Single Submission Form

Common Document for Submission to Regulatory, Listing, and Registration Authorities, and Market Institutions for the Issuance of Notes under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF)

ASEAN+3 Bond Market Forum (ABMF) Initiative
# Single Submission Form

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</table>
I. General Information for Single Submission Form

Date of Submission: 
Issuer's Name: AEON Credit Service (Philippines) Inc.
Issuer's Address: 3rd Floor, Hanston Square, 17 San Miguel Avenue, Ortigas Center, Pasig City, Philippines
Issuer's Representative's Signature: 
Issuer's Representative's Name: Mr. Takayuki Araki
Issuer's Representative's Title and Status: President and Chief Executive Officer (CEO)

1. Authorities and market institutions applied to for an approval and profile listing or registration in each market

<table>
<thead>
<tr>
<th>Targeted Market</th>
<th>Regulatory, Listing, or Registration Authority, and Market Institution</th>
<th>Purpose of Submission</th>
<th>Tick</th>
</tr>
</thead>
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<tr>
<td>Cambodia</td>
<td>1-1. Securities and Exchange Commission of Cambodia (SECC)</td>
<td>Approval</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1-2. National Bank of Cambodia (NBC)</td>
<td>Approval</td>
<td></td>
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<td>People's Republic of China</td>
<td>2-1. People's Bank of China (PBOC)</td>
<td>Approval</td>
<td></td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>3-1. Hong Kong Exchanges and Clearing Limited (HKEx)</td>
<td>Submission for Listing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3-2. Hong Kong Monetary Authority (HKMA)—Central Moneymarkets Unit (CMU)</td>
<td>Approval</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>4-1. Indonesian Financial Services Agency (OJK)</td>
<td>Approval</td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>Number</td>
<td>Organization</td>
<td>Action</td>
</tr>
<tr>
<td>-------------------------------</td>
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<td>-------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Japan</td>
<td>5.</td>
<td>Tokyo Stock Exchange (TSE)—TOKYO PRO-BOND Market</td>
<td>Submission for Listing</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>6-1.</td>
<td>Korea Exchange (KRX)</td>
<td>Submission for Listing</td>
</tr>
<tr>
<td></td>
<td>6-2.</td>
<td>Korea Financial Investment Association (KOFIA)</td>
<td>Submission for Registration</td>
</tr>
<tr>
<td>Lao People's Democratic Republic</td>
<td>7-1.</td>
<td>Securities and Exchange Commission Office (SCC)</td>
<td>Approval</td>
</tr>
<tr>
<td></td>
<td>7-2.</td>
<td>Bank of Lao PDR</td>
<td>Approval</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8-1.</td>
<td>Securities Commission Office (Securities Commission of Malaysia)</td>
<td>Lodgement of Documents and Information under the Lodge and Launch Framework</td>
</tr>
<tr>
<td></td>
<td>8-2.</td>
<td>Bank Negara Malaysia (BNM)</td>
<td>Request for Approval (for Purposes of Foreign Exchange Administration)</td>
</tr>
<tr>
<td>Myanmar</td>
<td>9-1.</td>
<td>Securities and Exchange Commission</td>
<td>Approval</td>
</tr>
<tr>
<td></td>
<td>9-2.</td>
<td>Central Bank of Myanmar</td>
<td>Approval</td>
</tr>
<tr>
<td>Philippines</td>
<td>10-1.</td>
<td>Securities and Exchange Commission of the Philippines (PH SEC)</td>
<td>Submission of Notice of Exemption</td>
</tr>
<tr>
<td></td>
<td>10-2.</td>
<td>Bangko Sentral ng Pilipinas (BSP)</td>
<td>Request for Approval</td>
</tr>
<tr>
<td></td>
<td>10-3.</td>
<td>Philippine Dealing &amp; Exchange Corp. (PDEEx)</td>
<td>Enrolment for Listing cum Trading</td>
</tr>
<tr>
<td></td>
<td>10-4.</td>
<td>Philippine Depository &amp; Trust Corp. (PDTC)</td>
<td>Approval</td>
</tr>
<tr>
<td>Singapore</td>
<td>11-1.</td>
<td>Singapore Exchange Securities Trading Limited (SGX)</td>
<td>Submission of Application for Listing</td>
</tr>
</tbody>
</table>
2. **Issuer's Domicile:**

<table>
<thead>
<tr>
<th>Issuer's Domicile (Home Jurisdiction)</th>
<th>Resident in</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Philippines</td>
</tr>
</tbody>
</table>

3. **Issuer's Parent Company's Jurisdiction:**

| Issuer's Parent Company's Jurisdiction | Japan                |

4. **Type of Submission:**

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type-P</td>
<td>Note Issuance Program:</td>
<td></td>
</tr>
<tr>
<td>Type-S</td>
<td>Shelf-Registration: <em>(regulatory system of collective registration of the total amount of the note issuances that can be executed within a certain period of time)</em></td>
<td></td>
</tr>
<tr>
<td>Type-A</td>
<td>Stand-Alone Issuance:</td>
<td>✓</td>
</tr>
<tr>
<td>Type-D</td>
<td>Drawdown Issuance from the Note Issuance Program or Shelf-Registration:</td>
<td></td>
</tr>
</tbody>
</table>
5. Distinction of the Form:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>N.</td>
<td>New:</td>
</tr>
<tr>
<td>R.</td>
<td>Renewal (details are described below):</td>
</tr>
<tr>
<td>A.</td>
<td>Amendment (details are described below):</td>
</tr>
</tbody>
</table>

6. Targeted Professional Investor Markets in ASEAN+3:

<table>
<thead>
<tr>
<th>No.</th>
<th>Targeted Professional Investor Market*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(Cambodia: PP Market)</td>
</tr>
<tr>
<td>2.</td>
<td>People’s Republic of China: Inter-Bank Bond Market (IBBM)</td>
</tr>
<tr>
<td>3.</td>
<td>Hong Kong, China: Professional Investors Only Market</td>
</tr>
<tr>
<td>4.</td>
<td>Indonesia: PP Market</td>
</tr>
<tr>
<td>5.</td>
<td>Japan: TOKYO PRO-BOND Market (Professional Investor Market)</td>
</tr>
<tr>
<td>6.</td>
<td>Republic of Korea: PP Market</td>
</tr>
<tr>
<td>7.</td>
<td>(Lao People’s Democratic Republic: PP Market)</td>
</tr>
<tr>
<td>8.</td>
<td>Malaysia: Excluded Offers – Sophisticated Investors Market</td>
</tr>
<tr>
<td>9.</td>
<td>(Myanmar: PP Market)</td>
</tr>
<tr>
<td>10.</td>
<td>Philippines: Qualified Buyers’ Market</td>
</tr>
<tr>
<td>12.</td>
<td>Thailand: PP-AI Regime (Accredited Investors Market)</td>
</tr>
<tr>
<td>13.</td>
<td>Viet Nam: PP Market</td>
</tr>
</tbody>
</table>

AI = Accredited Investors, PP = Private Placement, PP-AI = Private Placement to Accredited Investors.
* Markets that were not yet active at end-July 2015 are in parentheses. Those six markets that had defined professional bond markets suitable for AMBIF at end-July 2015 are in boldface type.

7. Denominated Currency of the Notes:

<table>
<thead>
<tr>
<th>No.</th>
<th>Denominated Currency of the Notes (ISO 4217 Code)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>KHR (Cambodia)</td>
</tr>
<tr>
<td>2.</td>
<td>CNY CNH: (HKMA-CMU settled) CNH: (other than HKMA-CMU settled: )</td>
</tr>
<tr>
<td>3.</td>
<td>HKD</td>
</tr>
<tr>
<td>4.</td>
<td>IDR</td>
</tr>
</tbody>
</table>
8. Clearing and Settlement:

<table>
<thead>
<tr>
<th>Denominated Currency of the Notes</th>
<th>Name of Central Depository</th>
<th>Name of Depository System</th>
<th>Distinction of DVP, Non-DVP, or N.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td>PHP</td>
<td>PDTC</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Place of Disclosure:

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<tr>
<th>No.</th>
<th>Name of the Place of Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PDEX</td>
</tr>
<tr>
<td>2</td>
<td>PH SEC</td>
</tr>
</tbody>
</table>

Detailed explanation of the profile listing or registration, if necessary:

10. Other Important Matters:

<table>
<thead>
<tr>
<th>No.</th>
<th>Jurisdiction (Market)</th>
<th>Important Matter</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cambodia</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>People’s Republic of China</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Hong Kong, China</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Indonesia</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Republic of Korea</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Country</td>
<td></td>
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<tr>
<td>---</td>
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<td></td>
</tr>
<tr>
<td>7</td>
<td>Lao People’s Democratic Republic</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Malaysia</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Myanmar</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Philippines</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Under Republic Act No. 9476 or the “Lending Company Regulation Act of 2007”, corporations engaged in the lending business, without a banking or quasi-banking license from the Bangko Sentral ng Pilipinas (BSP or central bank of the Philippines), are only allowed to grant loans if the funds used for lending are sourced from its own capital or funds sourced from not more than nineteen (19) persons, The Issuer is currently covered by this restriction.</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Singapore</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Thailand</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Viet Nam</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Other (if any)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Notes are to be issued to, and held by, Institutional Qualified Buyers in the Philippines, pursuant to an exempt transaction provided under Section 10.1 (l) of the Securities Regulation Code and Rules 10.1.3.1. to 10.1.3.6 of the 2015 Implementing Rules of the Securities Regulation Code. As such, the Notes are considered exempt from registration and no notice of exemption from the registration requirements under the Securities Regulation Code shall be required to be filed with the SEC after the issuance of the Notes. Any transfer or sale of the Notes to Persons not qualifying as Institutional Qualified Buyers shall be void and shall not be binding on the Issuer.</td>
<td></td>
</tr>
</tbody>
</table>
## II. Issuer Information

<table>
<thead>
<tr>
<th>Method of describing Issuer Information*</th>
<th>Tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Fully describe Issuer Information</td>
<td></td>
</tr>
<tr>
<td>B. Specify the documents and places where AMBIF Investors are able to access the documents and designate them as Documents Incorporated by Reference</td>
<td></td>
</tr>
<tr>
<td>C. A combination of A and B above</td>
<td>✓</td>
</tr>
</tbody>
</table>

### 1. Information on the Issuer:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Name of Issuer: AEON Credit Service (Philippines) Inc.</td>
</tr>
<tr>
<td>2.</td>
<td>Name and Title of Representative: Mr. Takayuki Araki (President / CEO)</td>
</tr>
<tr>
<td>3.</td>
<td>Address (Registered or Business Address): 3rd Floor, Hanston Square, 17 San Miguel Avenue, Ortigas Center, Pasig City, Philippines</td>
</tr>
<tr>
<td>4.</td>
<td>Liaison Contact Person: Atty. Dennis Siapno or Mr. Glenn Yves Berdan</td>
</tr>
<tr>
<td>5.</td>
<td>Telephone and e-Mail: (632) 631-1399 local 206/229 <a href="mailto:gberdan@aeonphilippines.com.ph">gberdan@aeonphilippines.com.ph</a> <a href="mailto:dsiapno@aeonphilippines.com.ph">dsiapno@aeonphilippines.com.ph</a></td>
</tr>
<tr>
<td>6.</td>
<td>Business Registration No. (if any): SEC Registration No. CS201300789</td>
</tr>
<tr>
<td>7.</td>
<td>Date and Place of Incorporation: February 14, 2013, Metro Manila</td>
</tr>
<tr>
<td>8.</td>
<td>Authorized and Paid-up Capital: Authorized Capital – Four Hundred Million Pesos (PHP400,000,000) Paid-Up Capital - Three Hundred Million Pesos (PHP300,000,000)</td>
</tr>
<tr>
<td>9.</td>
<td>Trends of Key Financial Data:</td>
</tr>
<tr>
<td></td>
<td><strong>Financial Highlights</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Income Statement Items</strong></td>
</tr>
<tr>
<td></td>
<td>Revenue</td>
</tr>
<tr>
<td></td>
<td>Gross Profit</td>
</tr>
<tr>
<td></td>
<td>EBITDA</td>
</tr>
</tbody>
</table>
### Description of Business:

The Issuer offers installment plans (“AIP”) for the purchase of electronics, home appliances, bikes and tricycles, furniture, musical instruments, hardware, smartphones, cameras, tablets, and computers. Terms and conditions depend on the type of product financed, with gadgets and electronics requiring higher interest rates, a shorter financing term and down payment of at least 10%.

The Issuer’s installment plans are availed mostly by unbanked individuals and non-credit cardholders for the purchase of consumer products. The target market is comprised of households with monthly income between PHP 8,000 and PHP 79,000.

In 2017, the Issuer expanded product offerings to include vehicle loans and personal loans, and does not require collateral.

The Issuer employs a simple marketing strategy to reach its target segment and extend credit and loans for the purchase
of customers’ desired product(s). In particular, marketing personnel by the Issuer (“Promoters”) are located in different stores of its Partner Merchants where the Issuer’s Booth displays relevant information about its AIP.

The Loan Application process starts with these Promoters approaching customers in the stores to offer AIP. These Promoters are trained to guide the customers in applying for the AIP using an electronic form with the use of a laptop or tablet. The accomplished electronic application form is directly linked to the Judgment system of the Company’s head office in Pasig City for credit approval.

The credit standing and history of each AIP applicant is reviewed by the Issuer’s Head Office itself through its Judgment system. This way, Issuer is able to control and limit its applicant approvals to those customers who have a good credit history in order to ensure good collection rate. Approvals of Issuer’s Head Office are sent to corresponding Promoters through a Letter of Notification (“LON”) stating the approval of the Customer’s Application, the item/s to be purchased, and the agreement number. In cases wherein approved customers want to amend the LON, approval by Issuer will be necessary even if the Product Price is less than the original Product Price. The release of the product shall be scheduled based on the availability of the customer or the product.

