Directors, shareholders, clients, management team and employees for their hard work and dedication during these challenging times. With your continued support, we are confident that we will succeed as we move forward and face both the challenges and the opportunities beyond the pandemic.



Vicente R. Cuna, Jr.
Chairman



Constancio B. Tan
President

Board of Directors



Vicente R. Cuna, Jr.
Chairman of the Board/Director



Constancio B. Tan
President/Director



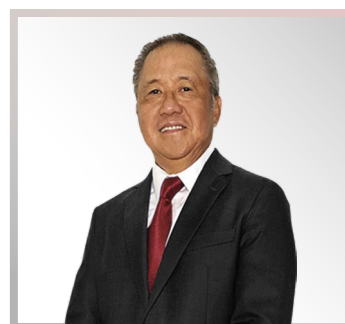
Yoshiaki Matsuoka
Director



Shintaro Yamaji
Director



Lita S. Tan
Director



Cesar L. Lugtu
Director

Vicente R. Cuna, Jr.
Chairman of the Board/Director

Chairman of the Board/Director since March 2016
Holding 1 share
Less than 0.01% ownership
Chairman, ORIX Auto Leasing Philippines Corporation
Chairman, ORIX Rental Corporation
Chairman, OMLF International Trading and Development Corporation
Chairman, OMLF Insurance Agency, Inc.
Vice Chairman, Philippine Savings Bank
SEVP, Enterprise Services Sector Head, Metropolitan Bank and Trust Company
Director, Metropolitan Bank and Trust Company
A. B. Economics, 1983

Constancio B. Tan
President/Director

President/Director since March 2018
Holding 1 share
Less than 0.01% ownership
Director/Treasurer,
ORIX Rental Corporation
Director/President,
ORIX Auto Leasing Philippines Corporation
Director/President,
OMLF International Trading and Development Corporation
Vice Chairman,
OMLF Insurance Agency, Inc.
Director/President,
OMLF Servicer Corporation
Director/Executive Vice President,
ORIX Glorious Stars (SPV-AMC), Inc.
Director/Executive Vice President,
ORIX Risingsun Properties, Inc.
Director/Executive Vice President,
ORIX Risingsun Properties II, Inc.
Director, ORIX P&E Philippines Corporation
B.S. in Commerce, Accounting, 1980

Yoshiaki Matsuoka
Director

Director since January 2021
Holding 1 share
Less than 0.01% ownership
Director, ORIX Corporation UK Limited
Chief Executive Officer/Chairman,
ORIX Corporation Europe N.V.
Operating Officer/Head-Global Business Group, ORIX Corporation
Chairman of the Supervisory Board,
ORIX Polska S.A.
Director, ORIX Australia Corporation Limited
Director, ORIX Leasing Malaysia Berhad
Director, OLP Financial Services Pakistan Limited
Director, ORIX Leasing and Financial Services India Limited
Director, Bonifacio Landmark Realty and Development Corp.
Director, North Bonifacio Landmark Realty and Development, Inc.
Director, ORIX Auto Infrastructure Services Limited
Director, ORIX Risingsun Properties, Inc.
Director, ORIX Risingsun Properties II, Inc.
Director, Yanal Finance Company
Director, ORIX Leasing Singapore Limited
Director, ORIX Investment and Management Private Limited
Director, ORIX Glorious Stars (SPV-AMC), Inc.
Director, OMLF Servicer Corporation
Director, Thai ORIX Leasing Co., Ltd.
B.S. in Physics, 1991

Shintaro Yamaji
Director

Director since April 2019
Holding 1 share
Less than 0.01% ownership
Director/Treasurer,
ORIX Rental Corporation
Director, ORIX Auto Leasing Philippines Corporation
Corporate Adviser, OMLF International Trading and Development Corporation
Corporate Adviser, OMLF Insurance Agency, Inc.
Vice Chairman, OMLF Servicer Corporation
Vice Chairman/President,
ORIX Glorious Star (SPV-AMC), Inc.
Chairman/President,
ORIX Risingsun Properties, Inc.
Chairman/President,
ORIX Risingsun Properties II, Inc.
Vice Chairman/Executive Vice President,
ORIX P&E Philippines Corporation
Director/Executive Vice President,
Bonifacio Landmark Realty and Development Corporation
Director/Executive Vice President,
North Bonifacio Landmark Realty and Development, Inc.
Bachelor of Economics, 2001



Jose M. Chan, Jr.
Independent Director



Atty. Justina F. Callangan
Independent Director



Manuel H. Lopez
Independent Director



Atty. Roy Y. Martelino
Corporate Secretary



Carmelita A. Tiongson
Assistant Corporate Secretary

Lita S. Tan
Director

Director since June 2016
Holding 1 share
Less than 0.01% ownership
Senior Vice President, Retail Banking Sector Head,
Metropolitan Bank and Trust Company
B.S. in Commerce, Business Management, 1983

Atty. Justina F. Callangan
Independent Director

Independent Director since June 2019
Holding 1 share
Less than 0.01% ownership
Consultant,
ASA Philippines Foundation, Inc.
Consultant, Divina Law Office
Director,
Securities Investors Protection Fund, Inc.

Protacio C. Bantayan, Jr.
Adviser to the Board of Directors

Adviser to the Board of Directors since March 2018
Adviser to the Board of Directors,
OMLF Servicer Corporation
Adviser to the Board of Directors,
OMLF Insurance Agency, Inc.
Adviser to the Board of Directors,
ORIX Auto Leasing Philippines Corporation
Adviser to the Board of Directors,
ORIX Rental Corporation
Adviser to the Board of Directors,
OMLF International Trading and Development Corporation

Cesar L. Lugtu
Director

Director since March 2020
Holding 1 share
Less than 0.01% ownership
President, CELIZE RMM Inc.
B.S. in Business Administration, 1976

Independent Director, Vista Land & Lifescapes, Inc.
Independent Director,
AIB Money Market Mutual Fund
A.B. Political Science, 1973
M.A. in Political Science, 1975
Bachelor of Laws, 1980

Director/Treasurer,
ORIX Glorious Stars (SPV-AMC), Inc.
Director/Treasurer,
ORIX P&E Philippines Corporation
Director/Treasurer, ORIX Risingsun Properties, Inc.
Director/Treasurer, ORIX Risingsun Properties II, Inc.
B.S. in Commerce, Accounting, 1974
Masters in Business Administration, 1977
Strategic Business Economic Program, 1988

Jose M. Chan, Jr.
Independent Director

Independent Director since March 2018
Holding 1 share
Less than 0.01% ownership
Independent Director, Enterprise Car Lease Philippines, Inc.
Independent Director, Philippine Commercial Capital, Inc.
B.S. in Business Economics, 1978
Masters in Business Administration, 1980

Manuel H. Lopez
Independent Director

Independent Director since November 2019
Holding 1 share
Less than 0.01% ownership
B.S. in Commerce, Accounting, 1977
Masters in Business Administration, 1989

Atty. Roy Y. Martelino
Corporate Secretary

Corporate Secretary since December 2003
Assistant Corporate Secretary,
Toyota Financial Services Philippines Corporation
Bachelor of Laws, 1967

Carmelita A. Tiongson
Assistant Corporate Secretary

Assistant Corporate Secretary since October 2016
Credit Group - Credit Operations & Shared Support Division Head - Vice President, Metropolitan Bank and Trust Company
B.S. in Business Economics, 1982
M.S. in Economics (units), 1987

Management Committee



Constancio B. Tan



Shintaro Yamaji



Arnaldo S. Bacabac, Jr.



Angelo Z. Padua



Cynthia B. Tamoria



Michael D. Bautista



Aura C. Montenegro

Executive Vice Presidents



Arnaldo S. Bacabac, Jr.

*Branches Group and
Marketing Group*



Angelo Z. Padua

Operations Group Head

Senior Vice Presidents



Cynthia B. Tamoria

Executive Group Head



Helen Jodel B. Aguilar

*Seconded to ORIX Rental Corporation (ORC)
as Executive Group Head*

First Vice Presidents



Michael D. Bautista
*Countryside Branches
Group Head*



Lito P. Ondevilla
*Seconded to ORC as Marketing
and Operations Group Head*



Jose G. Reyes, Jr.
*Seconded to ORC as Fleet Management
and Maintenance Group Head*



Atty. Heinz M. Reyes
*Legal Services Collection and
Asset Recovery Division Head*



Jared V. Tabino
*Information and Communications
Technology Division Head*



Victor Emmanuel T. Tiongson
Treasury Division Head

Vice Presidents



Ma. Paz V. Bermudez

*Human Resources Management
Division Head*



Joe Lutgard A. Cruz

*Chief Compliance Officer and
Data Protection Officer*



Roberto M. Letaba

Region Head - Mindanao



Aura C. Montenegro

Head Office Marketing Group Head



Alma Jocelyn C. Navarro

Group-in-Charge, Executive Group



Liezl S. Romeo

Special Projects Division Head

Assistant Vice Presidents



Rhoneil Evaristus B. Basco



Victor B. David



Godofredo A. Dizon, Jr.



Dan Anthony B. Manapat



Jonas F. Mangonon



Joanne D. Maranan



Leo R. Nicolas



Luwalhati R. Otiang



Cary M. Resari



Anthony C. Roa



Sherwin M. Salang



Ferdinand B. Tan



Atty. Jharl Emory Q. Tremor



Lea R. Vargas



Anne Marie Therese C. Zapata

Senior Managers



Lourдина B. Alfelor



Brian Jeffrey C. Aquino



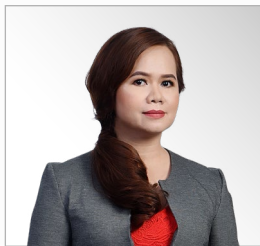
Arnel A. Barrion



Danilo A. Bautista



Bernadette Kristine S. Dionido



Maria Christina T. Dizon



Roy A. Flores



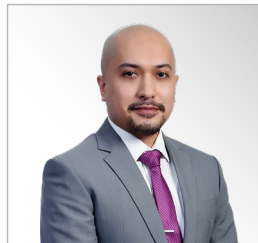
Maximiana P. Garcia



Raniel P. Geneblazo



Uldarico M. Nabua



Juan Paolo Alberto O. Ocampo



Lou R. Reniva



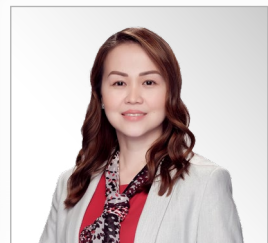
Cherry Lou V. Reyes



Ohnee Q. Romanillos



Patricia R. Sangalang



Michelle B. Yu

Managers:

Atty. Ana Mae E. Amaro
Michelle E. Aquino
Efren P. Cacal

Clarence L. Cantorna
Jeanne D. Catallo
Lee Van Clint T. Flores

Wilma C. Goy
Ma. Aurora P. Manicad
Jan Brian V. Marcos

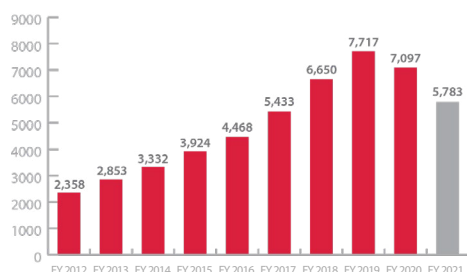
Jo Ann Carla B. Mojica
Ernesto V. Palisoc, Jr.
Jimmyboy M. Ponce

Financial Highlights (Consolidated)

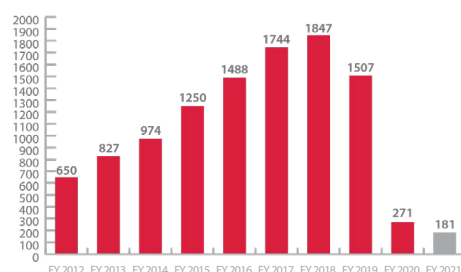
ORIX METRO Leasing and Finance Corporation

IN PHILIPPINE PESO FOR THE YEAR	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Gross Income	2,358,221,856	2,853,439,296	3,332,312,481	3,923,539,797	4,467,547,176	5,432,560,728	6,649,891,924	7,716,967,732	7,096,941,688	5,782,828,143
Income Before Tax	650,428,822	827,057,787	973,527,428	1,249,811,539	1,488,319,230	1,744,276,592	1,846,801,656	1,507,401,579	270,772,101	180,857,106
Net Income After Tax	460,773,675	583,474,530	716,331,303	865,534,744	1,033,672,044	1,228,369,054	1,300,528,054	1,091,940,178	219,417,697	164,152,947
AT YEAR END										
Total Resources	15,335,111,355	18,776,443,949	21,991,728,315	27,427,025,075	33,796,158,384	43,968,225,186	51,747,532,337	53,159,024,766	45,797,502,606	37,132,700,905
Gross Receivables	12,190,007,050	14,844,038,856	17,128,245,858	21,597,805,141	27,187,420,050	36,099,108,302	44,687,072,082	44,073,255,017	35,913,722,727	25,422,126,169
Net Investment in Leases	3,711,656,167	4,432,149,166	4,870,084,781	5,108,613,234	5,406,728,283	5,811,939,446	6,657,515,419	6,157,715,186	5,024,292,362	3,644,682,586
Net Investment in Loans	7,742,172,405	9,583,603,046	11,343,068,722	15,238,354,814	20,049,195,309	27,593,742,262	34,503,462,092	33,880,318,752	27,913,627,320	19,803,140,781
Stockholder's Equity	2,422,232,831	2,981,471,894	3,675,862,165	4,498,920,425	5,531,559,352	6,745,253,222	8,097,862,640	8,528,683,686	8,715,974,361	9,305,817,907
PER SHARE										
Net Earnings	45.54	46.13	47.20	45.62	34.50	34.16	30.14	17.58	3.07	2.30
Book Value	239.40	235.73	242.20	237.14	184.61	187.59	187.67	137.29	122.01	130.26
Number of Shares Outstanding	10,118,079	12,647,599	15,177,119	18,971,399	29,964,249	35,957,099	43,148,519	62,120,797	71,438,917	71,438,917
Return on Average Equity	20.63%	21.39%	21.52%	21.18%	20.61%	20.01%	17.52%	13.13%	2.54%	1.82%