During the release of the product, the Promoter shall brief the customer of the contents of the LON and the Payment Schedule. The Payment Schedule contains the dates to which the payments are to be made by the customer and the partner payment channels where payments may be coursed through. Customers are expected to diligently pay their loan obligations based on the said Payment Schedule.

11. Risk Factors: Majority of the Company’s borrowers are unbanked and have either minimal or no credit history.

The loan application process of ÆON Credit is designed to cater to non-credit card holders and the unbanked. Documentary requirements are minimal, but still able to provide the Company with information sufficient for basic KYC and internal credit risk rating processes.

Credit risk of customer default associated with introduction of new financing products.

The introduction of vehicle loans to the Company’s existing portfolio of financing products and services may be associated with higher risk of customer default. As informal sector
workers, vehicle drivers are less likely to be protected by labor laws and standards, or covered by social insurance.

Through its partnership with GMS, ÆON Credit utilizes Internet of Things technology to mitigate the risks of such default. To date, the Company has zero non-performing loans attributable to tricycle financing.

**Growth constraints to the Company's lending portfolio.**

Part of the Company’s strategy is to expand its operations through partnerships with local appliance stores and retailers. Growth in ÆON Credit’s lending portfolio may be impeded should the Company be unable to secure additional partnerships to expand its network, or should existing agreements with any of its partner merchants be cancelled.

Moving forward, the Company plans to expand its portfolio to include card business and remittances. By venturing into more comprehensive financing services, ÆON Credit manages the risk of growth constraints to its lending portfolio.

**Difficult economic conditions may negatively affect the ability of the Company’s borrowers to meet monthly installment payments.**

Given the composition of the Company’s lending portfolio and borrower profile, collections may become more difficult in the case of an economic downturn. Lower income households face greater risk of missing monthly installment payments, as they may be more adversely affected than higher income households.

Nonetheless, ÆON Credit ended 2017 with PHP 1.78 Bn in Gross Loans, and more than 92% of loans and receivables that were neither past due nor impaired considered as high grade with excellent repayment experience.

**Economic slowdown or deterioration in the economic conditions in the Philippines may adversely affect the Company’s business and operations in the Philippines.**

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant currency devaluation, debt restructuring, electricity shortages and blackouts.

From 1997 to 1999, the Asian Economic Crisis adversely affected the Philippine economy, causing a significant devaluation of the Philippine Peso, increases in interest rates,
and increased market volatility. These factors had material adverse impacts on the ability of many companies to meet their debt obligations.

ÆON Credit shall continue to adopt what it considers conservative financial and operational controls and policies within the context of the prevailing political, economic and business environments taking into consideration the interests of its customers, shareholders and creditors.

ÆON Credit’s business operations may be affected by political and military instability in the Philippines

The Philippines has from time to time experienced severe political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business. In the last few years, there were instances of political instability, including public and military protests arising from alleged misconduct by the previous administration.

In June 2016, the Philippines elected a new Chief Executive, President Rodrigo Duterte. Since assuming office, various fiscal, monetary and trade policies were passed in congress and implemented such as the first package of the comprehensive tax reform program called the Tax Reform for Acceleration and Inclusion (TRAIN) which seeks to correct a number of deficiencies in the tax system to make it simpler, fairer, and more efficient. However, perceptions over human rights and geopolitical issues may affect overall sentiment on the Philippines and the business environment.

There can be no assurance that the current administration will continue to implement social and economic policies favored by the previous administration. Major deviation from the policies of the previous administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company’s businesses, prospects, financial condition and results of operations.

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

PFRS continues to evolve, and certain newly promulgated standards and interpretations took effect on January 1, 2018.
PFRS 9 introduced a new expected loss impairment model that will require more timely recognition of expected credit losses. Under the impairment approach in PFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

12. Board of Directors:

<table>
<thead>
<tr>
<th>Name</th>
<th>Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takayuki Araki</td>
<td>President &amp; CEO</td>
</tr>
<tr>
<td>Kosei Yahiro</td>
<td>Executive Vice President</td>
</tr>
<tr>
<td>Dennis Siapno</td>
<td>Executive Vice President &amp; Compliance Officer</td>
</tr>
<tr>
<td>Lee Kit Seong</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Tomohiro Miyasaka</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Tetsuro Takano</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Geraldine B. Sakamoto</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Oliver S. Faustino</td>
<td>Independent Director</td>
</tr>
</tbody>
</table>

13. Controlling Shareholders or, in the Case of a Public Company, Names of Major Shareholders:

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>% Ownership</th>
<th>% Voting</th>
</tr>
</thead>
<tbody>
<tr>
<td>ÆON Financial Service Co., Ltd.</td>
<td>33.82%</td>
<td>50.0%</td>
</tr>
<tr>
<td>ÆON Credit Service Malaysia</td>
<td>53.24%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Abenson Inc.</td>
<td>6.47%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Automatic Appliances Inc.</td>
<td>3.24%</td>
<td>10.0%</td>
</tr>
<tr>
<td>BOT Lease Holdings Inc.</td>
<td>3.23%</td>
<td>10.0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>


ÆON Financial is a Japan-based bank holding company that functions as the financial services business arm of the ÆON Group of Companies (“ÆON Group”). ÆON Financial is comprised of 35 business segments that offer comprehensive services.
financial services within the retail industry, including banking, credit services, leasing, insurance, and housing loans. It is 46.88%-owned by ÆON Co. Ltd. (rated BBB+ by Standard & Poor’s), and publicly listed on the first section of the Tokyo Stock Exchange. Over the years, ÆON Financial has accelerated business development in emerging markets to operate in 12 countries and regions in Asia including Japan. To date, ÆON Financial is listed on the Hong Kong Stock Exchange, Bursa Malaysia, and Stock Exchange of Thailand through locally-listed companies.

ÆON Credit Service (M) Berhad

ÆON Credit Service (M) Berhad ("ÆON Berhad") is a publicly-listed company in Malaysia and an operating subsidiary of ÆON Financial. Similar to ÆON Credit, ÆON Berhad provides easy payment schemes for the purchase of consumer products through appointed retail merchants and chain stores. It also offers credit card services, personal loans, insurance, and other consumer finance services. It operates via 6 regional offices, 64 branches and services centers, and more than 12,000 participating merchant outlets across Malaysia.

Abenson Inc.

Abenson Inc. is engaged in the retail sale of electronics and other durable goods such as household appliances and furniture. It is a member of the Abenson Group of Companies, which was founded by Mr. Wilson Lim and includes Electroworld, Walter Mart Supermarket and Walter Mart Mall, among others.

Automatic Appliance Inc.

For more than 60 years, Automatic Appliance Inc. offers the best and latest top brand appliances. They offer convenient payment options extended after-sales service and other premium programs that have gained Automatic Appliance Inc. various honors through the decades, including the “Retailer of the Year” award in 1998. Automatic Centre’s mission is to serve the greatest number of people, and its vision is to transform every household into a comfortable and efficient home where the family can enjoy and enhanced quality of life.

BOT Lease Holdings Inc.

BOT Lease And Finance Philippines, Inc. is the only Japanese general service leasing company in the Philippines when it opened its doors for business in 1996. It provides support
(credit) not only for Japanese firms in the Philippines but for local companies as well. Other than providing financing for capital investment, BOT Lease and Finance Philippines, Inc. also supports Japanese companies in a wide variety of ways, such as providing consultancy services and/or other data.

2. **Financial Information on the Issuer:**

| 1. | Consolidated Financial Statements | Please see the attached Issuer’s Consolidated Financial Statements. |
| 2. | Other Matters | |
| | ● Subsequent Events: | There are no material subsequent events. |
| | ● Litigations: | As of the date of this Single Submission Form, the Company is not a party to, nor any of the Company’s properties are the subject of any pending material litigation, arbitration or other legal proceeding, and no litigation or claim of material importance is known to the management and the directors to be threatened against the Company, its subsidiaries or any of its properties. |

3. **Information on the Guarantor or Provider of other Credit Enhancement (if any):**

| 1. | Name: | Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank |
| 2. | Address: | Asian Development Bank Building, 6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines |
| 3. | Description of Business: | Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (“CGIF”) was established by 10 members of the Association of Southeast Asian Nations (“ASEAN”), together with the People’s Republic of China (“PRC”), Japan (Japan Bank for International Cooperation (“JBIC”)), Republic of Korea (together with the ASEAN, PRC and JBIC “ASEAN+3”), and the Asian Development Bank (“ADB”) in 2010. The 10 members of ASEAN consist of Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic (“Lao PDR”), Malaysia, Republic of the Union of Myanmar, Philippines, Singapore, Thailand and Vietnam. CGIF was part of the Asian Bond Markets Initiative to develop and strengthen local currency and regional bond markets. CGIF provides credit guarantees for local currency denominated bonds |
issued by creditworthy ASEAN+3 domiciled corporations.

The guarantees issued by CGIF are irrevocable and unconditional commitments to pay bondholders upon non-payment by the issuers throughout the tenor of the bonds. It aims to help guaranteed companies secure long-term financing, reduce their dependency on short-term foreign currency borrowing, and address currency and maturity mismatches.

By promoting deep and liquid local currency and regional bond markets, CGIF helps foster economic development, build the resilience of the financial markets, and prevent disruptions to the international financial order. By facilitating the access of creditworthy entities to local currency and regional markets, and by pushing the issuance of debt securities with longer-term maturities that match the gestation of investment projects, efficient allocation of savings within the Asia and Pacific region are achieved.

The ADB is the trustee of CGIF and as such, and in line with the provisions of the Articles of Agreement ("AoA"), it holds in trust and manages all CGIF funds and other properties. In accordance with Article 10.3.2 of the AoA, ADB, as the trustee of CGIF, has also delegated the trustee’s powers to the Meeting of Contributors, except for certain limited powers specified therein. The Meeting of Contributors, in turn, has delegated such powers to the Board of Directors.

According to a report by the Organisation for Economic Co-operation and Development ("OECD"), in the period between 2012 and 2015, CGIF ranked third in private finance mobilization by multilateral guarantees after the World Bank and African Development Bank.

4. Guaranty or Support Agreement Details: CGIF’s guarantee is irrevocable and unconditional in respect of non-payment (or failure of the Issuer to pay in full the Principal Amount and Scheduled Interest when due for payment on the Notes). CGIF guarantees the full payment of all scheduled principal and interest due under the Notes in accordance with the guarantee agreement dated 12 November 2018 to be issued by CGIF in favour of the Noteholders ("Guarantee Agreement").
“Principal Amount” means at any time the outstanding principal amount in respect of the Notes due on the maturity date of the Notes, or on an accelerated basis pursuant to the terms of the Guarantee Agreement.

“Scheduled Interest” means scheduled interest on the Notes payable, excluding, for the avoidance of doubt, default interest (if any).
4. Financial Information on the Guarantor or Provider of Credit Enhancement:

Financial Highlights (Auditor: Deloitte)

<table>
<thead>
<tr>
<th>(In USD thousands)</th>
<th>Summary of Financials</th>
<th>Unaudited 1H 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td><strong>Balance Sheet Items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>751,569</td>
<td>772,002</td>
</tr>
<tr>
<td>Guarantee Liability</td>
<td>27,841</td>
<td>41,804</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>29,012</td>
<td>44,481</td>
</tr>
<tr>
<td>Members' Equity</td>
<td>722,557</td>
<td>727,521</td>
</tr>
<tr>
<td><strong>Income Statement Items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>14,751</td>
<td>19,206</td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>8,194</td>
<td>10,806</td>
</tr>
<tr>
<td>Net Income</td>
<td>7,781</td>
<td>10,082</td>
</tr>
</tbody>
</table>

In 2017, CGIF generated a net income of USD 10.8 Mn, which is USD 0.8 Mn or 7.5% higher than the previous year. This increase was realized through the USD 2.8 Mn increase in total revenues but was partly offset by the USD 2.0 Mn increase in total expenses. Of the total revenue of USD 21.2 Mn, USD 11.8 Mn was contributed from the investment income, which had an 11.7% increase from USD 10.6 Mn in 2016, and USD 9.1 Mn from the guarantee income, which also showed a 13.5% increase or an increase of USD 1.1 Mn from 2016. The total expenses ended at USD 10.4 Mn, 23.7% higher than previous year due to reinsurance expenses and the write-off of withholding taxes on guarantee fees paid by clients, which were deemed un-reimbursable from the tax authority.

Outstanding guarantee issued as of the end of 2017 decreased to USD 1,096.3 Mn or by 2.2% from USD 1,120.5 Mn in 2016 due to the completion of three accounts during the year. Recognized guarantee fee receivables and guarantee liability recorded USD 34.5 Mn and USD 37.3 Mn, which mark decreases of 10.5% and 10.8% from 2016, respectively.