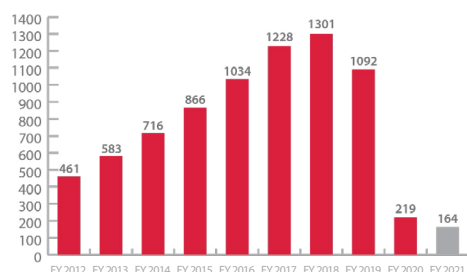
GROSS INCOME
(in Million Pesos)



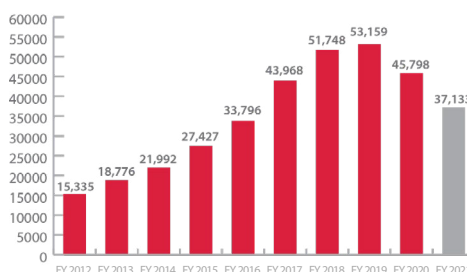
INCOME BEFORE TAX
(in Million Pesos)



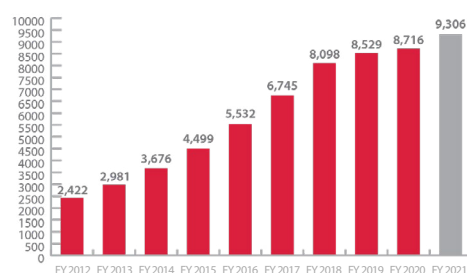
NET INCOME AFTER TAX
(in Million Pesos)



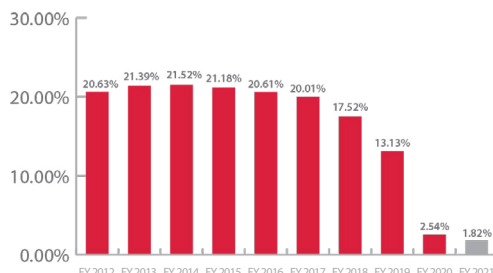
TOTAL RESOURCES
(in Million Pesos)



STOCKHOLDER'S EQUITY
(in Million Pesos)



RETURN ON AVERAGE EQUITY
(in Percent)



Statement of Management's Responsibility for Financial Statements

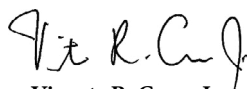
The Management of ORIX METRO Leasing and Finance Corporation (the "Company") is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the period ended September 30, 2021 and September 30, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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


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

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

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



Vicente R. Cuna, Jr.
Chairman



Constancio B. Tan
President



Alma Jocelyn C. Navarro
Treasurer

Signed this 17th day of December 2021

Independent Auditor's Report

The Board of Directors and Stockholders
ORIX METRO Leasing and Finance Corporation

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of ORIX METRO Leasing and Finance Corporation and its subsidiaries (the Group) and the parent company financial statements of ORIX METRO Leasing and Finance Corporation (the Parent Company), which comprise the consolidated and parent company statements of financial position as at September 30, 2021 and 2020, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended September 30, 2021, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at September 30, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2021 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 Consolidated and Parent Company Financial Statements section of our report. We are independent of the Group and the Parent 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 consolidated and parent company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Applicable to the Audit of the Consolidated and Parent Company Financial Statements

Allowance for expected credit losses (ECL)

The Group's and Parent Company's ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk

exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and other loan restructuring; determining assumptions to be used in the ECL model such as the internal risk rating and the expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating the ECL.

Refer to Notes 3, 4 and 16 of the financial statements for the disclosures on the details of the allowance for credit losses using the ECL model.

Audit Response

We obtained an understanding of the methodologies and models used for the Group's and the Parent Company's different credit exposures, and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the new segmentation adopted by the Group and the Parent Company of its credit risk exposures based on homogeneity of credit risk characteristics; (b) verified the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, including overlay applied by management to consider impact of the coronavirus pandemic on the counterparties, (c) performed statistical testing on probability-of-default (PD) rates; (d) tested the Group's and the Parent Company's application of its internal rating model in assigning score and PD rates to credit exposures, by reviewing ratings of sample credit exposures; (e) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (f) tested loss given default by inspecting historical recoveries and related costs, write-offs, collateral valuations and the effects of any financial support and credit enhancements provided by any party; (g) tested exposure at default considering outstanding commitments and repayment scheme; (h) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (i) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models, by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis, models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the financial statements.

We involved our internal specialists in the performance of the above procedures.

Realizability of deferred tax assets

The recognition of deferred tax assets is significant to our audit because it requires significant judgment and is based on assumptions such as availability of future taxable income and the timing of the reversal of the temporary differences affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company.

The estimation uncertainty on the Group's and the Parent Company's expected performance has increased as a result of the uncertainties brought about by the coronavirus pandemic.

The disclosures in relation to deferred income taxes are included in Note 28 of the financial statements.

Audit Response

We tested the temporary differences identified by the Group and the Parent Company and the applicable tax rate. We also re-performed the calculation of the deferred tax assets. We reviewed management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the growth rates in loan portfolio and level of borrowings to the historical performance of the Group and the Parent Company and the industry, including future market circumstances taking into consideration the impact associated with the coronavirus pandemic.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A and Annual Report for the year ended September 30, 2021, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 17-A and Annual Report for the year ended September 30, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and Parent 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 Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company 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 consolidated and parent company 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 consolidated and parent company 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 Group's and Parent 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 Group's and Parent 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 consolidated and parent company 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 and Revenue Regulations 152010

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 35 and Revenue Regulations 152010 in Note 36 to the financial statements is presented for purposes of filing with the BSP and the 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 ORIX METRO Leasing and Finance 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.

The engagement partner on the audit resulting in this independent auditor's report is Ray Francis C. Balagtas.

SYCIP GORRES VELAYO & CO.



Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

Tax Identification No. 216-950-288

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 108795-SEC (Group A)

Valid to cover audit of 2021 to 2025 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. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8534218, January 4, 2021, Makati City

December 17, 2021

Statements of Financial Position

ORIX METRO Leasing and Finance Corporation and Subsidiaries

	Consolidated		Parent Company	
	As of September 30			
	2021	2020	2021	2020
ASSETS				
Cash and Cash Equivalents (Notes 6 and 28)	₱705,457,969	₱661,138,070	₱513,394,855	₱410,037,354
Due from Bangko Sentral ng Pilipinas (Note 7)	9,871,410,225	7,572,771,492	9,871,410,225	7,572,771,492
Securities Purchased Under Repurchase Agreements (Note 7)	365,663,589	1,925,410,260	365,663,589	1,925,410,260
Financial Assets at Fair Value through Other Comprehensive Income (Note 8)	1,145,018	1,112,282	1,145,018	1,112,282
Loans and Receivables (Note 9)	21,247,639,996	31,227,249,574	20,814,087,559	30,858,051,999
Investments in Subsidiaries (Note 10)	–	–	2,116,372,223	1,817,170,848
Property and Equipment (Note 11)	298,408,986	352,543,503	73,400,228	122,182,033
Equipment for Lease (Note 12)	2,328,069,879	2,246,500,852	–	–
Right-of-Use Assets (Note 27)	228,227,300	217,328,415	247,380,884	247,210,119
Investment Properties (Note 13)	531,061,004	525,407,752	32,787,526	32,787,526
Prepaid Expenses (Note 14)	144,058,346	99,355,541	75,686,410	46,354,130
Deferred Tax Assets (Note 28)	424,411,895	350,307,194	372,242,799	291,821,382
Other Assets (Note 15)	987,146,698	618,377,671	642,318,521	265,529,318
	₱37,132,700,905	₱45,797,502,606	₱35,125,889,837	₱43,590,438,743
LIABILITIES AND EQUITY				
Liabilities				
Bills Payable (Notes 17 and 31)	₱19,839,663,394	₱27,423,038,492	₱18,439,209,504	₱25,905,373,327
Bonds Payable (Note 17)	4,156,532,025	4,135,518,440	4,156,532,025	4,135,518,440
Deposits on Lease Contracts (Note 20)	1,158,427,752	1,492,893,174	1,063,367,062	1,390,212,815
Accounts Payable and Other Liabilities (Note 18)	1,934,693,373	1,993,625,582	1,397,713,159	1,373,220,145
Lease Liability (Notes 27)	239,691,488	232,688,856	262,499,468	266,252,347
Income Tax Payable (Note 28)	65,156,864	225,595,943	65,758,166	225,565,470
Derivative Liabilities (Note 19)	432,521,459	1,577,666,794	432,521,459	1,577,666,794
Deferred Tax Liabilities (Note 28)	196,643	500,964	–	–
	₱27,826,882,998	₱37,081,528,245	₱25,817,600,843	₱34,873,809,338
Equity				
Equity Attributable to Equity Holders of the Parent Company				
Capital stock (Note 22)	₱7,143,891,700	₱7,143,891,700	₱7,143,891,700	₱7,143,891,700
Retained earnings (Note 22)	2,335,183,771	2,169,214,781	2,335,183,771	2,169,214,781
Net unrealized losses on equity financial assets at fair value through other comprehensive income (Note 8)	(257,303)	(290,039)	(257,303)	(290,039)
Cash flow hedge reserve (Note 19)	(120,521,813)	(427,879,157)	(120,521,813)	(427,879,157)
Remeasurement losses on retirement plan (Notes 10 and 26)	(50,007,361)	(168,307,880)	(50,007,361)	(168,307,880)
	9,308,288,994	8,716,629,405	9,308,288,994	8,716,629,405
Non-controlling Interest	(2,471,087)	(655,044)	–	–
	9,305,817,907	8,715,974,361	9,308,288,994	8,716,629,405
	₱37,132,700,905	₱45,797,502,606	₱35,125,889,837	₱43,590,438,743

See accompanying Notes to Financial Statements.

Statements of Income

ORIX METRO Leasing and Finance Corporation and Subsidiaries

	Consolidated			Parent Company		
	Years ended September 30					
	2021	2020	2019	2021	2020	2019
REVENUES						
Financing (Notes 9 and 29)	₱2,864,358,422	₱4,243,744,532	₱4,595,417,713	₱2,864,358,422	₱4,243,744,532	₱4,595,417,713
Leasing (Notes 9, 12, 13 and 27)	1,683,355,513	1,807,947,112	1,895,256,273	326,516,348	442,536,295	481,014,138
Services (Note 23)	378,981,450	395,799,236	504,210,059	33,910,333	53,210,802	122,753,715
	4,926,695,385	6,447,490,880	6,994,884,045	3,224,785,103	4,739,491,629	5,199,185,566
SHARE IN NET INCOME OF SUBSIDIARIES (Note 10)	-	-	-	350,524,048	265,358,236	312,600,905
OTHER INCOME (Note 24)	856,132,758	649,450,808	722,083,687	531,765,276	456,658,862	324,573,896
TOTAL INCOME	5,782,828,143	7,096,941,688	7,716,967,732	4,107,074,427	5,461,508,727	5,836,360,367
General and administrative expenses (Note 25)	3,272,483,721	3,151,284,773	3,271,389,608	1,774,235,382	1,720,190,011	1,690,220,506
Interest and financing charges (Notes 17, 19, 27 and 29)	1,621,831,387	2,245,469,396	2,575,004,340	1,556,639,753	2,144,510,628	2,416,665,010
Provision for credit and impairment losses (Note 16)	707,655,929	1,429,415,418	363,172,205	704,634,930	1,426,913,275	352,728,722
TOTAL EXPENSES	5,601,971,037	6,826,169,587	6,209,566,153	4,035,510,065	5,291,613,914	4,459,614,238
INCOME BEFORE INCOME TAX	180,857,106	270,772,101	1,507,401,579	71,564,362	169,894,813	1,376,746,129
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)	16,704,159	51,354,404	415,461,401	(94,404,628)	(50,869,826)	300,720,130
NET INCOME	₱164,152,947	₱219,417,697	₱1,091,940,178	₱165,968,990	₱220,764,639	₱1,076,025,999
Attributable to:						
Equity holders of the Parent Company	₱165,968,990	₱220,764,639	₱1,076,025,999			
Non-controlling interest	(1,816,043)	(1,346,942)	6,538,233			
	₱164,152,947	₱219,417,697	₱1,082,564,232			

See accompanying Notes to Financial Statements.

Capital Structure and Capital Adequacy

Capital Requirements for Credit Risk and Operational Risk

The capital-to-risk assets ratios of the Company as reported to the BSP as of 30 September 2021 and 2020 based on Basel III are shown in the table below.

A. Qualifying Capital	In PHP million	
	2021	2020
Tier 1 Capital	₱7,069.34	₱6,903.82
Common Equity Tier 1 Capital	7,069.34	6,903.82
Additional Tier 1 Capital	-	-
Tier 2 Capital	277.61	387.08
Total Qualifying Capital	₱7,346.95	₱7,290.9
B. Total Risk Weighted Assets		
Total Credit Risk-Weighted Assets	₱26,975.20	₱37,960.07
Total Market Risk-Weighted Assets	-	-
Total Operational Risk-Weighted Assets	5,650.80	5,843.15
Total Risk-Weighted Assets	₱32,626.00	₱43,803.22
C. RISK-BASED CAPITAL ADEQUACY RATIO		
Common Equity Tier 1 Ratio	21.67%	15.76%
Capital Conservation Buffer	15.67%	9.76%
Tier 1 Capital Ratio	21.67%	15.76%
Total Capital Adequacy Ratio	22.52%	16.64%

Ratios of common equity tier 1 (CET1) capital, tier 1 capital and total qualifying capital are computed by dividing each component over the total risk-weighted assets. The Capital Conservation Buffer is computed by deducting the statutory 6.00% CET1 ratio from the actual CET1 ratio.

The components of Tier 1 and Tier 2 Capital and regulatory adjustments/deductions as of 30 September 2021 and 2020 based on Basel III, follow:

	In PHP million	
	2021	2020
A. Tier 1 Capital		
Common Equity Tier 1 (CET1) Capital	₱9,169.96	₱8,720.99
Paid-up common stock	7,143.89	7,143.89
Retained earnings	2,196.62	2,254.01
Undivided profits	37.09	(80.43)
Other comprehensive income	(207.64)	(596.48)
(i) Net unrealized gains or losses on AFS securities	(0.26)	(0.29)
(iii) Remeasurement of Net Defined Benefit Liability/(Asset)	(202.77)	(175.85)
(iv) Gains/(Losses) on Fair Value Adjustments of Hedging Instruments	(4.61)	(420.33)
Minus:		
Regulatory Adjustments to CET1 Capital	2,100.62	1,817.17
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill	2,100.62	- 1,817.17
TOTAL COMMON EQUITY TIER 1 CAPITAL	7,069.34	6,903.82
TOTAL TIER 1 CAPITAL	₱7,069.34	₱6,903.82
B. Tier 2 (T2) Capital		
Tier 2 (T2) Capital	₱277.61	₱387.08
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	277.61	387.08
TOTAL TIER 2 CAPITAL	277.61	387.08
C. TOTAL QUALIFYING CAPITAL	₱7,346.95	₱7,290.90

Full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements follows:

	In PHP million					
	2021			2020		
	Qualifying capital	Reconciling items	Audited financial statements	Qualifying capital	Reconciling items	Audited financial statements
Paid-up common stock	₱7,143.89	₱-	₱7,143.89	₱7,143.89	₱-	₱7,143.89
Retained earnings	2,196.62	(193.37)	2,003.25	2,254.01	(305.56)	1,948.45
Undivided profits	37.09*	128.88**	165.97	(80.43) ***	301.19 ****	220.76
Other comprehensive income	(207.64)	-	(207.64)	(596.48)	-	(596.48)
Deductions	2,100.62	-	2,100.62	1,817.17	-	1,817.17
Tier 1 Capital	7,069.34	(64.49)	7,004.85	6,903.82	(4.36)	6,899.46
Tier 2 Capital	277.61	-	-	387.08	-	-
TOTAL QUALIFYING CAPITAL	₱7,346.95	-	₱7,290.90	₱7,290.90	-	₱7,290.90

* undivided profit from January to September 2021

** includes undivided profit of Php 137.02 Mn for the period October to December 2020

*** undivided profit from January to September 2020

**** includes undivided profit of Php 323.85 Mn for the period October to December 2019

Details of risk-weighted assets by type of exposure as of 30 September 2021 and 2020 follow:

Nature of Item	In PHP million	
	2021	2020
Due from Bangko Sentral ng Pilipinas (BSP)	₱9,871.41	₱7,572.77
Due from Other Banks	508.57	407.57
Available-for-Sale (AFS) Financial Assets	1.14	1.11
Loans and Receivables	23,798.29	34,869.84
Loans and Receivables Arising from Repurchase Agreements	365.66	1,925.41
Real and Other Properties Acquired	351.92	149.63
Total Exposures Excluding Other Assets	34,897.01	44,926.33
Other Assets	1,956.15	1,925.56
Total Exposures Including Other Assets	36,853.16	46,851.89
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	₱27,716.96	₱38,412.57

External credit assessments by Standard & Poor, Fitch and Moody's are used to measure exposures under Due from Other Banks.

The Basel III Leverage ratios of the Company as reported to the BSP as of September 30 2021 and 2020 are shown in the table below:

	In PHP million	
	2021	2020
Exposure Measures		
On-balance sheet items	₱38,953.78	₱48,669.06
Less deduction from Basel III Tier 1 Capital	2,100.62	1,817.17
Total On-balance sheet exposures	36,853.16	46,851.89
Replacement Cost associated with all derivatives transactions	-	-
Add-on amounts for potential future exposure associated with all derivative transactions	88.02	590.14
Adjusted effective notional amount of written credit derivatives	-	-
Adjusted effective notional offsets of written credit derivatives and deducted add-on amounts	-	-
Total Derivative exposures	590.14	590.14
Securities Financing Transaction (SFT) exposures	365.66	1,925.41
Off-balance Sheet exposures	-	-
Total Exposure Measures	37,306.85	49,367.44
TIER 1 CAPITAL	₱7,069.34	₱6,903.82
Basel III Leverage Ratio*	18.95%	13.98%

* Basel III leverage ratio is computed by dividing Tier 1 capital over total exposure measures.

The Basel III Leverage ratio is designed to act as supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. It is defined as the capital measure divided by the exposure measure. Capital measure for the leverage ratio is Tier 1 capital (net of regulatory deductions). Exposure measure is the sum of on-balance sheet exposures, derivative exposures, Security Financing Transactions (SFT) exposures and off-balance sheet items. Items that are deducted completely from capital (regulatory deductions) do not contribute to leverage, hence, deducted from the exposure measure.

Operational Risk

The Company adequately manages its operational risk exposure by calculating its operational risk weighted assets relative to the total risk weighted assets. Apart from this, the Risk Management Department actively monitors operational risk exposure through its Risk Incident Reports (RIR) covering all of the Company's head office units and branches.

Financial Risk Management

The Group's financial instruments primarily consists of loans and receivables, deposit balances with counterparty banks, financial liabilities at amortized cost and derivatives designated as part of hedging relationship. The main risks arising from the Group's financial instruments are credit risk, market risk and liquidity risk.

Risk Management Framework

The Group's risk management is a top-down process that starts with the BOD who is responsible for establishing and maintaining a sound risk management system and setting the overall institutional risk tolerance for the Group. The BOD, through the Risk Oversight Committee (ROC) and with the assistance of the Risk Management Department, is actively involved in planning, approving, reviewing, and assessing all risks involved within the Group and is responsible for setting its overall corporate governance strategy and risk appetite.

The Group reviews the policies for managing each risk which are summarized as follows:

(a) Credit Risk

The Group manages credit risk, i.e., the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, by setting limits for individual and group of borrowers and for geographical and industry segments. The Group maintains a general policy of avoiding excessive exposure in any particular sector of the economy.

While the Group actively seeks to increase its exposure in industries which it believes possess attractive growth opportunities, it also actively seeks to reduce its exposure in industries where growth potential is minimal. Although the Group's leasing and loans portfolio is composed of transactions with a wide variety of businesses, the results of operation and financial condition of the Group may be adversely affected by any downturn in these sectors as well as in the Philippine economy in general.

Maximum exposure to credit risk

As of September 30, 2021 and 2020, the maximum exposure to credit risk after taking into account collaterals held or other credit enhancements is shown below:

	2021			
	Consolidated/Parent			
	Maximum Exposure	Fair Value of Collaterals	Net Exposure to Credit Risk	Financial Effect of Collaterals
Receivables from customers:				
Lease contract receivables	₱3,370,083,160	₱5,558,874,634	₱269,597,831	₱3,100,485,329
Notes receivable financed:	17,345,861,844	40,059,309,205	2,396,518,752	14,949,343,092
	₱20,715,945,004	₱45,618,183,839	₱2,666,116,583	₱18,049,828,422

	2020			
	Consolidated/Parent			
	Maximum Exposure	Fair Value of Collaterals	Net Exposure to Credit Risk	Financial Effect of Collaterals
Receivables from customers:				
Lease contract receivables	₱4,808,871,446	₱7,394,622,717	₱307,439,851	₱4,501,431,595
Notes receivable financed:				
Commercial loans	25,182,445,163	55,346,420,941	798,576,563	24,383,868,600
Consumer loans	768,075,945	1,167,151,437	251,408,888	516,667,057
	₱30,759,392,554	₱63,908,195,095	₱1,357,425,302	₱29,401,967,252

Deposits on lease contracts are also considered as credit enhancements, as they are applied against any unpaid balances. The details of these deposits on lease are discussed in Note 20.

As of September 30, 2021 and 2020, the Group has no off-balance sheet items that entail credit risk.

Credit risk concentration

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 Group's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

An analysis of concentrations of credit risk at the reporting date based on carrying amount of the financial assets (cash and cash equivalents, excluding cash on hand, SPURA and loans and receivables) is shown below:

	Consolidated			
	2021		2020	
	Amount	%	Amount	%
Concentration by Industry				
Financial intermediaries	₱10,964,899,128	31.37%	₱10,212,891,593	23.4%
Transportation, storage and communication	8,560,416,391	24.49%	11,961,340,197	27.4%
Wholesale and retail trade	5,728,013,649	16.39%	8,092,158,241	18.6%
Construction	5,450,047,359	15.59%	7,591,195,739	17.4%
Agricultural, hunting and forestry	1,534,972,427	4.39%	2,269,862,953	5.2%
Manufacturing (various industries)	1,050,479,051	3.01%	1,461,575,491	3.4%
Other community, social and personal activities	837,146,202	2.40%	881,774,652	2.1%
Mining and quarrying	485,494,381	1.39%	656,883,709	1.5%
Real estate, renting and business activities	309,832,195	0.89%	415,135,892	0.9%
Electricity, gas and water	28,171,848	0.08%	47,412,663	0.1%
	₱34,949,472,631	100.0%	₱43,590,231,130	100.0%
Less allowance for credit losses (Note 16)	2,760,843,111		2,205,164,953	
	₱32,188,629,520		₱41,385,066,177	
Concentration by Location				
Metro Manila	₱15,497,544,674	44.34%	₱15,579,668,303	35.8%
Luzon (except Metro Manila)	11,373,809,394	32.54%	17,222,693,792	39.5%
Mindanao	3,870,066,178	11.07%	4,978,574,725	11.4%
Visayas	4,208,052,385	12.04%	5,809,294,310	13.3%
	34,949,472,631	100.0%	43,590,231,130	100.0%
Less allowance for credit losses (Note 16)	2,760,843,111		2,205,164,953	
	₱32,188,629,520		₱41,385,066,177	
Parent Company				
	2021		2020	
	Amount	%	Amount	%
	Concentration by Industry			
Financial intermediaries	₱10,773,071,015	31.41%	₱9,961,935,878	23.2%
Transportation, storage and communication	8,560,416,391	24.96%	11,961,340,197	27.9%
Wholesale and retail trade	5,728,013,649	16.70%	8,092,158,241	18.8%
Construction	5,450,047,359	15.89%	7,591,195,739	17.7%
Agricultural, hunting and forestry	1,534,972,427	4.48%	2,269,862,953	5.3%
Manufacturing (various industries)	1,050,479,051	3.06%	1,461,575,491	3.4%

Other community, social and personal activities	485,494,380	1.42%	656,883,709	1.5%
Real estate, renting and business activities	374,629,016	1.09%	485,939,252	1.1%
Mining and quarrying	309,832,195	0.90%	415,135,892	1.0%
Electricity, gas and water	28,171,848	0.08%	47,412,663	0.1%
	₱34,295,127,331	100.0%	₱42,943,440,015	100.0%
Less allowance for credit losses (Note 16)	2,731,878,362		2,178,527,128	
	₱31,563,248,969		₱40,764,912,887	
Concentration by Location				
Metro Manila	₱14,843,199,374	43.28%	₱15,328,712,587	35.7%
Luzon (except Metro Manila)	11,373,809,394	33.16%	16,826,858,392	39.2%
Mindanao	3,870,066,178	11.28%	4,978,574,726	11.6%
Visayas	4,208,052,385	12.27%	5,809,294,310	13.5%
	34,295,127,331	100.0%	42,943,440,015	100.0%
Less allowance for credit losses (Note 16)	2,731,878,362		2,178,527,128	
	₱31,563,248,969		₱40,764,912,887	

Management of credit risk

The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, and guarantees the paying performance of its clients. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting and compliance with regulatory requirements;
- Establishment of authorization limits for the approval and renewal of credit facilities; and
- Limiting concentrations of exposure to counterparties, geographies and industries for loans.

In 2020, the Group formally formed an ECL Steering Committee whose primary function is to act as the Group's governance body to review and approve judgmental matters affecting the ECL estimation.

Group's response to Covid-19 pandemic

Built against the backdrop of addressing potential and prospective losses due to the national government's declaration of enhanced community quarantine (ECQ) and the prolonged lockdown status, the Group's Branch Operations Group, in coordination with the Group's accounts officers under the Marketing Unit established the Business Survival Risk Test (BSRT) whereby the Group's borrowers were rated or given scores based on risk rating scales. The BSRT covers the scoring of the following borrowers' aspects: (1) Financial condition such as financial leverage, revenue/profitability outlook and operating cash flows, (2) Covid-19 industry-impact risk assessment and (3) Management quality which includes historical credit experience in the last 12 months and whether the borrower requested for the additional moratorium. After considering these factors, the borrowers are rated among low, slight, medium, high and very high-risk ratings.

The BSRT is a survey of the over-all financial health of the borrowers and is used to measure how the borrowers withstand the economic shocks as a result of the pandemic. Specifically, the BSRT was developed to determine, among others, the impact of Covid-19 crisis on their current operations and their medium- to long-term viability post Covid-19 crisis. This BSRT is reviewed by the Risk Unit and the results are presented for approval to the Board of Directors. This BSRT is used by the Group in assessing whether the borrower demonstrates significant increase in credit risk in 2020. Please refer to the discussion in Staging Assessment section for more details.

Furthermore, in 2021, the Group revisited its estimation methods to capture the changes in the risk profile and default experience of the credit exposures as a result of the Covid-19 pandemic. Accordingly, the Group has come up with new segmentations and developed new ECL models, which are discussed in the succeeding sections.

Credit quality and impairment assessment

The Group's Risk Management department has applied a credit scoring and overlay models for its loan exposures in assessing impairment. The models incorporate both qualitative and quantitative information specific to the borrower, and

utilize market and macro-economic information that could affect the borrowers' expected default behavior ("overlay"). From these credit scoring and overlay models, the Group determines the PDs, which reflect the current and forward-looking information for ECL calculation.

For purposes of ECL calculation, the receivables from customers are disaggregated between commercial and consumer segments.

For the years ended September 30, 2020 and 2019, the commercial segment was further segmented among Large corporates, Medium corporates and Small and micro entities depending on the total asset size. Commercial segment also included the Individual Business customers. Meanwhile, consumer segment consisted of individual personal borrowers and other loans.

For the year ended September 30, 2021, the Group has come up with new loan segments. The commercial segment consists of corporate (i.e., corporations and partnerships) and enterprise (i.e., sole proprietorships) accounts. Based on their total asset size, the corporate accounts are segmented between Large and Medium Corporates, while the enterprise accounts are segmented among Large, Medium and Small and Micro enterprises. There are no changes in the composition of consumer loan segment.

As of September 30, 2021 and 2020, the details of the Parent Company's credit risk exposure, representing the outstanding balance less unearned lease/finance income, on its receivable from customers per loan segment are as follows:

Segment	2021	2020
Commercial*		
Corporates		
Large corporates	₱6,195,967,618	₱7,578,185,892
Medium enterprises	2,162,044,729	4,136,855,240
Enterprises		
Large enterprises	1,956,423,774	-
Medium enterprises	3,922,238,004	-
Small and micro enterprises	8,220,680,952	3,620,884,305
Individual business		
Individual business (at least twelve months on books)*	-	9,755,474,545
Individual business (less than twelve months on books)	-	5,753,798,777
Subtotal commercial	₱22,457,355,077	₱30,845,198,759
Consumer		
Individual personal	175,927,310	602,265,640
Others	57,872,662	526,639,673
Subtotal consumer	233,799,972	1,128,905,313
Total	₱22,691,155,049	₱31,974,104,072

*As a result of ECL remodelling, the Parent Company placed noncorporate commercial borrowers under the enterprise segment and further grouped them to large, middle and small and micro enterprises.