Total Member's Equity increased to USD 739.2 Mn in 2017, a 2.4% increase from last year's USD 727.5 Mn. Retained Earnings for 2017 was USD 10.8 Mn. CGIF’s Reserve, which is the accumulation of allocated retained earnings since its establishment, stood at USD 34.8 Mn.
III. Information on the Program or the Shelf-Registration

[Not applicable]
IV. Information on the Notes

1. Summary of the Terms and Conditions of the Notes or Final Terms of Individual Issuance of Notes:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Issuer(s): AEON Credit Service (Philippines) Inc.</td>
</tr>
<tr>
<td>2.</td>
<td>2-1. Guarantor (if any): Credit Guarantee Investment Facility, a trust fund of the Asian Development Bank</td>
</tr>
<tr>
<td></td>
<td>2-2. Provider of Support Agreement (if any): n/a</td>
</tr>
<tr>
<td>3.</td>
<td>Name of the Notes: SEC registration exempt Fixed Rate Corporate Notes of AEON Credit Service (Philippines) Inc. Due in 2021 and 2023 (the “Notes”)</td>
</tr>
<tr>
<td>4.</td>
<td>Aggregate Amount of the Notes (Issue Amount): One Billion Pesos (Php1,000,000,000)</td>
</tr>
<tr>
<td>5.</td>
<td>Form of Notes: The Notes shall be issued in scripless form, and shall be electronically registered in book-entry form.</td>
</tr>
<tr>
<td>6.</td>
<td>Status of the Notes: The Notes shall constitute the direct, unconditional, unsubordinated and general and unsecured obligations of the Issuer ranking at least pari passu in all respects and ratably without any preference or priority with all other outstanding, unsecured and unsubordinated obligations, contingent or otherwise, present or future, of the Issuer, in each case except for obligations which have preference solely by operation of applicable Law, including but not limited to preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors’ rights generally (except any preference or priority established by Article 2244, paragraph 14(a) of the Civil Code of the Philippines) and by general principles of equity.</td>
</tr>
<tr>
<td>7.</td>
<td>Denomination of the Notes: The Notes are denominated in Philippine Pesos.</td>
</tr>
<tr>
<td>8.</td>
<td>Issue Price: 100% of the principal amount</td>
</tr>
<tr>
<td>9.</td>
<td>Offer Price: 100% of the principal amount</td>
</tr>
<tr>
<td>10.</td>
<td>Date of Issue: 16 November 2018</td>
</tr>
<tr>
<td>11.</td>
<td>Date of Maturities: Three-Year Notes: Three (3) years from Issue Date; and/or Five-Year Notes: Five (5) years from Issue Date</td>
</tr>
<tr>
<td>12.</td>
<td>Early Redemption:</td>
</tr>
<tr>
<td>13.</td>
<td>Type of Notes:</td>
</tr>
<tr>
<td>14.</td>
<td>Interest or Coupon Rate:</td>
</tr>
<tr>
<td>15.</td>
<td>Interest or Coupon Payment Method:</td>
</tr>
<tr>
<td>16.</td>
<td>Negative Pledge:</td>
</tr>
</tbody>
</table>
foregoing and any conditional sale or other title retention agreement) in each case to the extent securing payment or performance of an obligation (“Security”) to subsist over any of its present or future property, assets or revenues.

(b) The Issuer shall not, and shall ensure that no other member of the Group (if any) will:

(i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by any other member of the Group (if any);

(ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(iii) enter into or permit to subsist any title retention arrangement, except for the purchase of vehicles, information technology (“IT”) equipment and IT facilities covered by financing arrangements in the ordinary course of business;

(iv) enter into or permit to subsist any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts, except any netting or set-off arrangement entered into by any member of the Group or in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(v) enter into or permit to subsist any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness (as the term is defined in the attached Notes Facility Agreement) or of financing the acquisition of an asset.
<table>
<thead>
<tr>
<th></th>
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<th>(c) Subparagraphs (a) and (b) above do not apply to Security:</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>(i) arising by operation of law;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(ii) incurred in relation to the normal course of business of the Issuer or any member of the Group;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(iii) provided to third parties and to CGIF at the same time which shall rank <em>pari passu</em> with such secured debt (except for debts which are protected by law to have preferential right);</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(iv) which shall not materially affect CGIF. For the avoidance of doubt, if the Issuer provides a Security to any creditor (“New Creditor”) in respect of a Financial Indebtedness, the Issuer shall also provide the same Security to CGIF, such that, CGIF and the New Creditor shall rank <em>pro rata</em> and <em>pari passu</em> with respect to the same Security given;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(v) constituted over an asset being acquired (“Acquired Asset”) for the sole purpose of securing the acquisition of the Acquired Asset, provided that the Acquired Asset is used in the normal course of the Issuer’s or any member of the Group’s business; or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(vi) as otherwise authorized or approved in writing by CGIF upon request by Issuer.</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>17.</th>
<th>Cross Default:</th>
<th>The following are the cross default provisions:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(a) Any Financial Indebtedness of the Issuer or any other member of the Group is not paid or repaid when due or within any originally applicable grace period.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) Any Financial Indebtedness of the Issuer or any other any member of the Group is declared to be (or becomes capable of being declared) or otherwise becomes due and</td>
</tr>
</tbody>
</table>
payable prior to its specified maturity as a result of an event of default (however described).

(c) Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).

(d) Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).

(e) The foregoing events shall be deemed to have not occurred if:

(i) The Issuer can show proof satisfactory to CGIF that the Financial Indebtedness as per the relevant contract is deposited with a reputable bank on escrow or has been consigned; or

(ii) The Issuer promptly discloses to CGIF details satisfactory to CGIF of the circumstances that may give rise to the cross default, genuine grounds for contesting such claim, and that its financial position is and will not be impaired as a result of this dispute.

| 18. | Governing Law and Jurisdiction: | The Notes shall be governed by and construed in accordance with the laws of the Philippines. |
| 19. | Special Withholding Tax Applied to Financial Institutions including FATCA (if any): | Interest income on the Notes shall be subject to a twenty percent (20%) creditable withholding tax, which tax shall be for the account of the Noteholders, except Corporate and institutional purchasers who are exempt from or are not subject to the said tax by virtue of their tax-exempt status. |

2. Other Information of the Notes:

| 1. | Dealers and/or Underwriters or Equivalent: | Metropolitan Bank & Trust Company – Trust Banking Group agree to act as facility agent and First Metro Investment Corporation agree to act |
2. Trustee or Equivalent (if any): Metropolitan Bank & Trust Company – Trust Banking Group agree to act as noteholders' representative.

3. Fiscal Agent: n/a

4. Paying Agents: PDTC

5. Registrar and Transfer Agent: PDTC

6. Other Agent: n/a

7. Listing, Registration, or Filing Place(s) of the Notes:
   Information about the Notes will be disclosed at the website of the PDS Group (www.pds.com.ph).
   The Notes are expected to be enrolled and listed on the Qualified Board.

8. Settlement Place(s) of each Denominated Currency Notes: PDTC

9. Use of Proceeds:
   1. Amount of Proceeds from Sale of Notes: After deducting estimated offering expenses payable by the Issuer, the estimate net proceeds from the issuance of the Notes will be approximately PHP 980,657,225.
   2. Use of Proceeds and Timing of Disbursement: The net proceeds of the issuance of the Notes shall be used by the Issuer for general corporate purposes.
      Fourth quarter of 2018.

10. Risk Factors relating to the Notes: Please see risk factors in Issuer Information in Item II above.

11. Selling Restrictions at Issuance:
   1. The Notes shall be issued to not more than eight (8) Institutional Qualified Buyers in the primary issue. Institutional Qualified Buyers refer to noteholders who must be Philippine resident juridical persons or entities who, at the point of offer, purchase and on the Issue Date, are classified or considered as Qualified Buyers under Section 10.1(l) of the Securities Regulation Code or Rule 10.1.3.1 to 10.1.3.6 of the Implementing Rules and Regulations of the Securities Regulation Code, and when applicable, duly qualified by a SEC-registered qualified investor registrar.

Selling Restrictions Thereafter:
1. Pursuant to Rule 10.1.4 of the 2015 Implementing Rules of the Securities Regulation Code, the Notes issued under the Facility shall not be transferred to a person other than an Institutional Qualified Buyer and in accordance with Rule 10.1.4. There shall be no transfer, assignment or sub-participation of the Notes, or any sale by a Noteholder of a participation in all or any part of its Commitment, if such transfer, assignment or sub-participation will result in the Notes or Commitment (as applicable) being held by more than eight (8) Eligible Noteholders at any one time.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>12.</td>
<td>Credit Rating for the Notes:</td>
</tr>
<tr>
<td></td>
<td>n/a</td>
</tr>
<tr>
<td>13.</td>
<td>Other:</td>
</tr>
<tr>
<td></td>
<td>n/a</td>
</tr>
</tbody>
</table>

14. Method of Distribution: Syndicated

15. Outstanding Debt from Previous Issues of Bonds and Notes: None

16. Cross Currency Swap Information: n/a

17. Timing of Note Issuance: 16 November 2018
V. Terms and Conditions of the Notes

Please see the following attachments:

(1) Notes Facility Agreement; and
(2) Information Memorandum
NOTES FACILITY AGREEMENT

among

AEON CREDIT SERVICE (PHILIPPINES), INC.
as Issuer

KEB HANA BANK, MANILA BRANCH
LAND BANK OF THE PHILIPPINES
METROPOLITAN BANK & TRUST COMPANY
ROBINSONS BANK CORPORATION
SECURITY BANK CORPORATION
SHINHAN BANK - MANILA BRANCH
UNION BANK OF THE PHILIPPINES
as Initial Noteholders

CREDIT GUARANTEE AND INVESTMENT FACILITY,
A TRUST FUND OF THE ASIAN DEVELOPMENT BANK
as Guarantor

METROPOLITAN BANK & TRUST COMPANY – TRUST BANKING GROUP
as Facility Agent

FIRST METRO INVESTMENT CORPORATION
as Lead Arranger

November 12, 2018
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NOTES FACILITY AGREEMENT

This Notes Facility Agreement (the “Agreement”) dated as of November 12, 2018 is executed among the following parties:

(1) AEON CREDIT SERVICE (PHILIPPINES), INC. (“AEON PHILIPPINES”) a corporation organized under the laws of the Philippines, with its principal office located at 3rd Floor, Hanston Square, 17 San Miguel Avenue, Ortigas Center, Pasig City, Philippines as issuer (the “Issuer”),

(2) THE FINANCIAL INSTITUTIONS listed in Schedule A (each in its capacity as an initial noteholder, the “Initial Noteholders”);

(3) CREDIT GUARANTEE AND INVESTMENT FACILITY, a trust fund of the Asian Development Bank with its principal office located at Asian Development Bank Building, 6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines as guarantor (“CGIF” or the “Guarantor”);

(4) METROPOLITAN BANK & TRUST COMPANY – TRUST BANKING GROUP, a universal bank duly licensed and existing under the laws of the Philippines, with its principal office located at 16th Floor, Metrobank Financial Center, 7th Street corner 35th Street, Bonifacio Global City, Taguig City, Philippines as facility agent (in such capacity, the “Facility Agent”) and as guaranteed party (in its capacity as the representative for and on behalf of the Noteholders or as Noteholders’ Representative (as defined below) (in such capacity, the “Guaranteed Party”);

(5) FIRST METRO INVESTMENT CORPORATION, an investment house organized under the laws of the Philippines, with its principal office located at 45th Floor, GT Tower International, 6813 Ayala Ave. cor. H.V. Dela Costa St., 1227 Makati City, as lead arranger (in such capacity, the “Lead Arranger”).

(Each of the above shall be referred to as a “Party” and collectively as the “Parties.”)

RECITALS:

A. The Issuer is authorized to constitute and issue three (3)-year and five (5)-year SEC registration exempt fixed rate corporate notes (the “Notes”) in the aggregate principal amount of up to One Billion Pesos (Php1,000,000,000). The Notes are proposed to be issued under the ASEAN+3 Multi-Currency Bond Issuance Framework (“AMBIF”).

B. Subject to the terms and conditions herein set forth, the Initial Noteholders have agreed to make available to the Issuer a notes facility and subscribe to the Notes of the Issuer. The Notes shall be issued in scripless form, and shall be electronically registered in book-entry form in the Register of Noteholders maintained by the Registrar. The Issuer intends to enroll the Notes on the the Philippine Dealing & Exchange Corp. (“PDEx”) for purposes of having these admitted for trading on the PDEx Trading System commencing on Issue Date, subject to the guidelines of PDEx in force from time to time.

C. Subject to the provisions of the Guarantee Agreement, the Guarantor irrevocably and unconditionally guarantees to the Guaranteed Party the full and punctual payment of the Guaranteed Amount (as defined below).
NOW, THEREFORE, IT IS AGREED:

SECTION 1. DEFINITIONS

1.1 Certain Defined Terms.

As used herein and in the Schedules, Annexes and Exhibits to this Agreement, the following terms shall have the following meanings (all terms defined in this Section 1.1 or in other provisions of this Agreement in the singular have the same meanings when used in the plural and vice versa):

“Advance” means, save as otherwise provided herein, an advance denominated in Pesos (as from time to time reduced by repayment) made or to be made by a Noteholder hereunder, which advance shall be equivalent to the issue price of a Note, or as the context may require, the amount of such advance from time to time outstanding;

“Affiliate” means, in relation to a company or corporation, a Subsidiary or the Holding Company of such company or corporation or a Subsidiary of that Holding Company;

“Agents” means, collectively the Lead Arranger, the Facility Agent, the Registrar, and the Paying Agent;

“Articles of Agreement” means the articles of agreement of CGIF originally dated 11 May 2010 as amended on 27 November 2013, 31 May 2016, 23 May 2017, and 31 May 2018 (as may be further amended or supplemented from time to time);

“Auditor” means Navarro Amper & Co. or any representative of any internationally recognized firm of independent public accountants (or the Philippine affiliate thereof) acceptable to the Noteholders, as the Issuer may from time to time appoint as its auditors;

“Authorisation” means:

(a) an authorisation, consent, approval, resolution, license, exemption, filing, notarization, lodgement or registration; or

(b) in relation to anything which will be fully or partly prohibited or restricted by law if a Governmental Agency intervenes or acts in any way within a specified period after any lodgement, filing, registration or notification has been made, the expiry of that specified period without any such intervention or action.