Commercial

For the year ended September 30, 2021, the Group employed a new credit scoring model in the credit risk assessment of the borrowers under the commercial segment. For Large and Medium corporate sub-segments, the model uses credit scoring factors that are primarily based on the borrower's financial information plus other qualitative factors. Meanwhile, for the Enterprise sub-segments, the models incorporate credit scoring factors that are primarily based on the borrower's behavioral payment patterns and other qualitative factors.

These relevant factors are collectively assessed, and using the quantitative models, the Group rates each credit exposure to the score bands, with each score band having equivalent PDs.

For the year ended September 30, 2020, the credit risk assessment for Large and Medium corporates were based on a credit scoring model, that utilized borrower's financial information, while behavioral payment factors were used for credit scoring model for Individual borrowers (at least 12 months on books). For Small and micro entities and individual business (less than 12 months on books), the credit risk associated is based on days past due.

As a result of the re-modelling in 2021, there were also changes in the score-band ratings per loan segments.

Staging Assessment

The description of each groupings according to stage is explained as follows:

- Stage 1 - those that are considered current and up to 30 days past due, and based on delinquencies and payment history, do not demonstrate significant increase in credit risk;
- Stage 2 - those that are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date, classified in accordance with the BSP classification as especially mentioned and substandard, and based on delinquencies and payment history, demonstrate significant increase in credit risk; and
- Stage 3 - those that are considered more than 90 days past due or in default, or demonstrate objective evidence of impairment as of reporting date.

As of September 30, 2020, the Group utilized the results of the BSRT to classify accounts with BSRT risk rating of "high" and "very high risk" to be demonstrating a significant increase in credit risk.

Credit quality – Commercial

The table below shows the credit quality and the maximum exposure to credit risk of the Parent Company's commercial loans per segment based on the internal grades/score-bands and the stage classification as of September 30, 2021 and 2020.

As of September 30, 2021

Large corporates

Internal rating grade	2021			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	₱-	₱-	₱-	₱-
2	47,862,345	-	-	47,862,345
3	166,134,462	-	-	166,134,462
4	496,395,918	28,775,581	52,875,011	578,046,510
5	3,033,722,403	1,463,656,452	906,545,446	5,403,924,301
Gross carrying amount	₱3,744,115,128	₱1,492,432,033	₱959,420,457	₱6,195,967,618

Medium corporates

Internal rating grade	2021			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	₱16,946,733	₱12,680,721	₱-	₱29,627,454
2	94,521,229	57,707,915	-	152,229,144
3	216,183,093	75,252,063	44,530,120	335,965,276
4	1,106,028,718	249,418,150	288,775,987	1,644,222,855
Gross carrying amount	₱1,433,679,773	₱395,058,849	₱333,306,107	₱2,162,044,729

Large enterprises

2021

Internal rating grade	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	₱441,644,099	₱75,876,099	₱167,003,469	₱684,523,667
2	1,052,997,201	56,792,282	101,492,221	1,211,281,704
3	36,753,922	18,642,655	5,221,826	60,618,403
Gross carrying amount	₱1,531,395,222	₱151,311,036	₱273,717,516	₱1,956,423,774

Medium enterprises

2021

Internal rating grade	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	₱377,938,723	₱90,083,490	₱66,210,823	₱534,233,036
2	1,838,440,460	322,001,219	263,422,180	2,423,863,859
3	673,069,171	114,989,697	66,465,035	854,523,903
4	99,023,912	1,470,211	9,123,083	109,617,206
Gross carrying amount	₱2,988,472,266	₱528,544,617	₱405,221,121	₱3,922,238,004

Small and micro enterprises

2021

Internal rating grade	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	₱6,932,371	₱2,549,657	₱-	₱9,482,028
2	2,331,927,521	412,345,237	605,666,247	3,349,939,005
3	3,619,497,403	292,323,245	509,826,344	4,421,646,992
4	387,153,007	28,101,520	24,358,400	439,612,927
Gross carrying amount	₱6,345,510,302	₱735,319,659	₱1,139,850,991	₱8,220,680,952

Consumer portfolio

2021

Loan Segment	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Individual personal	₱169,031,833	₱3,580,439	₱3,315,038	₱175,927,310
Others	27,768,771	-	30,103,891	57,872,662
Gross carrying amount	₱196,800,604	₱3,580,439	₱33,418,929	₱233,799,972

As of September 30, 2020

Large corporates

2020

Internal rating grade	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	₱100,420,700	₱12,175,363	₱8,682,296	₱121,278,359
2	360,476,062	146,272,825	13,185,978	519,934,865
3	356,445,592	8,942,750	3,682,292	369,070,634
4	419,046,133	59,082,224	65,656,108	543,784,465
5	982,182,846	243,611,441	186,554,524	1,412,348,811
6	755,210,424	47,315,096	48,850,897	851,376,417
7	369,521,129	82,735,055	56,361,988	508,618,172
8	1,074,206,595	537,180,007	148,476,345	1,759,862,947
9	683,272,315	239,301,113	4,624,946	927,198,374
10	458,239,246	50,489,144	55,984,458	564,712,848
Gross carrying amount	₱5,559,021,042	₱1,427,105,018	₱592,059,832	₱7,578,185,892

Medium corporates

2020				
Internal rating grade	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	₱-	₱-	₱-	₱-
2	-	-	-	-
3	237,235,763	16,234,328	12,931,164	266,401,255
4	318,490,543	42,519,544	115,745,662	476,755,749
5	627,078,112	169,124,408	30,804,600	827,007,120
6	532,577,997	52,117,651	56,674,107	641,369,755
7	221,084,690	64,336,077	14,553,360	299,974,127
8	557,523,356	189,119,977	2,621,058	749,264,391
9	666,753,305	117,188,915	92,140,623	876,082,843
10	-	-	-	-
Gross carrying amount	₱3,160,743,766	₱650,640,900	₱325,470,574	₱4,136,855,240

Individual businesses (at least 12 months on books)

2020				
Internal rating grade	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
1	₱-	₱-	₱-	₱-
2	7,062,487	-	-	7,062,487
3	502,181,466	119,516,518	34,128,173	655,826,157
4	303,533,795	75,863,289	79,304,408	458,701,492
5	1,584,015,855	482,750,416	229,666,716	2,296,432,987
6	532,497,319	199,986,438	175,581,028	908,064,785
7	1,245,698,460	296,870,270	327,346,428	1,869,915,158
8	361,576,805	97,085,471	183,100,544	641,762,820
9	1,370,381,748	196,697,710	224,014,420	1,791,093,878
10	858,027,418	118,547,717	150,039,646	1,126,614,781
Gross carrying amount	₱6,764,975,353	₱1,587,317,829	₱1,403,181,363	₱9,755,474,545

The table below shows the credit quality and the maximum exposure to credit risk of the Parent Company's Small and micro entities and individual business (less than 12 months on books) and the stage classification as of September 30, 2020:

2020				
Loan Segment	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Small and micro entities	₱3,092,531,138	₱340,782,603	₱187,570,564	₱3,620,884,305
Individual businesses	5,024,804,810	522,963,850	206,030,117	5,753,798,777
Gross carrying amount	₱8,117,335,948	₱863,746,453	₱393,600,681	₱9,374,683,082

Credit quality – consumer loans

The table below shows the credit quality and the maximum exposure to credit risk of the Parent Company's consumer loans per segment as of September 30, 2021 and 2020.

2021				
Loan Segment	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Individual personal	₱169,031,833	₱3,549,531	₱3,315,038	₱175,896,402
Others	26,979,370	-	30,120,793	57,100,163
Gross carrying amount	₱196,011,203	₱3,549,531	₱33,435,831	₱232,996,565

Loan Segment	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
Individual personal	₱450,371,071	₱79,980,438	₱71,914,131	₱602,265,640
Others	296,217,665	190,885,215	39,536,793	526,639,673
Gross carrying amount	₱746,588,736	₱270,865,653	₱111,450,924	₱1,128,905,313

Assignment and calibration of PDs

As of September 30, 2021, the Parent Company developed new Through-the-Cycle (TTC) PDs for each commercial segment and per score band, which are scaled to their forward-looking point-in-time (PIT) PDs as of the reporting date. The Parent Company uses a scaling factor to calibrate the TTC PDs for each score band to the corresponding forward-looking PIT PDs that will match to the portfolio forward-looking PIT PD estimate.

As of September 30, 2020, for Large corporates, Medium enterprises and Individual Business (with at least 12 months on books), the Parent Company developed Through-the-Cycle (TTC) PDs for each internal grade, which were scaled to the observed default rate (ODR) as of the reporting date. For all other loans segments, the Parent Company used the historical loss rate approach, which are also scaled to the ODRs as of the reporting date.

Loss given default

The Parent Company estimates the LGD using four (4) workout methods: curing, restructuring, writing-off and liquidation. For each workout method, the Parent Company computed for the weighted average portfolio LGD. These LGD rates take into account the expected EAD in comparison to the cash flow amounts expected to be recovered or amounts realized from any collateral held. For 2021, the inputs for these LGD rates are re-calibrated based on recent experience and incorporated with forward-looking expectation of recoveries.

Individual assessment of credit-impaired financial assets

The Group calculates ECL on an individual basis for all accounts under Stage 3 with credit exposures greater than 50,000. Impairment assessment of the credit impaired accounts are performed by the account officers and reviewed by the Risk Department. The Stage 3 provision is the difference between the loan carrying amount and the probability-weighted present value of estimated future cash flows, reflecting a range of scenarios. Where expected cash flows include realizable collateral, the values incorporate the impact of forward-looking economic information.

Forward-looking information (Overlays)

To capture the effect of changes to the economic environment, the PDs and LGDs used to calculate ECL incorporate forward-looking information in the form of forecasts of the values of the economic variables that are likely to have an impact on the repayment ability of the Group's borrowers. As of September 30, 2021, the Group developed new overlay models using new set of macro-economic variables, which were approved by the ECL Steering Committee.

The economic environment remains uncertain and future credit losses may be subject to further volatility (including from changes to the macroeconomic forecasts) depending on the longevity of the Covid-19 pandemic and related containment measures, and the longer term measures of the BSP, the government and other support measures. In view of this, the Group updated its macro-economic scenarios and weightings applied in the ECL estimation, which are discussed in Note 3.

Economic indicators used in the forward looking assumptions

As of September 31, 2021, among the macroeconomic variables used by the Group in its overlay include gross domestic product, gross capital formation, crude oil prices, government expenditures, inflation rates, wholesale price index, Covid-19 cases, among others. As of September 30, 2020, among the macroeconomic variables used by the Group in its overlay include the balance of payments, banking industry NPL trends, crude oil prices, wholesale price index and purchasing power of peso.

ECL scenario and sensitivity analysis

As of September 30, 2021 and 2020, the estimate of the range of effect on ECL is as follows:

Sensitivity	2021	2020
	Impact on ECL allowance	
100% weight on best case	-21%	-26%
100% weight on worst case	+17%	+37%

Receivables under the operating lease arrangements

For these receivables, the Group uses days past due to monitor its outstanding customer receivables.

An impairment analysis of these receivables is performed at each reporting date using a provision matrix to measure ECL. The ECL calculation is based on provision rates which represent the historical loss experience based on days past due, adjusted for the current conditions and forecasts of future economic conditions. Based on the reasonable and supportable information that is available as of the reporting date, the Group considers relevant forward-looking inputs in developing the economic overlays in the ECL calculation.

The table below shows the information about the Group's credit risk exposures on these receivables as of September 20, 2021 and 2020, using a provision matrix.

	2021						
	Current	1 – 30 days	31 – 60 days	61 – 90 days	More than 90 days	Specific Impairment	Total
Receivables							
Expected credit loss rate	3%	4%	7%	14%	22%	100%	13%
Total gross carrying amount	₱76,878,049	₱57,878,235	₱32,711,436	₱9,953,957	₱13,237,240	₱28,964,749	₱219,623,666
Expected credit losses	1,970,866	2,322,751	2,353,769	1,362,104	2,923,635	18,031,624	28,964,749

	2020						
	Current	1 – 30 days	31 – 60 days	61 – 90 days	More than 90 days	Specific Impairment	Total
Receivables							
Expected credit loss rate	1%	3%	6%	11%	16%	100%	15%
Total gross carrying amount	₱54,643,858	₱42,790,010	₱19,707,099	₱5,821,327	₱28,696,263	₱18,107,399	₱178,296,382
Expected credit losses	539,990	1,108,236	1,134,718	617,960	5,129,522	18,107,399	26,637,825

Collateral and other credit enhancements

The Parent Company holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Management monitors the fair value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained for its review of the adequacy of the allowance for impairment losses.

It is the Parent Company's policy to dispose assets acquired in an orderly fashion. The proceeds of the sale of the foreclosed assets classified as 'Investment properties' and 'Other assets - chattels' are used to reduce or repay the outstanding claim.

Modifications of financial assets due to relief measures

In view of the Covid-19 pandemic, the Philippine government undertook programs for recovery and rehabilitation of the affected sectors of the economy. One of these programs was the mandatory grace period on the payments and amortizations of the borrowers. Under Republic Act (RA) No. 11469, otherwise known as the "Bayanihan to Heal as One Act", effective March 17, 2020, the BSP Supervised Financial Institutions (BSFIs) were mandated to implement a 30-day grace period to all loans with principal and/or interest falling due within the Enhanced Community Quarantine (ECQ) period, without incurring interest on interest, penalties, fees and other charges. The accrued interest for the 30-day grace period may be paid by the borrower on a staggered basis over the remaining life of the loan. The initial 30-day grace period shall automatically be extended if the ECQ period is extended by the President. The modified ECQ period ended on May 31, 2020.

Effective September 15, 2020, RA No. 11494 “Bayanihan to Recover As One Act” required all covered BSFIs to implement mandatory one-time 60-day grace period to all loans that are existing, current and outstanding falling due, or any part thereof, on or before December 31, 2020. BSFIs should not charge or apply interest on interest, penalties, fees or other charges during the mandatory one-time 60-day grace period to all loans that are existing, current and outstanding falling due, or any part thereof, on or before December 31, 2020. The accrued interest for the one-time 60-day grace period may be paid by the borrower on staggered basis until December 31, 2020.