“Availability Period” means the period from and including the date of this Agreement and ending on the earliest of: (i) the Issue Date which shall be no later than November 20, 2018; and (ii) the date the Commitments of the Initial Noteholders are cancelled or terminated in accordance with the provisions of this Agreement;

“BIR” means the Philippine Bureau of Internal Revenue;

“Business Day” means a day other than a Saturday or Sunday or official national or local holiday, on which commercial banks and foreign exchange markets generally open for the transaction of business in Mandaluyong City, Makati City, Taguig City, City of Manila, and Quezon City;

“Capital Adequacy Ratio” means the risk-based capital ratio of a quasi-bank, expressed as a percentage of qualifying capital to risk-weighted assets, as determined under Secs. 4116Q to
Sec. 4416Q.6 of the Manual of Regulations for Non-Bank Financial Institutions, as may be amended from time to time;

“CGIF Assets” means all property and assets of CGIF held in trust in accordance with the Articles of Agreement of CGIF and available from time to time to meet the liabilities of CGIF. For the avoidance of doubt, a CGIF Asset does not include any assets of the Asian Development Bank or any other contributors to CGIF;

“CGIF Certificate” means the certificate to be issued by the Guarantor to the Guaranteed Party certifying it has received (or waived receipt of) the documents and evidence set out in Schedule 1 (Conditions Precedent) of the Reimbursement and Indemnity Agreement in form and substance satisfactory to CGIF, substantially in the form set out in Schedule 4 (Form of CGIF Certificate) to the relevant Reimbursement and Indemnity Agreement;

“Commitment” means, in relation to each Initial Noteholder, the amount in Pesos set opposite its name under the heading “Commitments” in Schedule A, with the aggregate amount of all Commitments by all the Initial Noteholders totaling One Billion Pesos (Php1,000,000,000), or, as the context may require, the obligation of each Initial Noteholder to subscribe to and pay for such amount of the Notes in accordance with the terms and subject to the conditions of this Agreement;

“Default” means the occurrence of an Event of Default or an event which with notice or lapse of time or both would become an Event of Default;

“Default Interest” means 18% per annum on any past due and unpaid amount from and including the due date up to and excluding the date of payment in full;

“Drawdown” means the making of an Advance to the Issuer by a Noteholder pursuant to Section 2.1;

“Eligible Noteholder” shall refer to Noteholders who must be Philippine resident juridical persons or entities who, at the point of offer, purchase and on the Issue Date, are classified or considered as Qualified Buyers under Section 10.1(l) of the SRC or Rule 10.1.3 of the SRC IRR, and when applicable, duly qualified by an SEC-registered qualified investor registrar. The Noteholders shall not exceed eight (8) at any given time;

“Event of Default” means the occurrence of an event specified as such in Section 9.1 (in relation to Part 5 of Schedule B);

“Facility” means the corporate notes facility granted to the Issuer under this Agreement;

“Facility Office” in relation to a Noteholder means the office identified as such below its signature on the execution pages hereof or such other office as it may from time to time and for the purpose of this Agreement select subject to Section 11.3(f);

“Fee Letter” means any fee letter delivered pursuant to Section 5.1 and designated as a “Fee Letter” by the Facility Agent, including, for the avoidance of doubt, the Guarantee Fee Letter;

“Financial Statements” means the financial statements referred to in Item 1 of Part 4 of Schedule B;

“Global Note” means the physical note representing the scripless form of the Notes, which shall be undated but duly executed by the Issuer, to be issued, delivered to, and held by the Facility Agent and dated on the Issue Date, in the form of Exhibit L;
“Governmental Agency” means any government department or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organization established under statute);

“Government Entity” means any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government;

“Guarantee Agreement” means the guarantee agreement dated November 12, 2018 to be issued by CGIF in favour of the Guaranteed Party in connection with the Notes, substantially in the form of Exhibit F;

“Guaranteed Amount” means (i) any Principal Amount and any Scheduled Interest which is overdue and unpaid (whether in whole or in part) (after the expiry of any applicable grace periods) by the Issuer under this Agreement; (ii) any Additional Accrued Interest (as defined under the Guarantee Agreement); and (iii) any Noteholders’ Representative Expenses (as defined under the Guarantee Agreement). For the avoidance of doubt, a Guaranteed Amount does not include any increased costs, tax-related indemnity (but includes any additional amounts required to be paid to the Noteholders due to a tax deduction in accordance with Section 4.1(b) (Funding and Yield Protection) of this Agreement, provided that the Guaranteed Amount will not exceed the original amount which would have been due from the Issuer if no tax deduction were required), default interest, fees, or any other amounts other than any Principal Amount, any Scheduled Interest, any Additional Accrued Interest and any Noteholders’ Representative Expenses payable by the Issuer to the Guaranteed Party or any Noteholders;

“Guarantee Documents” means the Guarantee Agreement, the Reimbursement and Indemnity Agreement, the Guarantee Fee Letter and any other agreement or document entered into between any of the Guarantor, the Issuer and the Guaranteed Party (as applicable) in connection with any of those documents;

“Guarantee Fee Letter” means the fee letter executed or to be executed between the Guarantor and the Issuer providing for the fees of the Guarantor, and specifying the amounts and on the dates to be paid by the Issuer to the Guarantor;

“Guaranteed Party” means the Metropolitan Bank & Trust Company – Trust Banking Group as Facility Agent and the Noteholders’ Representative;

“Holding Company” means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;

“Initial Noteholder” means each of the financial institutions listed in Schedule A;

“Institutional Qualified Buyers” means the Noteholders who must be Philippine resident juridical persons or entities who, at the point of offer, purchase and on the Issue Date, are classified or considered as Qualified Buyers under Section 10.1(l) of the SRC or Rule 10.1.3.1 to 10.1.3.6 of the SRC IRR, and when applicable, duly qualified by a SEC-registered qualified investor registrar;

“Interest Payment Date” means the last day of each Interest Period;

“Interest Period” means the period commencing on the Issue Date and having a duration of six (6) months and each period thereafter commencing on the expiry of the immediately preceding Interest Period and having a duration of six (6) months; provided, however, that for purposes of calculating the interest, the first day of the Interest Period shall be excluded and the last day of the Interest Period shall be included; provided, further, that, the last day of the first Interest
Period shall be adjusted to coincide with the last day of the then current Interest Period; provided finally, that the last Interest Period shall not go beyond the Maturity Date;

“Interest Rate” means 7.299% per annum for the three (3)-year Notes and 7.695% per annum, for the five (5)-year Notes, in both cases calculated based on 30/360 day basis;

“Issue Date” means November 16, 2018 or such other date as may be agreed upon by the Issuer and the Initial Noteholders;

“Law” means (i) any statute, decree, constitution, regulation, rule, order or any directive of any Government Entity, (ii) any treaty, pact, compact or other agreement to which any Government Entity is a signatory or party, (iii) any judicial or administrative interpretation or application of any Law described in paragraph (i) or (ii) above, and (iv) any amendment or revision of any Law described in paragraph (i), (ii) or (iii) above;

“Majority Noteholders” means the Noteholder/s whose principal amount of relevant Advances for the time being outstanding constitute at any time more than fifty percent (50%) of the Principal Amount, or if no Advances are at the time outstanding, the Noteholder/s having Commitments which constitute more than fifty percent (50%) of the aggregate Commitments of all the Noteholders;

“Material Adverse Effect” means, as of any date of determination, a material adverse effect, reasonably determined by the Guarantor, on (a) the present or future business, operations, property, and/or financial condition of the Issuer; (b) the ability of the Issuer to execute, deliver and/or perform any of its obligations under the Note Documents or the Guarantee Documents; and/or (c) the validity or enforceability of the Note Documents, the Guarantee Documents or the rights or remedies of the Noteholders or the Agents under the Note Documents;

“Maturity Date” means the date falling on the third (3rd) anniversary of the Issue Date in case of the three (3)-year Notes, or the fifth (5th) anniversary of the Issue Date in case of the five (5)-year Notes;

“Non-payment” means failure of the Issuer to pay in full the Principal Amount and Scheduled Interest when due for payment on the Notes;

“Notes” means the three (3)-year and five (5)-year fixed rate corporate notes to be issued by the Issuer in scripless form pursuant to Section 2.5, and which shall be electronically registered in book-entry form in the Register of Noteholders maintained by the Registrar;

“Noteholder” means the Initial Noteholders or, as the context requires, the holder of a Note or a Transferee as recorded by the Registrar under the Registry and Paying Agency Agreement, which in no case shall exceed eight (8) at any given time;

“Noteholders’ Representative” means initially the person named as “Facility Agent” under this Agreement or any successor appointed as Facility Agent in respect of the Notes from time to time in accordance with this Agreement with the prior written consent of the Guarantor;

“Note Documents” refers to (a) this Agreement or such other document/s as may be required for enrollment containing, inter alia, undertakings, representations and warranties, events of default (including cross default), (b) the Global Notes; (c) Single Submission Form to be submitted to PDE; (d) Registry and Paying Agency Agreement with the Registrar; (e) Market Maker Participation Letter, and any other agreement or document executed, delivered or received pursuant to this Agreement;
“Paying Agent” refers to the Philippine Depository & Trust Corp. in its capacity as such paying agent;

“Person” means an individual, firm, partnership, limited liability company, joint venture, other form of association, trust, corporation, Government Entity, committee, department, authority or anybody, incorporated or unincorporated, whether having distinct legal personality or not;

“Pesos” and the sign “Php” means the legal currency of the Philippines;

“PFRS” means the Philippine Financial Reporting Standards;

“Philippines” means the Republic of the Philippines;

“Principal Amount” means at any time the outstanding principal amount in respect of the Notes due on the Maturity Date, or on an accelerated basis pursuant to the terms of the Guarantee Agreement;

“Reimbursement and Indemnity Agreement” means the reimbursement and indemnity agreement executed or to be executed on even date between the Guarantor and the Issuer in the form agreed upon by the parties;

“Register of Noteholders” means a register maintained by the Registrar which provides a full and complete record of the Noteholders holding title to the Notes and the particulars of any transfer of the Notes;

“Registrar” refers to the Philippine Depository & Trust Corp. in its capacity as such registrar;

“Registry and Paying Agency Agreement” means the agreement so titled and dated on or about the date of this Agreement, between the Issuer and the Registrar and Paying Agent;

“Registry Confirmation” has the same meaning assigned to it in Section 2.5 (a);

“Scheduled Interest” means scheduled interest on the Notes payable at the Interest Rate on each Interest Payment Date (excluding, for the avoidance of doubt, default interest (if any));

“SEC” means the Philippine Securities and Exchange Commission;

“Security” means any mortgage, pledge, lien, charge, encumbrance, hypothecation, security interest or claim of any kind or nature on or with respect to any asset, whatsoever, howsoever and wherever created or arising and whether consensual or nonconsensual (including any agreement to give any of the foregoing and any conditional sale or other title retention agreement) in each case to the extent securing payment or performance of an obligation;

“Subsidiary” means, in relation to any company or corporation, a company or corporation:

(a) which is controlled, directly or indirectly, by the first mentioned company or corporation and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

(b) more than half the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation;
(c) all entities whose financial statements are required to be fully consolidated with the first mentioned company or corporation in accordance with the accounting standards adopted for the consolidated financial statements of such company or corporation; or

(d) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation;

“SRC” means the Securities Regulation Code;

“SRC IRR” means the 2015 Implementing Rules and Regulations of the Securities Regulation Code;

“Taxes” or “Tax” means any present and future taxes (including documentary stamp tax or value-added tax, gross receipt tax or any substitute tax), levies, imposts, duties, filing and other fees or charges imposed by any Government Entity;

“Transferee” means an Institutional Qualified Buyer to which a Noteholder seeks to transfer all or part of such Noteholder’s rights and obligations pursuant to Section 11.3(b) and (c);

“USD” or “U.S. Dollars” means the legal currency of United States of America.

1.2 Other Terms.

Any reference in this Agreement to:

a “company” shall be construed so as to include any company, corporation or any association or partnership (whether or not having separate legal personality) of any two or more persons;

“Lead Arranger”, “Facility Agent”, “Registrar”, “Paying Agent” and “Noteholders” shall be construed so as to include their respective successors, transferees and assigns in accordance with their respective interests to the extent permitted under the terms hereof and, in the case of the “Issuer”, its successor, transferee and assignee to the extent permitted under the terms hereof;

an “Exhibit” shall, subject to any contrary indication, be construed as a reference to an exhibit hereof;

a “day” shall, unless otherwise defined herein, refer to a calendar day and “month” is the period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month);

“outstanding” means, at any time in relation to a Noteholder, the aggregate outstanding principal, interests, penalties, and all other amounts owed to it in respect of the Advance which such Noteholder has made and under the Note Documents, and which has not been repaid;

a “Schedule” shall, subject to any contrary indication, be construed as a reference to a schedule hereof;

a “Section” shall, subject to any contrary indication, be construed as a reference to a section hereof; and
the “winding-up”, “dissolution” or “administration” of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.

1.3 Accounting Terms.

All accounting terms not specifically defined in this Agreement shall be construed in accordance with PFRS.

1.4 Rules of Construction.

Save where the contrary is indicated, any reference in this Agreement to:

(a) this Agreement, any Note Document, any Guarantee Document or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, such Note Document, such Guarantee Document, other agreement or document as the same may have been, or may from time to time be (subject to any restrictions herein), amended, varied, novated, supplemented, replaced or substituted; and

(b) a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted.

1.5 Headings.

Section, Exhibit and Schedule headings are for ease of reference only and shall not affect the interpretation of this Agreement.

SECTION 2. COMMITMENT

2.1 The Facility.

(a) The Initial Noteholders grant to the Issuer a notes facility in the maximum principal amount of up to One Billion Pesos (Php1,000,000,000) equivalent in Philippine Peso upon the terms and subject to the conditions hereof.