Furthermore, the Group also allowed certain borrowers to avail of additional moratorium (i.e. extension periods on top of the requirements of the Bayanihan Acts) on their amortizations. The moratoriums extended up to more than six months, subject to credit review and approval by the Group’s Executive Committee.

From an accounting point of view, these grace periods and moratoriums were not considered as substantial modifications of the contractual cash flows of the loans to which they were applied, and therefore, did not result in the derecognition of these loans. The application of the PFRS 9 requirements relating to the modification of financial assets due to grace period and moratoriums led in the recognition of “Modification loss” totaling ₱48.46 million presented in the “Leasing income” and “Financing income” in the 2020 statement of income.

Use of relief measures in determining SICR

As of September 30, 2020, with respect to the Bayanihan Acts, the Group did not consider the application of the mandatory grace period as an indicator of SICR and therefore, did not trigger the migration of the loan accounts to Stage 2 or Stage 3 provisioning. The Group considered other risk factors detailed in the BSRT as bases of migration to Stage 2 or 3.

With respect to relief measures extended by the Group, it has established sound criteria in differentiating borrowers with temporary cash flow pressures from those who were considered as credit impaired through the BSRT. The grant of relief measures in the form of payment holidays and loan payment deferrals that effectively moved the payment due date of the loan was not automatically considered as an indicator of significant increase in credit risk. Similarly, modifying the terms of the loan to match the changes in the cash flow of borrowers who continued to exhibit capacity to repay was not automatically considered as an indicator of significant increase in credit risk.

In contrast, modification of the terms of the loan in view of the significant financial difficulty of the borrowers casting doubts on their capacity to pay will warrant migration of the accounts to Stage 2 or Stage 3 provisioning.

Financial assets whose terms have been renegotiated

Restructured loans are defined as performing or non-performing loans whose principal terms and conditions have been modified in accordance with an agreement setting forth a new plan of payment or a schedule of payment on a periodic basis. When the loan account becomes past due and is being restructured or extended, the approval of the BOD is required before loan booking and is always governed by the BSP rules on restructuring. Restructuring of loans to directors, officers, stockholders, and related interests (DOSRI) also requires BOD approval.

As of September 30, 2021 and 2020, the carrying value of the Parent Company’s restructured loans (before allowance) amounted to ₱1,355.47 million and ₱699.96 million, respectively.

(b) Market Risk

The Group’s market risk (the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument) originates from its holdings of equities and foreign currency-denominated loans. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

The RMD performs monthly market risk analyses to ensure compliance with its policies and procedures. Assets and liabilities of the Group maybe mismatched and are vulnerable to movements in yields. Positive or negative gap is executed depending on the outlook on interest rates.

Interest rate risk

The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Parent Company's policy is to manage its interest cost using a mix of fixed and floating rate debt.

The Parent Company monitors its exposures to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Parent Company's interest-sensitive assets and liabilities.

In 2021 and 2020, the interest rate risk pertains to the Parent Company's receivables and payables with floating interest rates.

The Parent Company calculates Earnings-at-Risk (EaR), which measures how much the Parent Company's margin could have changed given a change in interest rates. It gauges the decline in accrual income as a result of adverse interest rate movements, given the current repricing profile. It is a tool that measures the short-term interest rate risk. The EaR helps the Parent Company to understand the impact that a change in the interest rates can make on its financial position and cash flows.

The EaR limit is set as the difference of the target net interest income for the year and actual net interest income booked in the prior year. The EaR limit will be reviewed based on attainment of target net interest income for the year. Triggers will be computed as annualized year-to-date net interest income less actual net interest income recorded in the prior year. The Parent Company uses observation period of year-on-year shift in interest rates for the past six years to obtain 5 years of 1,300 scenarios of interest rate movements. The year-on-year shifts in interest rates are selected from a single scenario or reference date that will cause the largest decline in net interest income and this takes into account correlation between the interest rate movements.

For 2021 and 2020, with the policy rate cuts implemented by the BSP in view of the Covid-19 pandemic, the Parent Company included additional sensitivity if further policy rate cuts were implemented by the BSP.

The following tables demonstrate the Parent Company's sensitivity of EaR to a reasonably possible change in interest rates:

2021						
Impact of Changes in Interest Rates on Pretax Income						
Increase (Decrease) in Basis Points						
	-200	-100	-50	+50	+100	+200
	(In thousand pesos)					
PHP	(P302,382.9)	(P221,593.2)	(P181,198.3)	(P100,408.5)	(P60,013.6)	P20,776.2
USD	(159,190.7)	(106,175.1)	(79,667.3)	(26,651.7)	(143.9)	52,871.7

2020						
Impact of Changes in Interest Rates on Pretax Income						
Increase (Decrease) in Basis Points						
	-200	-100	-50	+50	+100	+200
	(In thousand pesos)					
PHP	(P207,442.9)	(P127,986.7)	(P88,258.6)	(P8,802.4)	P30,925.7	P110,381.9
USD	(2,819.2)	(6,198.9)	(7,888.8)	(11,268.5)	(12,958.3)	(16,338.0)

Foreign currency risk

The Parent Company has a United States Dollar (USD) denominated bills payable amounting to US\$167.3 and US\$223.5 million and USD-denominated lease transactions with outstanding balance of US\$187,343 and US\$244,500 as at September 30, 2021 and 2020, respectively.

The Parent Company also has deposit in banks amounting to US\$623,305 and US\$481,136 as at September 30, 2021 and 2020, respectively. The Parent Company has no other financial instruments with exposure to foreign currency risk.

Hedge Accounting – Cash Flow Hedge of Interest Rate Risk and Foreign Currency Risk

As of September 30, 2021 and 2020, the Parent Company has outstanding cross currency swaps (CCS) which were entered into to hedge the interest rate risk and foreign currency risk (see discussion below) of the related USD denominated floating rate bank borrowings (“Hedged loans”), presented in “Bills payable”, aggregating to US\$167.3 million (or 8.5 billion) and US\$223.5 million (or 10.8 billion), respectively. These derivatives are accounted for as cash flow hedges. Effectively, the Parent Company converted the Hedged loans into Philippine Peso-denominated fixed rate borrowings using the CCS agreements. Accordingly, the gains or losses arising from foreign currency and interest rate risks on the outstanding Hedged loans are expected to be offset by the changes in the value of the CCS agreements.

As most of the critical terms of the Hedged Loans and the CCS agreements matched except for the prepayment option present in the Hedged Loans, the Parent Company assessed that there is economic relationship between the hedging instruments and Hedged loans on hedge designation dates and subsequently. Specifically, the defined notional amount of the Hedged loans is also the notional amount of the CCS agreements. The interest rates used to determine the floating coupon rate cash flows for the Hedged loans is also the rate on the receive leg of the CCS agreements. The Parent Company assessed that the hedge ratio of 1:1 remains to be aligned with risk management. The identified sources of ineffectiveness in the hedges are: (a) the effect of changes in counterparties’ credit risk on the fair values of hedging instruments; (b) the foreign currency basis spread present in the derivative instruments not accounted for as cost of hedging; and (c) the prepayment option present in the Hedged loans but not in the CCS. These sources of ineffectiveness were considered by the Parent Company in the assessment of hedge effectiveness and measurement of any ineffectiveness.

The net impact in the other comprehensive income due to changes in the fair value of the CCS should the LIBOR rate increase or decrease as follows:

	2021			
	Impact of Changes in Interest Rates on Other Comprehensive Income			
	Increase (Decrease) in Basis Points			
	-100	-50	+50	+100
	(In million pesos)			
Cross-currency swap	(₱19,080.71)	(₱899.86)	₱993.97	₱18,799.50
	2020			
	Impact of Changes in Interest Rates on Other Comprehensive Income			
	Increase (Decrease) in Basis Points			
	-100	-50	+50	+100
	(In million pesos)			
Cross-currency swap	(₱38,221.3)	(₱30,441.7)	(₱15,700.2)	(₱8,727.2)

There is no other impact on the Parent Company’s equity other than the effect of a reasonably possible change in the interest rates on financial assets and financial liabilities to pretax income and other comprehensive income.

(c) Liquidity Risk

The primary business of financing companies entails the borrowing and re-lending of funds. Consequently, financing companies are subject to substantial leverage, and may therefore be exposed to the potential financial risks that accompany borrowing. In relation to its various borrowing arrangements, the Group is currently subject to certain requirements relating to the maintenance of acceptable liquidity and leverage ratios. The Treasury Marketing and Funds Management Department has the primary responsibility for managing the Group's sources of financing and cash position. The Group believes that its current policies with respect to liquidity and leverage are prudent. The Group maintains what it believes to be a sufficient cash level and manages its liquidity by managing the maturity profile of its outstanding loans. The Group expects no material change in its policies relating to liquidity and leverage.

The Group expects that its continued asset expansion will result in higher funding requirements in the future. The Group currently has adequate credit lines from various banks and deposit substitutes generated from the quasi-banking functions of the Parent Company.

As of September 30, 2021 and 2020, the undrawn credit facilities from various banks amounted to ₱25.0 billion and ₱26.0 billion, respectively, for the Group and ₱17.8 billion and ₱16.4 billion, respectively, for the Parent Company.

The tables below show the maturity profile of financial assets and financial liabilities based on contractual undiscounted cash flows:

	Consolidated						
	2021						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents	₱705,463,124	₱-	₱-	₱-	₱-	₱-	₱705,463,124
Due from BSP	51,410,225	9,824,327,222	-	-	-	-	9,875,737,447
Securities purchased under repurchase agreements	-	365,683,904	-	-	-	-	365,683,904
Equity financial assets at FVOCI	-	-	-	-	-	1,145,018	1,145,018
Loans and receivables	3,642,359,630	692,767,760	503,104,681	1,114,450,938	3,761,805,278	17,024,965,941	26,739,454,228
	₱4,399,232,979	₱10,882,778,886	₱503,104,681	₱1,114,450,938	₱3,761,805,278	₱17,026,110,959	₱37,687,483,721
Financial Liabilities							
Bills payable	₱-	₱1,379,755,777	₱6,156,991,012	₱82,673,276	₱2,712,824,317	₱10,248,636,443	₱20,580,880,825
Bonds payable	-	15,773,333	4,170,432,518	-	-	-	4,186,205,851
Accounts payable and other liabilities	-	1,640,944,763	51,312,745	20,448	12,042	6,782,855	1,699,072,853
Deposits on lease contracts	-	153,631,831	64,316,921	123,385,091	191,597,256	625,496,653	1,158,427,752
	₱-	₱3,190,105,704	₱10,443,053,196	₱206,078,815	₱2,904,433,615	₱10,880,915,951	₱27,624,587,281
	Consolidated						
	2020						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents	₱661,142,984	₱-	₱-	₱-	₱-	₱-	₱661,142,984
Due from BSP	782,771,492	6,790,264,056	-	-	-	-	7,573,035,548
Securities purchased under repurchase agreements	-	1,925,506,531	-	-	-	-	1,925,506,531
Equity financial assets at FVOCI	-	-	-	-	-	1,112,282	1,112,282
Loans and receivables	3,261,165,863	708,737,534	585,902,885	1,636,814,763	5,131,904,937	26,047,507,200	37,372,033,182
	₱4,705,080,339	₱9,424,508,121	₱585,902,885	₱1,636,814,763	₱5,131,904,937	₱26,048,619,482	₱47,532,830,527
Financial Liabilities							
Bills payable	₱-	₱4,553,513,186	₱1,905,563,501	₱679,473,455	₱7,851,472,362	₱13,559,567,827	₱28,549,590,331
Bonds payable	-	15,773,333	31,546,667	47,320,000	97,268,889	4,185,868,267	4,377,777,156
Accounts payable and other liabilities	-	1,534,501,677	81,104,299	1,335,913	1,649,345	157,887	1,618,749,121
Deposits on lease contracts	-	160,463,495	67,237,103	139,437,825	261,683,383	864,071,368	1,492,893,174
	₱-	₱6,264,251,691	₱2,085,451,570	₱867,567,193	₱8,212,073,979	₱18,609,665,349	₱36,039,009,782

Parent Company							
2021							
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents	₱513,398,403	₱-	₱-	₱-	₱-	₱-	₱513,398,403
Due from BSP	51,410,225	9,824,327,222	-	-	-	-	9,875,737,447
Securities purchased under repurchased agreements	-	365,683,904	-	-	-	-	365,683,904
Equity financial assets at FVOCI	-	-	-	-	-	1,145,018	1,145,018
Loans and receivables	3,642,359,630	326,843,403	503,104,681	1,114,450,938	3,665,212,448	17,024,965,941	26,276,937,041
	₱4,207,168,258	₱10,516,854,529	₱503,104,681	₱1,114,450,938	₱3,665,212,448	₱17,026,110,959	₱37,032,901,815
Financial Liabilities							
Bills payable	₱-	₱1,068,658,609	₱6,151,130,877	₱74,273,276	₱2,695,557,651	₱9,088,417,596	₱19,078,038,009
Bonds payable	-	15,773,333	4,170,432,518	-	-	-	4,186,205,851
Accounts payable and other liabilities	-	1,265,973,944	49,213,722	20,448	12,042	6,782,855	1,322,003,011
Deposits on lease contracts	-	98,386,822	63,569,699	120,309,224	185,333,574	595,767,743	1,063,367,062
	₱-	₱2,448,792,708	₱10,434,346,816	₱194,602,948	₱2,880,903,267	₱9,690,968,194	₱25,649,613,933
Parent Company							
2020							
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents	₱410,037,354	₱-	₱-	₱-	₱-	₱-	₱410,037,354
Due from BSP	782,771,492	6,790,264,056	-	-	-	-	7,573,035,548
Securities purchased under repurchased agreements	-	1,925,506,531	-	-	-	-	1,925,506,531
Equity financial assets at FVOCI	-	-	-	-	-	1,112,282	1,112,282
Loans and receivables	3,261,165,863	312,902,134	585,902,885	1,636,814,763	5,131,904,937	26,047,507,200	36,976,197,782
	₱4,453,974,709	₱9,028,672,721	₱585,902,885	₱1,636,814,763	₱5,131,904,937	₱26,048,619,482	₱46,885,889,497
Financial Liabilities							
Bills payable	₱-	₱3,141,681,119	₱1,904,719,574	₱678,207,564	₱7,838,897,295	₱13,451,747,827	₱27,015,253,379
Bonds payable	-	15,773,333	31,546,667	47,320,000	97,268,889	4,185,868,267	4,377,777,156
Accounts payable and other liabilities	-	1,147,277,196	80,719,604	1,335,913	1,649,345	157,887	1,231,139,945
Deposits on lease contracts	-	118,580,069	64,866,489	136,162,351	252,555,526	818,048,380	1,390,212,815
	₱-	₱4,423,311,717	₱2,081,852,334	₱863,025,828	₱8,190,371,055	₱18,455,822,361	₱34,014,383,294



About ORIX METRO Leasing and Finance Corporation

ORIX METRO Leasing and Finance Corporation is a joint venture between Metropolitan Bank and Trust Company (Metrobank) and ORIX Corporation, a pioneer in the leasing industry in Japan.

The Company provides leasing and financing services covering transportation equipment, materials handling, construction equipment, industrial, agricultural, medical and manufacturing machinery, and other types of movable equipment.

ORIX METRO was incorporated in June 1977 as Consolidated ORIX Leasing and Finance Corporation and was granted the authority to operate as a finance company in July 1977. Its first-ever branch was opened in Cebu in September 1980. A milestone event came in 2000 when Metrobank became the joint venture partner of ORIX Corporation and renamed the Company to ORIX METRO Leasing and Finance Corporation to reflect the change in ownership. The merger proved to be beneficial for ORIX METRO as it was able to leverage

on the international reputation of ORIX Corporation and the extensive market reach of Metrobank through its numerous branch offices nationwide.

As of 30 September 2021, ORIX METRO has a total network of 102 branches nationwide. The Company's rapid expansion in the countryside, where about 90 percent of its branches are located, gave the advantage of capturing the high-yielding mortgage loans business to small and medium enterprises (SMEs) in the provinces, thus leading to the Company's consequent shift of the majority of its revenue to financing income. In August 2007, ORIX METRO was granted authority by the Bangko Sentral ng Pilipinas (BSP) to engage in quasi-banking functions.

ORIX METRO has been in the industry for over 40 years and has become one of the most trusted partners of multinational and big local companies as well as SMEs in building their businesses

Subsidiaries

ORIX Rental Corporation

> a wholly-owned subsidiary and a VAT-registered company engaged in the business of operating leases of motor vehicles, computers, office equipment and selected manufacturing equipment.

ORIX Auto Leasing Philippines Corporation

> a wholly-owned subsidiary and a franchisee of the Land Transportation Franchising and Regulatory Board (LTFRB) engaged in car rental operations on short and long-term basis. Major clients include large corporations, with rentals subject to three percent of carrier's tax.

OMLF Insurance Agency, Inc.

> caters to the insurance requirements of OMLF Group of Companies.

OMLF International Trading & Development Corporation

> engaged in the operating lease of real properties with improvements for warehouse as well as plant buildings and facilities. The company mainly offers these products to multinational clients.

OMLF Servicer Corporation

> a 60 percent owned subsidiary engaged in the general servicing business by providing credit and collection functions to individuals, firms or corporations, including the collection of delinquent accounts in the country and internationally.

Stockholders

Shares Subscribed

Name	Nationality	Number	Par Value	% of Total Shares Subscribed	Voting Status
Metropolitan Bank & Trust Co.	Filipino	28,575,564	100	40.0	Voting
ORIX Corporation	Japanese	28,575,564	100	40.0	Voting
First Metro Investment Corp.	Filipino	14,287,780	100	20.0	Voting
Others	Filipino/ Japanese	9	100	0.0	Voting
Total		71,438,917	100	100.0	

Products and Services

Operating Lease

Full Service Operating Lease
Cars
Light Trucks
Computers

Financial Lease

Vehicle and Equipment
Personal Lease

Mortgage Loan

Truck and Equipment
Second Hand Car

Receivables Discounting

Installment Papers Purchased (IPP)
Receivables Purchased (RP)

Solar PV System Integrator

Warehouse Leasing

Corporate Social Responsibility

ORIX METRO reaches out to typhoon victims

When Typhoons Rolly and Ulysses hit the country, the devastation left many people with no food, water and home amidst massive destruction. OMLF provided financial assistance to employees who were not spared by these super typhoons. Kind-hearted employees also raised funds and donated relief goods to Catanduanes residents who were severely affected by the extremely powerful tropical cyclone Rolly.

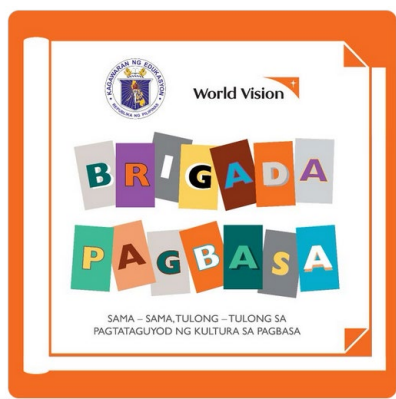
Responding to the call for help from the victims of Typhoon

Ulysses, a group of employees from the Head Office pooled their resources and prepared breakfast meals for Marikina residents. The typhoon unleashed powerful winds and torrential rains that destroyed thousands of homes and left parts of Luzon region flooded, including Marikina City.

It is during these difficult times that the Company fulfills its role as a responsible corporate citizen. OMLF's spirit of bayanihan is very much alive and it is here to stay.



Raising teacher quality in reading



OMLF supported with a cash donation the Brigada Pagbasa program of the National Teacher's Month (NTM) Council. The initiative aims to improve the teaching capability of teachers in reading, which in turn will help improve the reading proficiency of Filipino students.

Brigada Pagbasa is a nationwide reading movement for Filipino children established by World Vision in partnership with the NTM Council and the Department of Education to address education-related challenges especially in literacy. The amount that OMLF donated will be used to purchase several sets of "Unlocking Literacy Workbooks" for teachers in Batangas.

Corporate Governance

OMLF is committed to upholding the highest principles of good corporate governance. We implement policies and processes that promote accountability, transparency and fairness in all our affairs across all operations. We perform our business with utmost honesty and integrity while ensuring the long-term interest of our shareholders, strengthening Board and management accountability and building public trust in the Company.

We adopt a culture of ethics and integrity – the attitudes and conduct that help create an honest, transparent, fair and compliant workplace. It defines who we are as a Company and how we treat one another, our clients, suppliers and other organizations that we transact with.

Corporate Governance Manual and Codes of Conduct

The corporate governance manual embodies the Company's corporate governance framework which institutionalizes the principles of good corporate governance by clearly identifying the roles and responsibilities of the Board of Directors, management and employees of OMLF. It serves as a single point of reference for rules and regulations that guide the Company in running the business efficiently and effectively within clearly defined parameters and according to a commonly applied set of guiding principles.

The Board of Directors, management and employees of OMLF commit themselves to the principles and best practices contained in the manual and acknowledge that the same will guide them in the performance of their

respective duties, responsibilities and achievement of the Company's corporate goals.

The Code of Conduct and Ethics is the fundamental rule of conduct of the Board of Directors and employees of OMLF. The members of the Board acknowledge their position of a director is one of utmost trust and confidence, believing that fairness, accountability and transparency are the guiding principles of good corporate governance.

The Code of Conduct and Ethics also defines standards of conduct expected of directors and all employees and enumerates those actions which are inimical to the interest of the Company and the general welfare of its constituents and clients.

Board of Directors

The Board is primarily responsible for defining the Company's vision and mission. It approves and oversees the implementation of strategies to achieve OMLF's strategic objectives and establishes a system for measuring performance against business plans. The Board approves and oversees the implementation of OMLF's corporate governance framework and the systems of checks and balances within the Company. It leads in establishing, promoting and communicating a culture of strong governance through adopted policies and practices in the Company. It consistently conducts the affairs of the Company with high degree of integrity and plays a lead role in establishing OMLF's corporate culture and values.

The Board is responsible for the appointment/selection of the President and other key personnel, including members of senior management and heads of control functions. It regularly monitors and assesses the performance of the management team and heads of control functions based on approved performance standards.

The Board ensures that a compliance program is defined for the Company and compliance issues are resolved expeditiously. It has the fiduciary responsibility to the Company and all its shareholders including minority shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

Attendance of the Directors from 1 October 2020 to 30 September 2021

Name	7 Jan 2021 <i>Organizational</i>	7 Jan 2021 <i>Regular</i>	22 Feb 2021 <i>Regular</i>	28 Apr 2021 <i>Regular</i>	28 July 2021 <i>Regular</i>	29 Sep 2021 <i>Regular</i>	Total
Vicente R. Cuna, Jr.	Present **	Present **	Present **	Present **	Present **	Present **	6/6
Constancio B. Tan	Present	Present	Present	Present	Present	Present	6/6
Harukazu Yamaguchi	-	Present ^	n/a	n/a	n/a	n/a	1/1
Lita S. Tan	Present **	Present **	Present **	Present **	Present **	Present **	6/6
Jose M. Chan, Jr.	Present **	Present **	Present **	Present **	Present **	Present **	6/6
Shintaro Yamaji	Present	Present	Present	Present	Present	Present	6/6
Atty. Justina F. Callangan	Present **	Present **	Present **	Present **	Present **	Present **	6/6
Manuel H. Lopez	Present **	Present **	Present **	Present **	Present **	Present **	6/6
Cesar L. Lugtu	Present **	Present **	Present **	Present **	Present **	Present **	6/6
Yoshiaki Matsuoka	Present *◇	Present *	Present **	Present **	Present **	Present **	6/6

* via teleconference ** via video conference ^ resigned/outgoing ◇ elected/incoming

As of 30 September 2021, the composition of the Board of Directors is as follows:

- | | | |
|-------------------------------|---|-----------------------------------|
| 1. Vicente R. Cuna, Jr. | - | Chairman |
| 2. Constancio B. Tan | - | Director and President |
| 3. Lita S. Tan | - | Director |
| 4. Shintaro Yamaji | - | Director |
| 5. Cesar L. Lugtu | - | Director |
| 6. Yoshiaki Matsuoka | - | Director |
| 7. Jose M. Chan, Jr. | - | Independent Director |
| 8. Atty. Justina F. Callangan | - | Independent Director |
| 9. Manuel H. Lopez | - | Independent Director |
| Protacio C. Bantayan, Jr. | - | Adviser to the Board of Directors |
| Atty. Roy Y. Martelino | - | Corporate Secretary |
| Carmelita A. Tiongson | - | Assistant Corporate Secretary |
| Cynthia B. Tamoria | - | Senior Vice President/Treasurer |

Board Composition

In 2021, the Board was composed of nine (9) directors. Four (4) members of the Board are non-executive directors while three (3) members are independent directors.

All directors are experts in their respective fields and bring with them diversity in age, gender, ethnic background, skills and experience. They were selected based on their integrity, physical/mental fitness, competence, relevant education, financial literacy, training; possession of competencies relevant to the job such as knowledge and experience, skills, diligence and independence of mind, and sufficiency of time to fully carry out responsibilities.

Per OMLF's By-Laws, directors are elected by the vote of the holders of common stock of the Company in accordance with Section 24 of the Corporation Code or pertinent applicable law at the annual meeting of the stockholders. All directors are elected for a term of one year and until their successors shall have been elected and

qualified, or as sooner replaced, resigned, or terminated. In case of any increase in the number of directors, the additional directors may be elected by the stockholders at the first annual meeting held, or at a special meeting called for the purpose, after such increase has been approved.

Any stockholder may submit nominations for directorial positions to the Nominations Committee. The Committee screens the nominations of directors based on its screening policies and parameters, including among others, alignment with the strategic direction of the Company. Only nominees whose names appear in the list of candidates shall be eligible for election as director. To the extent practicable, the members of the Board shall be selected from a broad pool of qualified candidates. Recommendations from shareholders and existing directors may be used for sourcing of possible candidates as directors.

In selecting independent and non-executive directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities.

On the other hand, the independent directors are independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with their exercise of independent judgment in carrying out their responsibilities as a director. An independent director may serve for a maximum cumulative term of nine years. After which, the independent director shall be perpetually barred from serving as such but may continue to serve as regular director.

The roles of the Chairman of the Board and the President are separate and are held by two different people. Each has clearly defined responsibilities to promote an appropriate balance of authority, accountability and better capacity for independent decision-making by the Board.

The Chairman of the Board shall provide leadership in the Board. He shall ensure effective functioning of the Board, including maintaining a relationship of trust with Board

Board Meetings

Regular Board meetings are held once every two (2) months and special meetings may be called at any time by the Chairman, or, in his absence, by the Vice-Chairman. For fiscal year 2021, the Board held six (6) meetings to deliberate on a variety of significant matters. All directors have complied with the attendance requirement as prescribed by the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP). The Board shall also ensure that independent views in Board meetings shall be given full consideration and all such meetings shall be duly minuted.

The meetings may be conducted through modern technologies such as, but not limited to, teleconferencing

members. In addition, the Chairman shall ensure a sound decision-making process and he shall encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process.

On the other hand, the President is the overall-in-charge of the management of the business and affairs of the Company governed by the strategic direction and risk appetite approved by the Board. He shall be primarily accountable to the Board in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the Company. He exercises general superintendence and direction over all the officers, employees and other subordinate personnel of the Company, and ensures that their respective duties are properly performed.

Any vacancy in the Board of Directors caused by death, resignation, disqualification, or any other cause, except by removal, may be filled by the majority vote of the remaining directors then in office, constituting a quorum, and each director so elected shall hold office for a term to expire at the next annual election of directors, and until his successor shall be duly elected and qualified, or until death or until he shall resign or shall have been removed.

and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein; provided that every member of the Board shall participate in at least fifty percent (50%) and shall physically attend at least twenty five percent (25%) of all Board meetings every year.

In accordance with the By-laws, the Corporate Secretary prepares the agenda of the meetings and sends out notices before meeting dates. The Corporate Secretary ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require approval.

Board-Level Committees

Board-level committees were constituted to aid the Board in complying with the principles of good corporate governance. Each board-level committee has its own charter that sets out its mandate, scope and working procedures.

Executive Committee (EXCOM)

An extension of the Board of Directors and unless otherwise prohibited by law or by the articles of incorporation and By-Laws, EXCOM has full power and authority of the board. It decides on all policy matters, such as but not limited to, credit and investment proposals, establish ceilings for the Company's exposures, extension of credit in an amount exceeding the established limits, business plans and budgets, investment plans and strategies, capital expenditures and contracts and agreements, and all other matters duly delegated by the board.