(b) Each Initial Noteholder agrees, upon and subject to the terms and conditions hereinafter set forth, to make an Advance in Pesos to the Issuer in the principal amount of up to but not in excess of its Commitment in a single Drawdown during the Availability Period. Any amount of the Commitment of each of the Initial Noteholders remaining undrawn after the Availability Period shall automatically be cancelled.

2.2 Issue Price.

The Notes shall be issued at one hundred percent (100%) of their face value.

2.3 Interests Several.

The obligations of the Noteholders under the Note Documents are distinct and several and nothing herein shall be deemed to create a joint venture or partnership between any of them. The amounts payable at any time under the Note Documents to each Noteholder shall be a separate payment for such debt of the Issuer to such Noteholder. Each Noteholder shall be entitled to protect its rights arising under the Note Documents and it shall not be necessary for
the other Noteholders to be joined as additional parties in any proceedings thereunder, except that, before the Issuer may be declared in default, the provisions of Section 9 shall govern.

2.4 Procedure for Drawdown.

(a) The Facility shall be available for drawing in no more than one (1) Drawdown during the Availability Period.

(b) The Issuer shall deliver to the Facility Agent at least four (4) Business Days (or such shorter period as may be agreed upon in writing among the Issuer and the Noteholders, with prior written notice to the Guarantor) prior to the proposed Drawdown, a Notice of Drawdown substantially in the form of Exhibit A. Such Notice of Drawdown, once delivered, shall be irrevocable and binding on the Issuer.

(c) Together with the Notice of Drawdown, the Issuer shall deliver to the Facility Agent at least four (4) Business Days (or such shorter period as may be agreed by the Facility Agent, in consultation with the Noteholders) the applicable conditions precedent documents referred to in Section 8.1 (except items (i), (j), (k) and (l) which shall be submitted on the required dates), with sufficient copies for each Noteholder, the Guarantor, and counsels to the Noteholders and the Guarantor.

(d) On the Business Day immediately following the receipt by the Facility Agent of the Notice of Drawdown and all the applicable documents required under Section 8 but no later than 12:00 p.m. two (2) Business Days before the Issue Date, the Facility Agent shall (i) notify each Noteholder in writing thereof and the amount to be advanced by such Noteholder in connection therewith in accordance with its Commitment, and (ii) deliver copies to each Noteholder of the applicable documents required under Section 8 which have been submitted by the Issuer, such documents being duly certified by the Facility Agent, together with a certification that it has received all the applicable conditions precedent documents, which certification shall substantially be in the form of Exhibit D. Upon the issuance of such certification, the Facility Agent shall be authorized to date the Global Note on the Issue Date subject to the provisions of subparagraph (e) below.

(e) Subject to the fulfillment of all applicable conditions of Drawdown set forth in Section 8 and receipt by the Initial Noteholders from the Facility Agent of the certification issued by the Facility Agent (as provided under Section 8.1 paragraph (i)), each Initial Noteholder shall purchase the respective Notes, which shall be in the amount of such Initial Noteholder’s Advance, which is in accordance with such Noteholder’s Commitment. The Noteholders shall deliver to the Facility Agent their duly accomplished and executed Application to Purchase in the form of Exhibit K and all other documents required under the Application to Purchase at least three (3) days prior to the Issue Date. The Noteholders shall deliver to the Issuer the amount of such Initial Noteholder’s Advance, which shall not exceed the Initial Noteholder’s Commitment, and such remittance shall be made in same day available funds not later than 12:00 p.m. on the Issue Date, either by way of Real Time Gross Settlement or fund transfer to an account designated by the Issuer with a bank in Metro Manila duly licensed by the Bangko Sentral ng Pilipinas, in either case in accordance with the written instructions of the Issuer to the Initial Noteholders.

2.5 The Notes.

(a) The Notes will be issued to the Noteholders in scripless form in minimum denominations of PhP50,000,000.00 and in integral multiples of PhP50,000,000.00 thereafter. There will be a Global Note to represent the Notes, which shall be issued
to and held by the Facility Agent, but the Noteholders will not receive any physical note or certificate evidencing their interest in the Notes. Title to the Notes shall be evidenced by and recorded in the Register of Noteholders maintained by the Registrar. Upon any assignment or transfer, title to the Notes shall pass by recording the assignment or transfer from a transferor to the transferee in the Register of Noteholders maintained by the Registrar. The Registrar shall issue a registry confirmation to each noteholder whose interest in the Notes is registered in the Register of Noteholders (“Registry Confirmation”).

(b) The offer of the Notes is made as an exempt transaction under Section 10.1(l) of the SRC and Rule 10.1.3 of the SRC IRR. The offer is limited to Eligible Noteholders.

(c) The Notes shall be issued in dematerialized form, eligible for electronic settlement, and compliant with the required settlement procedure of PDEx and the Registrar.

(d) The Notes shall be issued to not more than eight (8) Institutional Qualified Buyers in the primary issue and there shall be no transfers or assignment of the Notes, which would result in the Notes being held by more than eight (8) Institutional Qualified Buyers. Any assignment or transfer in violation of the foregoing conditions shall be void and shall not be recorded in the Register of the Notes. The assignment or transfer of the Notes shall be in accordance with the rules of the Registrar and PDEx.

(e) Each of the Notes and all other claims of the Noteholders under the other Note Documents and/or Guarantee Documents rank at least pari passu in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer and senior in right of payment with any advances from the Issuer’s shareholders, Subsidiaries, Holding Companies or Affiliates, in each case except for obligations which have preference solely by operation of applicable Law, including but not limited to preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors’ rights generally (except any preference or priority established by Article 2244, paragraph 14(a) of the Civil Code of the Philippines) and by general principles of equity.

(f) Each of the Notes, to the extent of the Guaranteed Amount, shall be guaranteed by the Guarantor through an irrevocable and unconditional guarantee, pursuant to the Guarantee Agreement.

(g) Any Note which is purchased by and assigned to the Issuer or any of its Subsidiaries, Holding Companies, or Affiliates shall automatically be deemed cancelled.

2.6 Purpose.

The net proceeds of the issuance of the Notes shall be used by the Issuer for general corporate purposes.

2.7 Repayment and Redemption.

(a) If payments under the Notes become subject to additional or increased Taxes other than the Taxes and rates of such Taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such Tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Notes in whole, but not in part, (having given not more than 60 days’ nor less than 30 days’ prior written notice to the Facility Agent) at par or 100% face value plus accrued interest, subject to the
requirements of applicable law; provided that if the Issuer does not prepay the Notes then all payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by law. In that event, the Issuer shall pay to the Noteholder(s) concerned such additional amount as will result in the receipt by such Noteholder(s) of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.

(b) The Principal Amount shall be repaid and redeemed on the Maturity Date.

In the event the Maturity date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest, on the succeeding Business Day.

2.8 Interest.

The Issuer shall pay interest on the outstanding principal amount of the Notes on each Interest Payment Date for the Interest Period then ending at the Interest Rate. The cut-off date in determining the existing Noteholders entitled to receive interest or principal amount due shall be the day two (2) Business Days prior to the relevant Interest Payment Date.

2.9 Default Interest.

Without prejudice to the provisions of Section 9.3, if the Issuer fails to make payment of any amount payable by it hereunder when due (whether at the stated maturity, by acceleration or otherwise), the Issuer shall pay default interest on such past due and unpaid amount from and including the due date up to and excluding the date of payment in full (both before as well as after judgment), at the Default Interest, which default interest shall be in addition to any interest payable under this Agreement pursuant to Section 2.8.

2.10 Computation of Interest.

All payments of interest (including Default Interest) pursuant to Section 2.8 and Section 2.9 shall be computed based on 30/360 day basis. For the avoidance of doubt, in the computation of the amount of interest payable by the Issuer on an Interest Payment Date, there shall be no prior rounding off until the final result, which shall be rounded off to two (2) decimal places. The determination by the Noteholders through the Facility Agent of the amount of interest due and payable hereunder shall be conclusive and binding on the Issuer in the absence of manifest error in the computation thereof.

2.11 Payments.

All payments to be made by the Issuer hereunder or under the Notes shall be made and applied in accordance with the provisions of the Registry and Paying Agency Agreement.

If any payment hereunder or under the Notes would otherwise be due on a day that is not a Business Day, such payment shall be made on the next succeeding day that is a Business Day without adjustment to the amount of interest to be paid or to the Interest Period, unless the result would be that such payment would be made in another calendar month or such payment would be made after the Maturity Date, in which event such payment shall be made on the first preceding day that is a Business Day without adjustment to the amount of interest to be paid or to the Interest Period.
2.12 Sharing of Payments.

Each Noteholder agrees that if it shall, through the exercise of a right of banker's lien, set-off or similar right against the Issuer or on account of any voluntary act or payment by the Issuer or by a third Person on behalf of the Issuer or a debtor of the Issuer, obtain payment in respect of its Advance, as a result of which the outstanding portion of its Advance is proportionately less than the unpaid portion of the Advance of any other Noteholder, (i) it shall immediately notify the Facility Agent of such payment, (ii) it shall simultaneously deliver to the Facility Agent the amount of such payment obtained in respect of its Advance, and (iii) the Facility Agent shall distribute such payment to the Noteholders in an equitable manner to ensure that all the Noteholders share such payment on a pro-rata basis.

SECTION 3. REGISTRY AND PAYING AGENCY

3.1 Registry and Paying Agency.

Title to the Notes shall be evidenced by and recorded in the Register of Noteholders maintained by the Registrar. In order to ensure compliance with the transfer restrictions applicable to the Notes as set out in Section 11.3(b), the Registrar shall maintain a record of any assignment or transfer of the Notes in the Register of Noteholders and inform the Issuer and the Guarantor of any such assignment or transfer. All payments to be made by the Issuer under the Notes shall be made in accordance with the provisions of the Registry and Paying Agency Agreement.

SECTION 4. FUNDING AND YIELD PROTECTION

4.1 Taxes, Duties, Fees and Charges.

(a) Interest income on the Notes shall be subject to a twenty percent (20%) creditable withholding tax, which tax shall be for the account of the Noteholders. Corporate and institutional purchasers who are exempt from or are not subject to the said tax shall submit pertinent documents evidencing their tax-exempt status.

(b) Any applicable gross receipts tax ("GRT") (or any tax which may supersede GRT with respect to the Noteholders which are currently subject to GRT), and any adjustments thereof, shall be for the account of the Issuer. For the avoidance of doubt, GRT on interest income and other fees payable to the Noteholders shall be for the account of the Issuer but GRT on passed-on GRT (as may be defined or otherwise described under BIR RMC 62-2016 as may be amended or made effective from time to time) shall be for the account of the Noteholders.

(c) Applicable documentary stamp taxes on original issuance of the Notes shall be for the account of the Issuer and shall be paid by the Issuer to the BIR. The Issuer shall provide the Facility Agent with a copy of the relevant tax return evidencing payment of the documentary stamp tax due on the Notes within five (5) Business Days from the payment thereof. The Issuer shall not be liable should there be any documentary stamp tax or any tax that will be imposed on secondary transfers. The documentary stamp tax thereon, if any, shall be for the account of either of the parties to the secondary transfer. The transfer, unless prohibited, shall not be recorded in the Register of Noteholders unless proof of payment of such documentary stamp tax (as applicable) is provided to the Issuer and the Registrar.
In the event that the Issuer shall be required to deduct a withholding tax on any amount payable to a Noteholder under this Agreement (whether of principal, interest, penalty fee or otherwise), the Issuer shall submit to such Noteholder the necessary proofs of payment of tax and certificate of withholding tax or other applicable proof of tax withheld. In case a Noteholder is exempt from or is not subject to the said tax, such Noteholder may, in its discretion, claim such exemption and the Issuer shall not be required to withhold the tax; provided that such Noteholder shall submit to the Issuer (i) pertinent documentation evidencing its tax-exempt status duly certified as “true copy” by the relevant officer of the BIR; (ii) an undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates and an indemnity agreement wherein such Noteholder undertakes to indemnify the Issuer for the amount of any Tax or charge that may later on be assessed against the Issuer on account of the non-withholding of such Tax; and (iii) any other document that may be required in order to avail of such tax exemption. In addition to such evidence of tax-exempt status, such Noteholder shall submit the following:

1. Name of the Noteholder;
2. Amount of Notes held;
3. Inclusive dates that the Notes are held within any Interest Period; and
4. Amount of interest due the Noteholder for said Interest Period.

In the event of any subsequent transfer of the Notes to a tax-exempt transferee or transferees, the new Noteholder shall execute and deliver to the Issuer an undertaking in writing to indemnify the Issuer for any Tax or charge that may later on be assessed against the Issuer on account of such non-withholding of Tax on the Notes held by such registered Noteholder.

This Section 4.1(d) shall be without prejudice to Section 4.1(a) and (b).

A Noteholder or Agent intending to make a claim pursuant to this Section 4.1 shall submit to the Facility Agent a sworn certification from its Chief Financial Officer or other appropriate officer stating: (i) the circumstances giving rise to the claim; (ii) that it is required to make a payment pursuant to this Section 4.1 and the basis therefor; (iii) the amount of the claim; and (iv) the evidence of payment if payment has been made, whereupon the Facility Agent shall notify the Issuer thereof, provided that the said Noteholder or Agent shall not be obliged to disclose any confidential information.

### 4.2 Funding Costs and Losses.

(a) The Issuer shall indemnify each Noteholder against any loss or expenses which it may sustain or incur as a result of, (i) the default by the Issuer in payment of the Principal Amount or Scheduled Interest, or (ii) the occurrence of any other Event of Default, including but not limited to any interest payable by such Noteholder to lenders of funds borrowed by the Noteholder in order to maintain such Advances. The reasonable determination of any loss or expense by a Noteholder under this Section 4.2(a) shall be as certified by its Chief Financial Officer or other appropriate officer, as substantiated by documents or schedules showing such loss or expense incurred by the Noteholder.

(b) The losses and expenses referred to in Section 4.2(a) shall include, but not be limited to, any cost or loss in connection with the unwinding or liquidating of any deposits, funding or financing arrangement that such Noteholder may in good faith incur as a result of (i) the failure of the Issuer to pay any sums due under this Agreement or the Notes on the due dates thereof, (ii) any Advance not being made by such Noteholder
due to the failure of the Issuer to satisfy the applicable Conditions Precedent specified in Section 8 on account of Issuer’s own fault, (iii) any repayment of the Advances of such Noteholder or any redemption of the Notes under Section 2.7 where such repayment or redemption is not made on an Interest Payment Date and/or within the period allowed under Section 2.7, or (iv) any prepayment or redemption not having been made after a prepayment or redemption notice shall have been given.

(c) A Noteholder shall indemnify the Issuer against any loss or expense which the Issuer may sustain or incur as a result of, or in connection with, such Noteholder’s failure to honor its Commitment in accordance with this Agreement due to its own fault or negligence. The reasonable determination of any loss or expense by the Issuer under this Section 4.2(c) shall be as certified by its Chief Financial Officer or other appropriate officer, as substantiated by documents or schedules showing such loss or expense incurred by the Issuer. For the avoidance of doubt, such Noteholder shall have no obligation to indemnify the Issuer under this Section 4.2(c) if its failure to honor its Commitment is due to causes beyond its control.

SECTION 5. FEES AND EXPENSES

5.1 Fees and Expenses.

(a) Within five (5) Business Days from the issuance of the Notes, the Issuer shall pay the fees and relevant expenses of the Lead Arranger as provided under a separate agreement between them.

(b) Within twenty (20) Business Days from the date of presentation of the invoice therefor, the Issuer shall pay all reasonable and documented costs and expenses in connection with the preparation, negotiation, execution, delivery and administration of the Note Documents, including legal opinions from the Issuer’s, the Noteholders’, and Guarantor’s counsel, respectively, and any other document or instrument required to be executed in relation thereto, as well as costs and expenses, if any, in connection with the notation and amendment thereof and the issue of any consents or waivers in connection therewith in the currency in which such costs and expenses were incurred, and any and all fees and stamps.

(c) The Issuer shall also reimburse the Agents and the Noteholders upon written demand for all reasonable and documented expenses incurred by them, including expenses and fees of counsel to the Noteholders and the Agents, (i) in connection with the enforcement and administration of the Note Documents from and after the occurrence of an Event of Default, or (ii) with respect to any action which may be instituted by any interested Person against the Agents or any Noteholder in connection with the administration and enforcement of the Note Documents and by reason of the occurrence of an Event of Default. Such expenses shall be reimbursed when the Agents or any Noteholder declares an Event of Default upon prior written notice to the Issuer, or demands acceleration of the Principal Amount or takes other action to enforce the provisions of the Note Documents. Notwithstanding the foregoing, the Majority Noteholders may waive the Event of Default and in such waiver specifically waive reimbursement of administration and enforcement expenses resulting from such waived Event of Default.

(d) The Issuer shall not be liable for any costs and expenses under this Section 5.1 that shall arise from or be incurred by a Noteholder or Agent by reason of the gross negligence, willful misconduct or bad faith of such Noteholder or Agent.
(e) The Issuer shall pay to the Facility Agent front end and annual fees in the amounts and on the dates agreed in a Fee Letter to be delivered by the Facility Agent to the Issuer.

(f) Notwithstanding the foregoing, the Issuer shall pay to the Guarantor fees, and reimburse the Guarantor for costs and expenses reasonably incurred by it in the amounts and on the dates agreed in the Guarantee Fee Letter and the Reimbursement and Indemnity Agreement to be delivered by the Guarantor to the Issuer.

(g) Any fee referred to in this Section 5.1 is exclusive of any value added tax or any other tax which might be chargeable in connection with that fee. If any value added tax or other tax is so chargeable, it shall be paid by the Issuer at the same time as it pays the relevant fee.

SECTION 6. REPRESENTATIONS AND WARRANTIES

(a) The Issuer makes the representations and warranties set out in Part 2 of Schedule B to the Noteholders and the Facility Agent on the date of this Agreement.

(b) Unless a representation and warranty is expressed to be given at a specific date, each representation and warranty is deemed to be repeated by the Issuer by reference to the facts and circumstances then existing on each date during the term of the Note Documents and/or Guarantee Documents and on each day which a claim may be made under this Agreement and any of the Note Documents and/or Guarantee Documents.

SECTION 7. COVENANTS

(a) The Issuer undertakes to the Noteholders and the Facility Agent that it will comply with each of the covenants set out in Part 3 and Part 4 of Schedule B relating to it and, where the covenant is expressed to apply to the Issuer and any of its Subsidiaries, the Issuer must ensure that any such Subsidiaries performs that covenant.

(b) The Issuer undertakes to the Noteholders and the Facility Agent that it will comply with all other undertakings and covenants by which it is bound under each of the Note Documents and/or Guarantee Documents to which it is a party, so long as any part of an Advance is outstanding and until payment in full of all amounts payable by the Issuer under the Note Documents and Guarantee Documents.

SECTION 8. CONDITIONS PRECEDENT

8.1 Conditions of Drawdown.

The obligation of each Noteholder to make an Advance on the Issue Date shall be subject to the fulfilment of the following conditions and submission of the documents (with sufficient copies for each Noteholder, the Guarantor, and counsels to the Noteholders and the Guarantor) described below (except items (i), (j), (k) and (l), which shall be submitted on the dates required below) to the Facility Agent at least four (4) Business Days prior to the Issue Date (or such shorter period as may be agreed upon in writing among the Issuer and the Noteholders, with prior written notice to the Guarantor), unless otherwise provided herein or waived by all Noteholders:
(a) The Issuer shall be in compliance with all terms and provisions set forth herein on its part to be observed or performed and no Default and Event of Default shall have occurred and be continuing.

(b) The representations and warranties of the Issuer contained in Section 6 or in any certificate issued by the Issuer pursuant hereto or otherwise in connection herewith shall be true and correct on the Issue Date as if made on and as of such date.

(c) The Facility Agent shall have received a Drawdown Certificate duly executed by the Issuer and dated as of the Issue Date, substantially in the form of Exhibit B.

(d) The Issuer shall have acknowledged receipt of, and signified its agreement to, the disclosure statements, substantially in the form of Exhibit C, as may be applicable.

(e) The Facility Agent shall have received the following documents, each in form and substance satisfactory to the Facility Agent:

(i) the timely Notice of Drawdown referred to in Section 2.4(b); and

(ii) the Global Note

(f) There has not occurred, in the reasonable opinion of the Majority Noteholders, a change in the financial condition, assets, business, prospects or other condition of the Issuer, or a change in Philippine money and capital markets which could materially and adversely affect the successful completion of this transaction.

(g) This Agreement shall have been duly signed by all the parties hereto.

(h) The Facility Agent shall have received the following documents, each in form and substance satisfactory to the Facility Agent and its counsel:

(i) copies of the constitutional documents of each of the Issuer and the Guarantor, each as amended to date, and each certified under oath as true by its Corporate Secretary, provided that such certification of its Corporate Secretary, if issued outside the Philippines, must be authenticated by the relevant Philippine consul, and the original of such consularized certificate shall be submitted to the Facility Agent not later than twenty (20) Business Days from the Issue Date;

(ii) a notarized certificate of the Corporate Secretary of the Issuer certifying to (1) the resolutions of the Issuer's Board of Directors authorizing the execution, delivery and performance of the Note Documents and Guarantee Documents, (2) the authority, name, title and specimen signature of each individual authorized to execute the Note Documents and Guarantee Documents and any other documents in relation thereto on behalf of the Issuer and to bind the Issuer thereby, and (3) such other matters as shall reasonably be requested by the Facility Agent or its counsel, provided that such certification of the Corporate Secretary, if issued outside the Philippines, must be authenticated by the relevant Philippine consul, and the original of such consularized certificate shall be submitted to the Facility Agent not later than twenty (20) Business Days from the Issue Date;

(iii) a legal opinion from the General Counsel and Board Secretary of CGIF as to the legal status, capacity and authority of CGIF;
(iv) a certificate of the Corporate Secretary of the Guarantor certifying to the authority, name, title and specimen signature of each individual authorized to execute the Note Documents and Guarantee Documents and any other documents in relation thereto on behalf of the Guarantor and to bind the Guarantor thereby;

(v) copy of the most recent Financial Statements of the Issuer certified under oath as true by its authorized signatories, as duly filed with the SEC and the BIR;

(vi) copy of the Issuer’s most recent annual income tax return duly filed with the BIR certified as true by the Issuer’s Chief Financial Officer or authorized signatory;

(vii) copy of the latest General Information Sheet of the Issuer duly filed with the SEC; and

(viii) all documents for compliance with each Noteholders’ “Know-Your-Customer” requirements.

(i) The Facility Agent shall have issued a certification that each document referred to in this Section 8 (except this item (i) and items (j) and (k) which shall be submitted on the dates required below) (1) have been complied with and/or (2) have been waived, and shall have delivered the same directly to the Noteholders and the Guarantor not later than 12:00 p.m. the two (2) Business Days immediately prior to the Issue Date.

(j) The Facility Agent shall have received not later than 9:00 a.m. of the Issue Date, substantially in the agreed forms, the legal opinions of (1) Follosco Morallos & Herce, the Philippine counsel to Issuer, dated not earlier than the Issue Date and addressed to the Guarantor and the Guaranteed Party on the Issuer’s capacity and authority to enter into the Guarantee Documents and Note Documents, (2) SyCip Salazar Hernandez & Gatmaitan, counsel to Lead Arranger and the Guarantor as to Philippine law, dated not earlier than the Issue Date and addressed to the Lead Arranger, the Guarantor and the Guaranteed Party on the legality, validity, binding nature and enforceability of the Note Documents, and (3) Simmons & Simmons LLP, English counsel to the Issuer, the Guarantor, and the Lead Arranger, dated not earlier than the Issue Date and addressed to the Lead Arranger, the Guarantor and the Guaranteed Party, on the validity, enforceability, binding nature, and legality of the Guarantee Documents.

(k) The Facility Agent shall have received not later than 9:00 a.m. of the Issue Date the CGIF Certificate.

(l) The Facility Agent shall have received the Guarantee Agreement, duly executed by the Guarantor, not later than three (3) Business Days before the Issue Date.

SECTION 9. EVENTS OF DEFAULT

9.1 Events of Default.

For the purposes of this section 9, the following definitions apply.

(i) “Acceleration Step” means:
(1) Taking any step to declare any Note to be or become immediately due and payable, or payable on an accelerated basis under the Note Documents; or

(2) Taking any enforcement or similar action in relation to any Security (if any) in respect of the Notes

(each an “Acceleration Step”), other than in accordance with the Guarantee Agreement.

(ii) “Demand” has the meaning ascribed to that term in the Guarantee Documents.

(iii) “Demand Period” means in respect of a Non-Payment Event relating to:

(1) any Scheduled Interest (including the Scheduled Interest due on the last Interest Payment Date) or Noteholders’ Representative Expenses, a period of 10 Business Days starting on the date of such Non-Payment Event; and

(2) the Principal Amount due on the Maturity Date, a period of 20 Business Days starting on the date of such Non-Payment Event.

(iv) “Event of Default” means the occurrence of any of the events described in Part 5 of Schedule B.

(v) “Guaranteed Party Acceleration” means the taking of an Acceleration Step by the Guaranteed Party on behalf of the Noteholders and subject to the terms of the Note Documents if:

(1) a Non-Payment Event has occurred and is continuing and a Demand has been properly received by CGIF (within the Demand Period) in accordance with the Guarantee Agreement in respect of the relevant Guaranteed Amount and not paid by CGIF in accordance with the terms of the Guarantee Agreement (a “CGIF Non-Payment Event”); or

(2) an Event of Default occurs (other than pursuant to a CGIF Non-Payment Event), subject to Section 9.2(d) of this Agreement.

(vi) “Issuer Event of Default” means the occurrence of an Event of Default under item nos. (5) (Insolvency), (6) (Insolvency proceedings), or (7) (Creditors’ process) of Part 5 of Schedule B.

(vii) “Non-Payment Event” means the non-payment (after giving effect to any applicable grace period) of any Guaranteed Amount by the Issuer in accordance with the terms of the Agreement.

9.2 Consequences of Default.

(a) Guarantor will only be liable to pay a Guaranteed Amount under the Guarantee (and only in accordance with the terms and subject to the conditions of the Guarantee Agreement) if and to the extent that the Guaranteed Party delivers to the Guarantor a Demand in respect of that Guaranteed Amount within the Demand Period (as may be provided in the Guarantee Agreement) and such Demand complies with the requirements set out in the Guarantee Agreement.
(b) The Guaranteed Party may make a Demand for payment of a Guaranteed Amount within the Demand Period following a Non-Payment Event which is continuing. There will be no Demand Period applicable in the case of a Demand under a Guaranteed Party Acceleration in respect of a CGIF Non-Payment Event.

(c) Following the occurrence of an Event of Default, no Noteholder or their representatives, shall have any right to accelerate the Notes for so long as the Guarantor continues to make payments of the Principal Amount and the Scheduled Interest. However, following a claim being made under the Guarantee or upon the occurrence of an Issuer Event of Default, the Guarantor retains the right to accelerate repayment of the Notes upon which the Guarantor shall repay in full the outstanding principal and any accrued interest (but excluding default interest) payable in respect of the Notes.