Vicente R. Cuna, Jr.	Chairperson	25 out of 27 meetings
Constancio B. Tan	Member	27 out of 27 meetings
Shintaro Yamaji	Member	27 out of 27 meetings
Cesar L. Lugtu	Member	25 out of 27 meetings

Audit and Compliance Committee

As an extension of the Board of Directors, the Audit and Compliance Committee assists the Board of Directors in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through effective oversight of internal and external audit functions, transparency and proper reporting, compliance with laws, rules and regulations and code of conduct, and adequate and effective internal controls.

The members of the Audit and Compliance Committee are appointed annually by the Board of Directors and composed of at least three (3) board members, who are non-executive directors, majority of whom are Independent Directors, including the Chairperson.

Manuel H. Lopez	Chairperson	7 out of 7 meetings
Atty. Justina F. Callangan	Member	7 out of 7 meetings
Lita S. Tan	Member	6 out of 7 meetings

Risk Oversight Committee

The Risk Oversight Committee (ROC), as the extension of the Board of Directors, shall be responsible for the development and oversight of the risk management program of the Company. The ROC advises the Board on the Company's overall current and future risk appetite, oversees senior management's adherence to the risk appetite statement, and report on the state of risk culture of the company.

The ROC is composed of at least three (3) members of the Board of Directors, majority are Independent Directors, including the Chairperson.

Jose M. Chan, Jr.	Chairperson	5 out of 5 meetings
Atty. Justina F. Callangan	Member	5 out of 5 meetings
Shintaro Yamaji	Member	5 out of 5 meetings

Corporate Governance Committee

The Corporate Governance Committee assists the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through effective oversight on corporate governance practices, ensuring the effectiveness and observance by the Board of corporate governance principles and guidelines, making recommendations to the Board regarding the continuing education of directors, assignment to board committees and succession plan for the senior officers.

The Corporate Governance Committee is composed of at least three (3) members of the Board who are all non-executive directors, majority are Independent Directors, including the Chairperson.

Atty. Justina F. Callangan	Chairperson	7 out of 7 meetings
Jose M. Chan, Jr.	Member	7 out of 7 meetings
Manuel H. Lopez	Member	7 out of 7 meetings

Performance Assessment Program

The Board of Directors conducts assessment annually its performance and effectiveness as a body, as well as its various Board-level Committees, Individual Directors and the President, which is being facilitated by the Corporate Governance Committee. An internal self-rating system is used to determine and measure compliance with good corporate governance principles and practices. Each Director self-rates and collectively rates the Board and the President while the Board-level Committees conduct their self-rating.

Orientation and Continuing Education

It is critical that new directors receive the training they need in order to be an effective member of the Board and help lead the organization toward the right direction. As required by regulations, all directors must have attended a special seminar on corporate governance for Board of Directors.

A director is required to attend a seminar on corporate governance that covers the BSP-prescribed syllabus on corporate governance. Each first-time director is furnished with a copy of the OMLF's Code of Conduct and Ethics for Directors and a copy of the general responsibility and specific duties and responsibilities of the Board of Directors and as an individual director.

The first-time directors are required to submit a certification under oath that they have received copies of such general responsibility and specific duties and responsibilities and that they fully understand and accept the same. This certification is submitted to the appropriate department of BSP.

The Board is continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Company. The program includes courses on corporate governance matters relevant to the Company, including audit, internal controls, risk management, sustainability and strategy.

Retirement and Succession

The Company has a Bureau of Internal Revenue approved formal tax-qualified retirement plan which is non-contributory and of the defined benefits type. Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the plan.

To ensure smooth business continuity in case of retirement, resignation or death of executives/officers, the Company

has a succession plan in place. The plan starts with the recruitment of qualified employees, the development of their knowledge, skills and abilities and their preparation for advancement or promotion into more challenging roles. By actively pursuing this plan, the Company is assured that employees are constantly developed to fill each needed role, thus, ensuring that employees are on hand ready and waiting to fill new roles.

Compliance System

The compliance system is designed to specifically identify and mitigate risks that may erode the value of the Company such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation that the Company may suffer as a result of its failure to comply with laws, rules, related organization standards and codes of conduct applicable to its activities. Compliance risk management is an integral part of the culture and risk governance framework of OMLF. In this respect, the compliance function is a shared responsibility and accountability of the Board of Directors, management and all officers and staff of OMLF.

The Compliance Department is tasked to promote effective implementation of the compliance system and best practices in corporate governance within the Company. It facilitates the effective management of compliance-related risks and breaches by ensuring that they are identified, measured and assessed, and that sound advice and support are provided to the management and the Board. The department has the right to obtain access to information necessary to carry out its responsibilities, conduct investigations of possible breaches of the compliance policy, and directly reports to the Board of Directors through Corporate Governance Committee and Audit Committee.

Related Party Transactions and Conflict of Interest

OMLF has a policy on the handling of the Related Party Transactions (RPTs) to ensure that transactions with related parties are conducted at arm's length, the terms are fair and they will inure to the best interest of OMLF shareholders and other stakeholders.

All RPTs shall be disclosed, reviewed and approved in accordance with the RPTs policy consistent with the Company's principle of transparency and fairness, ensuring that such transactions are made in the regular course of business and that corporate or business resources of the Company are not misappropriated or misapplied. For purposes of determining the appropriate handling process such as reporting, review and approval/confirmation of

RPTs, the "materiality thresholds" are set for each type of transaction. All material RPTs shall be approved by the Board and subject for confirmation by majority of vote of the stockholders during the annual stockholders' meeting.

In case of conflict of interest, the members of the Board, stockholders and management shall disclose to the Board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting OMLF. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the Company.

Whistle Blowing Policy

OMLF believes that fraud prevention goes beyond monitoring the effectiveness of the policies and controls set in place. It also requires maintaining the right ethical environment which will encourage all the members of OMLF and its subsidiaries to actively participate in protecting its assets, interests, and its robust franchise. Prevention and control of fraud relies heavily on the support and cooperation of everyone in the organization. The Senior Management and personnel at all levels shall promote fraud prevention awareness and apply best

practices within their respective function areas.

The Company has a Whistle Blowing Policy that aims to guide management and staff on reporting complaints related to fraud, malpractice, conflict of interest or violation of company policies, procedures and controls. The policy encourages employees to communicate confidentially any illegal, unethical or questionable related party transactions without the risk of reprisal.

Dividend Policy

OMLF aims to achieve a steady growth in dividends over time in line with its mission to provide fair returns to its shareholders with due consideration to its performance or capital needs to support business requirements.

When declaring dividends, the OMLF Board of Directors takes cognizance of the company profitability, financial condition, regulatory requirements for capital, expansion projects and future plans, subject to compliance with the rules and regulations of the BSP and SEC.

Compensation Policy

OMLF adopted an overall compensation package that is aligned with labor laws and regulations, performance-driven and competitive with industry standards, with a goal to attract, motivate and retain the best people. It offers its employees from the top level executives to the rank and file staff a compensation package that is commensurate to the person's qualifications and experience, nature of job, position and level of responsibility following an approved

salary scale approved by the Board. It also grants annual merit increase and performance bonus linked to the Company's profitability and individual performance.

The members of the Board receive a fixed but competitive compensation package based on experience, professional background, attendance and participation in the Board and in other Board-level committee meetings.

Anti-Money Laundering Governance

The Company seeks to combat money laundering by obtaining competent evidence of client's identity and by having effective procedures for verifying the bona fide identity of the client. It also ensures that business is conducted in conformity with high ethical standards, that laws and regulations are adhered to, and that service is not provided where there is good reason to believe that transactions are associated with money laundering activities. The Company adopts a sound Anti-Money Laundering and terrorist financing risk management policies and practices to ensure that OMLF shall not be used to legitimize proceeds of unlawful activity or terrorism.

The Company provides continuous education and training for all its officers and staff to ensure that they are fully aware of their personal obligations and responsibilities in combating money laundering and terrorist financing.

The Anti-Money Laundering Compliance Committee (AMLCC), a management level committee, is created to ensure the Company's compliance with the Anti-Money Laundering Law, as amended, its IRR and other implementing rules and regulations, including the internal policies and procedures.

Consumer Protection Practices

The Consumer Assistance Management Program is closely monitored to ensure that all inquiries, requests and complaints of clients are acted upon within the set guidelines of BSP. Customers or clients may contact OMLF directly through phone, email and website or may approach any OMLF personnel in any of our branches nationwide. Due to the COVID-19 pandemic, more clients have been reaching out to OMLF through our website (www.orix.com.ph). The website includes the process of filing complaints and a customer feedback form where clients can rate the Company's services.

The Support Services Division submits a monthly report to the Management Committee. Complaints and breached transactions, if any, are discussed during the regular management meetings. From October 2020 until September 2021, OMLF received and handled a total of 4,023 requests, 2,089 inquiries and 26 reported complaints. This year, we have noted complaints that were raised through the BSP and SEC.

Risk Management

Risk is present in all of the activities of OMLF. It is borne in the assets it acquires, inherent in the markets it trades in, embedded in the financial instruments it buys, incurred with the counterparties it deals, and present in the people it hires. As new products evolve in the market, new combinations of risks emerge. Thus, OMLF shall institute risk management principles and techniques that are responsive to these changes.

The responsibility for managing OMLF's risk is spread out across all business units and functions. The risk management mission revolves around assisting the central profit generating activities of OMLF and its subsidiaries through thorough, timely, and precise measurement of risks inherent in these activities. Risk management must allow OMLF to gain more foothold and confidence as it continually pursues business opportunities.

A key risk management goal of OMLF is to institutionalize, foster and strengthen a culture of risk awareness within the organization and its subsidiaries. We constantly update our risk management manual, a ready reference used in identifying, recognizing, measuring, reporting and monitoring risks.

Risk Management Structure

OMLF's risk management process follows a top-down approach that starts with the Board of Directors as it is ultimately responsible for establishing and maintaining a sound risk management system and for setting the overall institutional risk tolerance for the Company. OMLF's BOD, through the Risk Oversight Committee, is actively involved in planning, approving, reviewing, and assessing all risks involved within OMLF.

ORIX METRO LEASING AND FINANCE CORPORATION

HEAD OFFICE

21/F GT Tower International, Ayala Avenue corner H.V. Dela Costa St., Makati City
Tel: (02) 8858-8888, 8982-9400 Fax: (02) 8858-8824 www.orix.com.ph

METRO MANILA BRANCHES

ABAD SANTOS

Units 106/206 Resadel Bldg.,
2310 Jose Abad Santos Ave.,
Tondo, Manila
Tel: (02) 8230-2572

MALABON

2/F 153 M.H. Del Pilar cor.
Gov. Pascual, Brgy. Tenejeros,
Malabon City
Tel: (02) 8282-7546

NOVALICHES

2/F Unit F Acacio Bldg.,
Regalado Ave., Greater Lagro,
Novaliches, Quezon City
Tel: (02) 8374-3089

QUEZON CITY

17-B Brgy. Nayong Kanluran,
West Avenue, Quezon City
Tels: (02) 8441-4174
Fax: (02) 8441-4160

ALABANG

Unit 501 Sycamore Prime Bldg.,
Alabang-Zapote Road,
Alabang, Muntinlupa City
Tel: (02) 8823-5782
Fax: (02) 8511-0504

MARIKINA

627 2/F Metrobank Bldg., Tuazon St.
cor. Chestnut St., Brgy. San Roque,
Marikina City
Tel: (02) 8532-7271

PASIG

2/F Elements @ Rosemarie Bldg.,
Pasig Boulevard, Kapitolyo,
Pasig City
Tel: (02) 8661-1827

VALENZUELA

2/F Metrobank Bldg., Km. 12
McArthur Highway, Marulas,
Valenzuela City
Tel: (02) 8709-5983
Fax: (02) 8277-0418

ANTIPOLO

2/F Units A & B, JMK Bldg.,
Circumferential Road,
Brgy. San Roque, Antipolo City
Tel: (02) 8570-1931
Fax: (02) 8570-1946

LUZON BRANCHES

ALAMINOS

2/F FELSA Bldg., Quezon Ave.
Poblacion, Alaminos City, Pangasinan
Mobile nos.: 0966-2657780 (Globe)
0947-7928035 (Smart)

BALIUAG

282 DRT Highway Bagong Nayon,
Baliuag, Bulacan
Tel: (044) 766-0044

CARMONA

Units 105-106 Impress Land Center,
1088 Governor's Drive, Brgy. Bancal,
Carmona, Cavite
Tel: (046) 460-5211
Fax: (046) 460-5210

IMUS

G/F South Supermarket – Imus,
Bayan Luma 7, Emilio Aguinaldo
Highway, Imus City, Cavite
Tel: (046) 472-0487

ANGELES

Unit Nos. 2 & 3, Kira Kira Commercial
Complex Corp., Rizal Extension cor.
Fil-Am Friendship Highway, Brgy Cutcut,
Angeles City
Tel: (045) 625-9325

BATANGAS

G/F RB Dimacuha Bldg., Port
Diversion Road, Brgy. Balagtas,
Batangas City
Tel: (043) 402-0010

CAUAYAN

G/F No. 81 Muñoz Bldg.,
Prenza Highway,
Cauayan City, Isabela
Tel: (078) 652-4293

LAOAG

Avenue Square Bldg., Brgy. 19,
J.P. Rizal St., Laoag City,
Ilocos Norte
Tel: (077) 770-4191

APARRI

Ahnhiehcole Bldg., Maharlika Highway,
Brgy. Macanaya, Aparri, Cagayan
Tel: (078) 888-0033

CABANATUAN

G/F JRS Bldg., Maharlika Highway,
H. Concepcion, Cabanatuan City
Tel: (044) 464-1952
Fax: (044) 940-0057

DAET

2/F ABC Bldg., Vinzons Avenue,
Brgy. V. Daet, Camarines Norte
Fax: (054) 440-8881

LA TRINIDAD

3/F MG Bldg., Km. 4 Central Pico,
La Trinidad, Benguet
Tel: (074) 422-2788

BAGUIO

3/F E.S. Clemente Bldg., Shanum St. cor.
Otek St., Lake Drive Burnham Park,
Baguio City
Tel: (074) 424-0034

CALAMBA

G/F ORIX Rental Bldg., National
Road, Brgy. Paciano Rizal,
Calamba City, Laguna
Tel: (049) 545-9677 / 58 / 60