(d) The Guaranteed Party may take an Acceleration Step in case of a CGIF Non-Payment Event in accordance with the Guarantee Agreement. However, if the Guaranteed Party takes an Acceleration Step in an Event of Default other than a CGIF Non-Payment Event, neither the Guaranteed Party nor the Noteholders shall have the right to make a Demand to CGIF for payment of the Guaranteed Amount, and in such event, CGIF will no longer have obligations to make payments under the Guarantee Agreement.

9.3 Subrogation of Guarantor Upon Payment.

(a) The Parties agree that upon the payment of any amount made by the Guarantor under and in accordance with any Guarantee Document ("Paid Guaranteed Amount"), the Guarantor shall be subrogated to:

(i) all of the rights, powers and remedies of the Guaranteed Party, on behalf of the Noteholders, and of the Noteholders themselves, in respect of the Notes and each Note Document (in each case, to the extent relating and proportionate to that Paid Guaranteed Amount), against any relevant person, including (and to the extent relating and proportionate to that Paid Guaranteed Amount) any rights or claims, whether accrued, contingent or otherwise; and

(ii) all of the Guaranteed Party's privileges, rights and Security (if any) against the Issuer or with respect to the Notes, in each case insofar as they extend to an amount equal to that Paid Guaranteed Amount.

(b) The Guaranteed Party must execute such instruments or documents and take such other actions as the Guarantor may require to give effect to, facilitate or evidence this right of subrogation and to perfect the rights of the Guarantor to receive such amounts equal to the Paid Guaranteed Amount under the Note Documents, including the assignment or transfer of the Notes to the extent of the Paid Guaranteed Amount from each relevant Noteholder to the Guarantor in accordance with the Guarantee Documents, the costs of which shall be borne by the Issuer in accordance with Section 5.1 (c).

(c) For the avoidance of doubt, no Noteholder shall be obliged to transfer or assign any rights or any legal title in the Notes, except to the extent that it has received payment of any amounts from Guarantor in respect thereof.
SECTION 10. THE FACILITY AGENT

10.1 Appointment.

Each Noteholder hereby appoints the Facility Agent to act as its agent as herein specified and irrevocably authorizes the Facility Agent to take such action on its behalf under the provisions of this Agreement, to exercise such powers hereunder as are specifically delegated to the Facility Agent and such powers as are reasonably incidental thereto. In performing its functions and duties hereunder, the Facility Agent shall act solely as the agent of the Noteholders and does not assume and shall not be deemed to have assumed any obligations towards or relationship of agency or trust with or for the Issuer. Upon request of the Issuer and at the expense of the Issuer, the Facility Agent shall furnish the Issuer proof of its authority on any action taken by it on behalf of the Noteholders. The Facility Agent may perform any of its duties hereunder by or through its agents or employees.

10.2 Majority Noteholders.

The Facility Agent shall, to the extent practicable under the circumstances, consult with each Noteholder prior to taking action on behalf of the Noteholders under this Agreement. The Facility Agent shall not take any action contrary to the written direction of the Majority Noteholders and shall take any lawful action in accordance with the provisions of this Agreement. The Facility Agent may decline to take any action except upon the written direction of the Majority Noteholders and the Facility Agent may obtain ratification by the Majority Noteholders of any action taken by it under this Agreement. In each case, the Facility Agent shall have no liability to the Issuer or any of the Noteholders for any action taken by it upon the direction of the Majority Noteholders or if ratified by the Majority Noteholders, nor shall the Facility Agent have any liability for any failure to act unless the Facility Agent has been instructed to act by the Majority Noteholders. The action of the Majority Noteholders shall in each case bind all the Noteholders, except in respect of those matters provided herein which require the concurrence of all the Noteholders. Notwithstanding anything herein to the contrary, the Facility Agent need not take any action on behalf of the Noteholders unless and until it is indemnified to its satisfaction for any and all consequences of such action.

10.3 Reimbursement for Expenses.

Each Noteholder agrees pro rata in accordance with its Advance to reimburse the Facility Agent, upon prior written demand, for its own account for all expenses incurred by the Facility Agent only insofar as such expenses are not reimbursed by the Issuer as required pursuant to Sections 5.1 and 10.1. Nothing here contained shall be construed as creating an obligation on the part of the Facility Agent to advance any sum of money in the execution of its rights or performance of its functions under this Agreement.

10.4 Liability and Loan Appraisal.

Neither the Facility Agent nor any of its officers, directors, employees or agents, shall be liable for any action taken or omitted by them hereunder, or in connection herewith, except for its or their material breach of this Agreement or other Note Documents or Guarantee Documents, gross negligence, bad faith or willful misconduct. The Facility Agent is not (i) responsible for any recitals, statements, representations, warranties or omissions herein or in any information or document supplied by the Issuer or for the authorization, execution, effectiveness, genuineness, validity or enforceability of the Note Documents and/or Guarantee Documents or any other document executed or required in connection therewith, or (ii) required (except upon the written direction of the Majority Noteholders) to make any inquiry concerning the performance or observance by the Issuer or the Guarantor of any of the
terms, provisions or conditions of the Note Documents and/or Guarantee Documents, or (iii) responsible for, or required to examine or ensure the correctness or completeness of, any tax filing or payment, or any tax-related information or document made, filed or submitted by the Issuer. Each Noteholder represents and warrants to the Facility Agent that it has independently and without reliance on the Facility Agent made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has entered into this Agreement on the basis of such independent appraisal, and each Noteholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Facility Agent. The Noteholders agree to indemnify and hold the Facility Agent harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Facility Agent in respect of its obligations hereunder, except for its material breach of this Agreement or other Note Documents, or Guarantee Documents, gross negligence, bad faith or willful misconduct.

10.5 Reliance by Facility Agent.

The Facility Agent shall be entitled to rely upon any communication or document believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and to act upon the advice of legal counsel and other experts selected by it concerning all matters pertaining to this Agreement and its duties hereunder, and shall not be liable to any of the other parties hereto for any of the consequences of such reliance. The Facility Agent may conclusively rely for the purposes of giving of notice or the disbursement of funds on the name and address of each Noteholder contained herein.

10.6 Other Business Transactions.

The Facility Agent or any of its affiliates may, without liability to account, engage in any kind of banking, trust or other business with the Issuer as if it were not such Facility Agent or affiliate.

10.7 Notices and Determination by the Facility Agent.

The Facility Agent shall notify each Noteholder of all notices served by the Issuer within one (1) Business Day from receipt thereof. The Facility Agent shall promptly furnish to each Noteholder copies of notices, reports, financial statements and other documents submitted by the Issuer to the Facility Agent. The Facility Agent shall keep copies of all notices, reports, financial statements and other documents received from the Issuer and any Noteholder. The Facility Agent shall allow the Noteholders and the Issuer, individually or collectively, to inspect during reasonable business hours such documents kept on file.

10.8 Successor Facility Agent.

Subject to the appointment and acceptance of a successor Facility Agent as provided below, the Facility Agent may resign at any time by giving thirty (30) days prior written notice thereof to each Noteholder and the Issuer, and the Facility Agent may be removed at any time with or without cause by the Majority Noteholders by giving thirty (30) days prior written notice to the Facility Agent and Issuer. Upon any such resignation or removal, the Majority Noteholders shall have the right to appoint a successor Facility Agent with the consent of the Issuer, which consent shall not be unreasonably withheld. If no successor facility agent shall have accepted such appointment within thirty (30) days after the retiring Facility Agent's giving notice of resignation or the Majority Noteholders' removal of the Facility Agent, then the retiring or removed Facility Agent, on behalf of the Noteholders and with the prior consent of the Issuer and the Majority Noteholders, may appoint a successor facility agent. Upon the acceptance of any appointment as facility agent hereunder by a successor facility
agent, such successor facility agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Facility Agent, and the retiring or removed Facility Agent shall be discharged from its duties and obligations hereunder. After the Facility Agent's resignation or removal hereunder as facility agent, the provisions of this Section 10 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Facility Agent hereunder. The retiring or removed Facility Agent shall cooperate with the successor facility agent, the Issuer and the Noteholders in all reasonable ways to ensure an orderly turnover of its functions and the records in its custody.

Any resignation or removal of the Facility Agent and the appointment of a successor Facility Agent shall become effective upon the earlier of the effectivity of the resignation or removal of the Facility Agent or the acceptance of appointment by the successor Facility Agent as provided in this Section. Until such successor facility agent is qualified and appointed, the resigning or removed Facility Agent shall act as mere custodian of records and shall continue to charge its fees for its services.

10.9 Act Only on Instructions.

(a) Notwithstanding anything to the contrary that may be specified in any Note Document, in all instances where the consent, approval, opinion or any other determination of the Facility Agent is to be provided to another Party under this Agreement, the Facility Agent shall only be required to respond to the relevant Party following the receipt of clear written instructions from the relevant Majority Noteholders. The Facility Agent shall not be responsible or liable to any Person for any loss resulting in a failure by the relevant Majority Noteholders to provide the necessary instructions in a timely manner.

(b) The Facility Agent may request written instructions, or clarifications of, any direction or instruction, from the relevant Majority Noteholders as to whether, and in what manner, it should exercise or refrain from exercising any rights, powers, authorities and/or discretions; and the Facility Agent may, notwithstanding anything to the contrary under any Note Document, in the absence of requisite written instructions from the relevant Majority Noteholders (or where such instructions have been received but are in the sole discretion of such Facility Agent unclear, until the relevant clarification requested by such Facility Agent from the relevant Majority Noteholders has been received) refrain from acting. Without limiting the generality of the foregoing, no Facility Agent shall be obliged to do or omit to do anything: (i) if it would or could reasonably be expected to constitute a breach of any law or regulation or a breach of confidentiality; or (ii) if it is not indemnified and/or secured to its satisfaction.

10.10 Appointment of Process Agent.

The Guaranteed Party, upon receipt of instructions from all the Noteholders, shall appoint an agent for service of process within ten (10) Business Days from the date of this Agreement in relation to any proceedings before the Singapore courts in relation to any Dispute. For the avoidance of doubt, all reasonable and documented costs and expenses in connection with such appointment shall be paid by the Issuer pursuant to the provisions of Section 5.1.

10.11 Appointment as Guaranteed Party.

Each Noteholder hereby appoints the Facility Agent to act as the Guaranteed Party under the Note Documents and the Guarantee Documents and irrevocably authorizes the Guaranteed Party to take such action on its behalf under the provisions of the Note Documents and the
Guarantee Documents, to exercise such powers thereunder as are specifically delegated to the Guaranteed Party and such powers as are reasonably incidental thereto. In performing its functions and duties hereunder, the Guaranteed Party shall act solely as the agent of the Noteholders and does not assume and shall not be deemed to have assumed any obligations towards or relationship of agency or trust with or for the Issuer. Upon request of the Issuer and at the expense of the Issuer, the Guaranteed Party shall furnish the Issuer proof of its authority on any action taken by it on behalf of the Noteholders. The Guaranteed Party may perform any of its duties the Note Documents and the Guarantee Documents by or through its agents or employees.

SECTION 11. MISCELLANEOUS

11.1 Notices.

(a) Any report, notice, or demand which by any provision of this Agreement is required or permitted to be given to or to be served by any Party may be given or served by:

(i) Personal delivery;

(ii) Transmitted by postage prepaid registered mail (airmail if international) or by internationally recognized courier service;

(iii) Transmitted by electronic mail or electronic transmission; or

(iv) Transmitted by facsimile to either Party at the addresses and facsimile numbers set forth below:

To the ISSUER:

Address : 3rd Floor, Hanston Square
           17 San Miguel Avenue
           Ortigas Center, Pasig City
           Philippines
Attention: Mr. Takayuki Araki
Telephone No.: (632) 631-1399 local 206/229
Facsimile No.: (632) 631-1367
Email Address: gberdan@aeonphilippines.com.ph
dsiapno@aeonphilippines.com.ph

To the NOTEHOLDERS:

(1) KEB HANA BANK, MANILA BRANCH

Address : 21st Floor, Zuellig Bldg.
           Makati Avenue corner Paseo de Roxas,
           Makati City, Philippines
Attention: Mr. Jin Hwi Kim / Mr. Taesun Yoon / Mr. Jeonghyun Kim
Telephone No.: (632) 848-1988
Facsimile No.: (632) 848-1776
Email Address: jinhwikim@hanafn.com
              yts620@hanafn.com
              jeonghyun.kim@hanafn.com

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(2) **LAND BANK OF THE PHILIPPINES**

Address: LBP Plaza
1598 M.H. del Pilar cor. Dr. Quintos Streets
Malate, Manila, Philippines 1004

Attention: Cielito H. Lunaria
Telephone No.: (632) 522-0000
Facsimile No.: (632) 528-8558
Email Address: clunaria@mail.landbank.com

(3) **METROPOLITAN BANK & TRUST COMPANY**

Address: 2F Corporate Banking Group
Metrobank Plaza, Sen. Gil Puyat Ave.
Urdaneta Village, 1200 Makati City
Philippines

Attention: Cecile Vida Marie S. Ayala
Telephone No.: (632) 898-8770
Facsimile No.: (632) 817-6249
Email Address: cecile.ayala@metrobank.com.ph

(4) **ROBINSONS BANK CORPORATION**

Address: 24F Robinsons Equitable Tower
ADB Avenue corner Poveda Road
Ortigas Center, Pasig City
Philippines

Attention: Maria Encarnacion T. Gabriel
Telephone No.: (632) 702-9500 loc. 48355
Email Address: Maria.Gabriel@robinsonsbank.com.ph