DAGUPAN

2/F Star Green Promenade
Lucao District, Dagupan City,
Pangasinan
Fax: (075) 522-4155

LA UNION

G/F Shania Tower, Sevilla,
San Fernando City, La Union
Tel: (072) 607-0433

BALANGA

2/F L & R Building 2, Don Manuel
Banzon Ave., Balanga City, Bataan
Tel: (047) 237-4091

CALAPAN

G/F Sapphire Bldg., Roxas Drive cor.
Camia St., Lumangbayan,
Calapan City, Oriental Mindoro
Tel: (043) 288-2114

GUMACA

G/F Angelina Mora Bldg.,
National Highway,
Brgy. Peñafrancia,
Gumaca, Quezon
Tel: (042) 317-8141

LEGAZPI

G/F CCJ Bldg., Benny S. Imperial St.,
Alternate Road, Cabangan West,
Legazpi City, Albay
Tel: (052) 480-6126

BALAYAN

G/F Leonardo P. Alarva Bldg.,
Antorcha St., Brgy. 6, Balayan
Tel: (043) 740-2426

CAPAS

Units 1 & 2, Queens Central
Capas Bldg., McArthur Highway,
Brgy. Sto. Domingo, Poblacion,
Capas, Tarlac
Tel: (045) 470-9656

IBA

2/F BHF Metropolis Bldg.,
Magsaysay Avenue, Zone I,
Iba, Zambales
Mobile nos.: 0917-8079247 (Globe)
0998-5940811 (Smart)

LIPA

2/F Trinity Business Center,
Ayala Highway, Brgy. Balintawak,
Lipa City, Batangas
Tel: (043) 702-1478

LUBAO

G/F Ocon Bldg., Olongapo-Gapan Road,
Brgy. San Roque Arbol, Lubao,
Pampanga
Mobile nos.: 0917-8024854 (Globe)
0908-8729404 (Smart)

LUCENA

G/F Doña Aurora Blvd.,
Brgy. (Quezon Ave.), Gulang-Gulang,
Lucena City, Quezon
Tel: (042) 373-6893

MALOLOS

Units 12,14,15 Twins Plaza Complex,
Km. 42, McArthur Highway, Bulihan,
Malolos City, Bulacan
Tel: (044) 796-0394

MAMBURAO

G/F Castillo Bldg., Rizal St., Brgy. I
Mamburao, Occidental Mindoro
Mobile nos.: 0917-8049951 (Globe)
0908-8729395 (Smart)

MASBATE

Unit 7 S&T Bldg., Sitio Cagba,
Brgy. Tugbo, Masbate City
Tel: (056) 578-1505
Fax: (056) 578-1505

MEYCAUAYAN

G/F Orient Bldg., McArthur Highway,
Calvario, Meycauayan City, Bulacan
Tel: (044) 913-2397
Fax: (044) 913-2397

NAGA

G/F Citi Heights Properties cor.
Panganiban Drive and Mayon Ave.,
Naga City
Tel: (054) 881-1644

PANIKUI

174 De Valle St., Brgy. Estacion,
Nampung Road, Paniqui, Tarlac
Tel: (045) 606-3621
Fax: (045) 606-3621

PORAC

D2 Squared Bldg., Angeles-Porac-
Floridablanca-Dinalupihan Road,
Brgy. Jalung, Porac, Pampanga
Tel: (045) 436-0283
Mobile nos.: 0917-8130884 (Globe)
0949-8865750 (Smart)

PUERTO PRINCESA

Units 104-106 SJD Bldg.,
National Highway, Brgy. San Pedro,
Puerto Princesa City, Palawan
Tel: (048) 434-1579

ROXAS, ISABELA

G/F Hatol Bldg., National Highway,
Brgy. Nueza, Roxas, Isabela
Tel: (078) 642-0327
Fax: (078) 642-0367

SAN FERNANDO, PAMPANGA

G/F LC Bldg., Jose Abad Santos Ave.,
San Fernando, Pampanga
Tel: (045) 961-5399

SAN JOSE, NUEVA ECIIJA

G/F Belareez Centre, Maharlika
Highway, Brgy. Malasin,
San Jose City, Nueva Ecija
Tel: (044) 958-3326

SAN JOSE, OCCIDENTAL MINDORO

G/F J&S Bldg., Liboro St., Brgy. 6, San
Jose, Occidental Mindoro
Tel: (043) 457-0230

SAN MIGUEL

G/F Xtreme Bldg., DRT Highway,
Salangan, San Miguel, Bulacan
Tel: (044) 813-0260

SAN PABLO

YKK Bldg., Km. 82,
Maharlika Highway,
Brgy. San Rafael,
San Pablo City, Laguna
Tel: (049) 503-1546

SAN PEDRO

G/F Kyo-Miko Bldg.,
#18 Magsaysay Road,
Brgy. San Antonio,
San Pedro City, Laguna
Tels.: (02) 8255-9313 / 8255-9309
Mobile nos.: 0917-8150890 (Globe)
0949-8865754 (Smart)

SANTIAGO

G/F Buenaventura-Abarquez Bldg.,
RC Miranda Road cor. Quezon St.,
Centro East, Santiago City, Isabela
Tel: (078) 305-0359

SOLANO

2/F Ongtao Bldg., National Highway,
Burgos St., Brgy. Quirino, Solano,
Nueva Vizcaya
Tel: (078) 392-1981

SORSOGON

G/F Sorcom Bldg., Burgos St.,
Brgy. Talisay, Sorsogon City,
Sorsogon
Tel: (056) 255-1321

STA. CRUZ

2/F Paradise Square Bldg.,
P. Guevarra St., Sta. Cruz,
Laguna
Tel: (049) 523-0313

STA. MARIA

G/F N.E.M. Bldg., Brgy. Bagbagin,
Sta. Maria, Bulacan
Tel: (044) 913-9294

STO. TOMAS

2/F Almeda Arcade, Maharlika
Highway, Brgy. Poblacion 1,
Sto. Tomas, Batangas City
Tel: (043) 341-5675

SUBIC

2/F Unit 5 Amires Bldg., Manila
Avenue, Subic Bay
Freeport Zone
Tel: (047) 252-1144

TABUK

2/F Callangan Bldg., Purok 4,
Provincial Road, Bulanao,
Tabuk City, Kalinga
Mobile nos.: 0917-3177430 (Globe)
0998-9972996 (Smart)

TARLAC

Units 102 and 103 Benry Square,
McArthur Highway, San Nicolas,
Tarlac City
Tel: (045) 628-6021

TRECE MARTIRES

G/F 105 Primark Tower Mall,
Governor's Drive cor.
Capitol Road, Brgy. San Agustin,
Trece Martires, Cavite
Tel: (046) 402-2561

TUGUEGARAO

G/F MYL Bldg., Buntun Highway,
Tuguegarao City, Cagayan
Tel: (078) 844-9961

URDANETA

G/F Alexander Gacutan Bldg.,
McArthur Highway, Brgy. Nancayasan,
Urdaneta City, Pangasinan
Tel: (075) 656-1090

VIGAN

G/F Del Pilar Bldg., Alcantara St.,
Vigan City, Ilocos Sur
Tel: (077) 604-0066

VISAYAS BRANCHES

BACOLOD

Negros First Cyber Centre, M21R G/F
Main Lobby cor. Hernaez-Lacson Sts.,
Bacolod City
Tel: (034) 433-0927

BOGO

G/F Unit N2 Ningning Bldg., Bogo
Business Park, P. Rodriguez St.,
Bogo City, Cebu
Tel: (032) 434-8476
Fax: (032) 434-8499

CALBAYOG

2/F Business Prime Bldg.,
Magsaysay Blvd. cor. Orquin St.,
Calbayog City, Samar
Tel: (055) 533-9686

CARCAR

2/F Lou Bldg., P. Nellas,
Poblacion III, Carcar City, Cebu
Fax: (032) 487-8519

CATARMAN

G/F Metrobank Bldg., P. Garcia St.,
G/F Mabolo, Catarman,
Northern Samar
Tel: (055) 500-9950

CEBU

4/F Door 2C MBTC Plaza,
Osmeña Boulevard, Cebu City
Tel: (032) 253-7009

DUMAGUETE

2/F MBTC Dumaguete Main Branch,
Dr. Vicente Locsin, Dumaguete City,
Negros Oriental
Tels: (035) 422-8658

ILOILO

G/F Insular Life Bldg.,
General Luna St., Iloilo City
Tel: (033) 337-5299
Fax: (033) 337-5277

KALIBO

Door 3, Waldolf Garcia Bldg.,
Osmeña Ave., Kalibo, Aklan
Tel: (036) 268-3736

LAPU-LAPU

G/F Unit 101 JSV Bldg., M.L. Quezon,
National Highway, Brgy. Pusok,
Lapu-Lapu City, Cebu
Telefax: (032) 261-9863

MAASIN

2/F St. Joseph College Bldg.,
Tomas Oppus and E. Cabrera Sts.,
Maasin City, Southern Leyte
Tel: (053) 381-2817

MANDAUE

G/F Unit 33-A Parkmall,
Ouano Ave., Reclamation Area,
Mandaue City, Cebu
Tel: (032) 236-0164

ORMOC

Lilia Ave., Brgy. Cogon
Ormoc City, Leyte
Mobile nos.: 0917-5734146 (Globe)
0998-9688269 (Smart)

PALO

Unit 7 2/F Bldg. B, Metrobank Center,
Brgy. Luntad, Palo, Leyte
Tel: (053) 832-1986

ROXAS

Doors 9 & 10 La Hacienda Arcade,
Arnaldo Blvd., Roxas City, Capiz
Tel: (036) 621-7546

SOGOD

G/F DV Biong New Bldg.,
J. Rizal St. Zone 5, Sogod,
Southern Leyte
Tel: (053) 577-9063

TACLOBAN

Door #15 Village Center,
Avenida Veteranos St.,
Tacloban City
Tel: (053) 325-3121

TAGBILARAN

2/F Unit 4, Galleria Luisa,
Gallares St., Tagbilaran
City, Bohol
Tel: (038) 411-1027

TALISAY

2/F 01-02 Gaisano Capital
Brgy. San Roque, South Road
Property (SRP) Highway
Talisay City, Cebu
Tel: (032) 233-4312

MINDANAO BRANCHES

BUTUAN

G/F Causon Bldg., JC Aquino Ave.,
Butuan City
Tel: (085) 342-1871
Fax: (085) 815-4480

CAGAYAN DE ORO

Door 8 Jofelmor Bldg., Don Jose
Mortola St., Cagayan De Oro City
Tel: (088) 857-2013

DAVAO

4/F MBTC Davao Center, Ramon
Magsaysay Ave., Davao City
Tel: (082) 221-7657

DIGOS

G/F Door 4 DRQ Building,
Quezon Avenue, Brgy. Zone 1,
Digos City, Davao del Sur
Mobile nos.: 0917-573-3478 (Globe)
0929-353-6732 (Smart)

DIPOLOG

G/F Alfonso Lim Bldg., Echavez St.,
Dipolog City
Tel: (065) 212-1484

GENERAL SANTOS

Door 1 G/F Hotel Filipino Bldg.,
cor. Santiago Blvd.,
General Santos City
Tel: (083) 553-7040

ILIGAN

2/F Metrobank Iligan Branch Bldg.,
No. 0055 Gen. Aguinaldo St.,
Iligan City
Tel: (063) 222-0327

IPIIL

E3 Yoho Center Building, Sanito Ipil,
Zamboanga Sibugay Province
Tel. (062) 955-4211
Mobile nos.: 0917-8228289 (Globe)

KIDAPAWAN

2/F Dimaano Bldg., Quezon Blvd.,
Kidapawan City, North Cotabato
Mobile nos.: 0917-573-3463 (Globe)
0939-915-7357 (Smart)

MALAYBALAY

2/F Ramos Bldg., Fortich St., Brgy. 3,
Malaybalay City, Bukidnon
Tel: (088) 813-5724

MATI

G/F No.14 MDI Bldg., Rizal Extension,
Mati City, Davao Oriental
Mobile nos.: 0917-8967032 (Globe)
0949-8896353 (Smart)

PAGADIAN

G/F Osmundo To Bldg., Rizal Ave. fronting
ACC Bldg., San Francisco District,
Pagadian City
Tel: (062) 215-3601

SAN FRANCISCO

G/F NGPI Bldg., Maharlika Highway,
P1A Brgy. 5, San Francisco,
Agusan Del Sur
Tel: (085) 839-5735

SURIGAO

Door #5 LML Bldg., Borromeo St.,
Surigao City
Tel: (086) 826-1228

TACURONG

G/F KC Bldg., National Highway cor.
Lapu-Lapu St., Brgy. Poblacion,
Tacurong City, Sultan Kudarat
Tel: (064) 200-6789

TAGUM

G/F Nicole's 22 Corp. Bldg.,
Assessors Village, Apokon Road,
Tagum City
Tel: (084) 216-8415

TANDAG

G/F Malooy Bldg., La Suerte
National Highway,
Brgy. Dagocdoc, Tandag City,
Surigao del Sur
Tel: (086) 211-6022

TORIL

2/F Maria Bldg., Crossing Bayabas,
McArthur Highway, Toril,
Davao City
Tel: (082) 285-7203

VALENCIA

DSCI One Bldg., Manuel Roxas
St., Poblacion, Valencia City,
Bukidnon
Tel: (088) 828-4000

ZAMBOANGA

G/F Husino Usman Bldg.,
MCLL Highway, Guiwan,
Zamboanga City
Tel: (062) 991-9293

ORIX Rental Corporation

2185 F.B. Harrison corner M. Santos Streets, Pasay City

Trunkline: (02) 8804-0800

Telefax: (02) 8804-0800

Email: customerservice@orix.com.ph

www.orix.com.ph

Calamba

National Road, Brgy. Paciano Rizal

Calamba City, Laguna (SLEX Exit 47)

Trunkline: (02) 8804-0800 locals 801/203

Telefax: (049) 545-9658

Cebu

Villalon Drive Capitol Site, Cebu City

Tel nos.: (032) 254-8255 / 254-7425

Davao

Cabaguio Avenue, Agdao, Davao City

Tel no.: (082) 224-1544

Mobile: (0917) 811-4747



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21/F GT Tower International, Ayala Avenue corner H.V. Dela Costa St., Makati City
Tel: (02) 8858-8888, 8982-9400 | Fax: (02) 8858-8824
www.orix.com.ph