(5) **SECURITY BANK CORPORATION**

Address: Security Bank Centre
6776 Ayala Avenue Philippines

Attention: Christian B. Solis
Telephone No.: (632) 867 6788
Email Address: CSolis@securitybank.com.ph

(6) **SHINHAN BANK - MANILA BRANCH**

Address: 21/F Units 1 & 2
RCBC Savings Bank Corporate Center,
26th and 25th Streets, Bonifacio Global City
Taguig City 1634, Metro Manila, Philippines

Attention: General Manager and Relationship Manager
Telephone No.: (632) 405 6310 / (632) 405 6323
Facsimile No.: (632) 886 5054
Email Address: shbmanila@shinhan.com / kapunanmd@shinhan.com

(7) **UNION BANK OF THE PHILIPPINES**

Address: 22nd Floor Unionbank Plaza
Meralco Avenue cor Onyx & Sapphire Roads, Ortigas Center, Pasig City Philippines

Attention: Anna Roxane M. Matsuda
Telephone No.: (632) 667-6388 local 6452
Facsimile No.: (632) 636 5258
Email Address: armmatsuda@unionbankph.com
To the GUARANTOR:

Address: Asian Development Bank Building
       6 ADB Avenue
       Mandaluyong City, 1550 Metro Manila
       Philippines

Attention: CEO and Vice President, Operations
Telephone No.: (632) 683 1340
Facsimile No.: (632) 683 1377
Email Address: aeon.php@cgif-abmi.org

To the FACILITY AGENT and GUARANTEED PARTY:

Address: 16th Floor Metrobank Financial Center
       7th Street corner 35th Street, Bonifacio Global City
       Taguig City 1634
       Philippines

Attention: Jasmin S. Bilasano / Maribel L. Sanchez
Telephone No.: (632) 8575614 / (632) 8575643
Facsimile No.: (632) 858 8016
Email Address: jaz.bilasano@metrobank.com.ph

To the LEAD ARRANGER:

Address: 45th Floor, GT Tower International
       6813 Ayala Ave. cor. H.V. Dela Costa St.
       1227 Makati City
       Philippines

Attention: John Wesley M. Peralta
Telephone No.: (632) 858 7936
Facsimile No.: (632) 840 3706
Email Address: john.wesley.peralta@firstmetro.com.ph

(b) Except as otherwise specified herein, all notices and other communications shall be deemed to have been duly given on:

(i) The date of receipt if delivered personally;

(ii) The date ten (10) days after the date of posting if transmitted by registered mail or five (5) days after delivery to the courier;

(iii) The date of receipt if transmitted by electronic mail or electronic transmission; or

(iv) The next Business Day in the place of address following the date of transmission with confirmed answerback if transmitted by facsimile, whichever shall occur first; provided, that with respect to (ii), (iii), and (iv) of this Section 11.1(b), if any of the dates provided is not a Business Day in the place to which any notice is sent, such notice or other communication shall be deemed delivered on the next following Business Day at such place; provided further, that any party transmitting any notice or other communication by electronic mail or electronic transmission shall, within five (5) Business Days from the date (or deemed
date) of delivery and without in any way altering such date (or deemed date) of delivery, deliver to the Facility Agent such notice or communication by means of any of the manners of giving such notice under (i), (ii), or (iv) of Section 11.1(a).

(c) Any party may change its address for purposes hereof by notice to the other parties. Any communication shall be delivered to the party’s address specified herein or at such address as such party notifies to the other party from time to time, and will be effective upon receipt.

11.2 Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.3 Assignments and Transfers

(a) The Issuer may not assign its rights or obligations hereunder without the prior written consent of all of the Noteholders and the Facility Agent.

(b) Pursuant to Rule 10.1.4 of the SRC IRR, the Notes issued under the Facility shall not be transferred to a person other than an Institutional Qualified Buyer and in accordance with Rule 10.1.4 of the SRC IRR. There shall be no transfer, assignment or sub-participation of the Notes, or any sale by a Noteholder of a participation in all or any part of its Commitment, if such transfer, assignment or sub-participation will result in the Notes or Commitment (as applicable) being held by more than eight (8) Eligible Noteholders at any one time.

(c) Any assignment or transfer of the Notes, or any sale by a Noteholder of a participation in all or any part of its Commitment, shall be made in accordance with the Registry and Paying Agency Agreement and the rules of the Registrar and PDEx. No such assignment, transfer, pledge or sub-participation of the Notes shall be made to a person other than an Institutional Qualified Buyer. Any transfer, assignment or sub-participation of the Notes in violation of this Section 11.3 shall be void and shall not be permitted and registered in the Register of Noteholders or certified or recognized by the Facility Agent and the Paying Agent.

(d) In the event of any assignment or transfer of the Notes, or in the event any Noteholder sells a participation in all or any part of its Commitment, the Issuer shall not by reason of such assignment, transfer or participation be obliged to pay any greater amount under the Note Documents (including but not limited to Taxes) than it would have been obliged to pay had no such assignment, transfer or participation taken place. The parties acknowledge and agree that the Issuer shall not be liable for any fees, costs or expenses incurred by the Facility Agent or any Noteholder or any other party in connection with the assignment or transfer of the Notes, or the sale of a participation in any Noteholder’s Commitment. If the Issuer becomes liable to pay such additional amounts, the transferor-Noteholder shall within five (5) days from demand, fully indemnify the Issuer for all such additional amounts paid by the Issuer.

(e) A Noteholder may furnish any information concerning the Issuer in the possession of such Noteholder from time to time to Transferees (including prospective Transferees) but only with the prior written consent of the Issuer, which consent shall not be unreasonably withheld.

(f) Each Noteholder shall give prior written notice to the Facility Agent and the Issuer in the event of any change in or transfer of its Facility Office. The Issuer shall not by
reason of such change or transfer be obliged to pay any greater amount under this Agreement (including, but not limited to any Taxes) than it would have been obliged to pay had no such change or transfer taken place.

11.4 Disclosure of Information.

Each of the Agents and the Noteholders and their representatives (each a “Recipient”) shall maintain the confidentiality of all information obtained from the Issuer and shall not make public, copy, utilize or otherwise disclose any such information without the prior written consent of the Issuer. This undertaking shall not be applicable to: (a) information which is or becomes publicly available (other than as a result of wrongful disclosure by a Recipient under this Agreement); (b) information which is established to be available to a Recipient to which such information was disclosed prior to its disclosure by the Issuer; (c) information which becomes available to a Recipient to which such information was disclosed on a non-confidential basis from a source other than the Issuer, and such source is under no obligation of confidentiality in relation thereto; or (d) information which is required by any court or judicial, governmental or regulatory body or any Law to be disclosed by a Recipient to which such information was provided. If a Recipient is requested or required by any court of competent jurisdiction, any competent judicial, governmental or regulatory body or pursuant to any Law to disclose any confidential information belonging to the Issuer, a Recipient (to the extent permitted by Law) shall immediately notify the Issuer of such request or requirement and agree to cooperate with the Issuer in the event that they seek a court order or other measure to protect the confidential information.

The Issuer acknowledges and agrees that, pursuant to the Credit Information System Act (Republic Act No. 9510), the Noteholders are required to disclose to the Credit Information Corporation the basic credit data, and such other information, regarding the Issuer as the Noteholders may deem necessary or as may be required or allowed by applicable Laws, rules and regulations.

The Issuer hereby gives its consent to each Noteholder to update any information which such Noteholder has previously provided to credit information bureaus, provided that, any such further disclosure shall be made strictly in accordance with Bangko Sentral ng Pilipinas BSP Circular No. 589, series of 2007.

The obligations of each of the Recipients under this Section shall survive until the termination of this Agreement.

11.5 Counterparts.

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

11.6 Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the Philippines.

11.7 Dispute Resolution; Arbitration

(a) Any dispute, claim, difference or controversy arising out of, relating to or having any connection with this Agreement (which includes this Section 11.7), any other Note Documents or any Guarantee Documents (each, a “Linked Agreement”), including any dispute as to its existence, validity, interpretation, performance, breach or
termination or the consequences of its nullity and any dispute relating to any non-
contractual obligations arising out of or in connection with them (for the purpose of
this Section 11.7, a “Dispute”), shall be referred to and be finally resolved by
arbitration administered by the Singapore International Arbitration Centre (“SIAC”)
under the Arbitration Rules of the SIAC in force when the Notice of Arbitration is
submitted (for the purpose of this Section 11.7, the “Rules”).

(b) The Parties agree that, following the commencement of arbitration, they will initially
attempt in good faith to resolve the Dispute through mediation at the Singapore
International Mediation Centre (“SIMC”) in accordance with the SIAC-SMIC Arb-
Med-Arb Protocol (the “Protocol”) for the time being in force which shall last for a
period not exceeding eight (8) weeks from the commencement of the mediation
proceedings (the “Mediation Period”). Where a settlement has been reached between
the Parties within the Mediation Period, such terms of settlement shall be referred to
the arbitral tribunal and the arbitral tribunal may make a consent award on such
agreed terms. In the absence of a settlement by the Parties within the Mediation
Period, the Dispute shall revert back to arbitration pursuant to the Protocol. Unless
otherwise agreed by the Parties, the arbitration shall resume by arbitrators who were
not involved in the mediation process above.

(c) The Rules and the Protocol are incorporated by reference into this Section 11.7 and
capitalised terms used in this Section 11.7 (which are not otherwise defined in this
Agreement) shall have the meaning given to them in the Rules and the Protocol.

(d) The number of arbitrators shall be three. The arbitrators nominated by the parties in
accordance with the Rules shall jointly nominate the third arbitrator who, subject to
confirmation by the President of the Court of Arbitration of SIAC (the “President”),
will act as the presiding arbitrator. If the third arbitrator is not chosen by the two
arbitrators nominated by the parties within 30 days of the date of appointment of the
later of the two party-appointed arbitrators to be appointed, the third arbitrator shall
be appointed by the President.

(e) The seat, or legal place of arbitration, shall be Singapore and all hearings shall take
place in Singapore unless the arbitral tribunal in its absolute discretion decides that a
different location will be appropriate.

(f) Except as modified by the provisions of this Section 11.7 and the Rules, Part II of the
International Arbitration Act (Cap. 143A) of Singapore shall apply to any arbitration
proceedings commenced under this Section 11.7. Neither party shall be required to
give general discovery of documents, but may be required only to produce specific,
identified documents which are relevant to the Dispute.

(g) The language used in the arbitral proceedings shall be English. All documents
submitted in connection with the proceedings shall be in the English language, or, if
in another language, accompanied by an English translation and in which case, the
English translation shall prevail.

(h) Service of any Notice of Arbitration made pursuant to this Section 11.7 shall be made
in accordance with the Rules and at the addresses given for sending of notices under
this Agreement at Section 11.1 (Notices).

(i) The arbitration award(s) rendered by the arbitral tribunal shall be final and binding on
the parties. To the fullest extent permitted under any applicable law, the parties
irrevocably exclude and agree not to exercise any right to refer points of law or to
appeal to any court or other judicial authority.
The arbitral tribunal and any emergency arbitrator appointed in accordance with the Rules shall not be authorized to order, and each of the Issuer, Initial Noteholders, Facility Agent, and Lead Arranger agrees that it shall not seek from the arbitral tribunal or any judicial authority:

(i) any order of whatsoever nature against the Asian Development Bank and other contributors to CGIF, and any of their respective officers, employees or agents; or

(ii) any interim order to sell, attach, freeze or otherwise enforce against the CGIF Assets.

The Rules shall not prohibit CGIF from disclosing any information relating to any arbitral proceedings and/or arbitral award arising out of this Section 11.7 to the Board of Directors of CGIF as part of its approval process and portfolio administration, or to Asian Development Bank or any other contributors in CGIF or any of their respective officers, employees, advisers, agents or representatives. The members of the Board of Directors of CGIF may seek instructions from their constituents for the purpose of CGIF Board of Directors’ approval and portfolio administration and the Board documents and other relevant information may be distributed to any representatives of the relevant member countries of CGIF for the said purpose only, provided that such information and documents distributed by the Board of Directors of CGIF insofar as they relate to any arbitral proceedings and/or arbitral award shall be clearly marked "CONFIDENTIAL".

Nothing in this Agreement, any other Note Documents, and the Guarantee Documents or any agreement, understanding or communication relating to this Agreement, the other Note Documents, and the Guarantee Documents (whether before or after the date of this Agreement), shall constitute or be construed as an express or implied waiver, renunciation, exclusion or limitation of any of the immunities, privileges or exemptions accorded to Asian Development Bank under the Agreement Establishing the Asian Development Bank, any other international convention or any applicable law, or accorded to CGIF under the Articles of Agreement.

11.8 Limited recourse.

Notwithstanding any other provisions of this Agreement, any other Note Documents or any Guarantee Documents, the recourse of each of the Issuer, Initial Noteholders, Facility Agent, and Lead Arranger against CGIF under this Agreement, any other Note Documents or any Guarantee Documents, is limited solely to the CGIF Assets. Each of the Issuer, Initial Noteholders, Facility Agent, and Lead Arranger acknowledges and accepts that it only has recourse to the CGIF Assets and it has no recourse to any assets of Asian Development Bank or any other contributors to CGIF. Any obligation under this Agreement of CGIF shall not constitute an obligation of Asian Development Bank or any other contributors to CGIF.

11.9 No personal liability of the Asian Development Bank or any other contributors to the Guarantor.

Notwithstanding any other provisions of this Agreement, any other Note Documents or any Guarantee Documents, neither the Asian Development Bank nor any other contributors to CGIF or the officers, employees or agents of the Asian Development Bank or any contributor to CGIF shall be subject to any personal liability whatsoever to any third party including the
Issuer, Initial Noteholders, Facility Agent, and Lead Arranger in connection with the operation of CGIF or under this Agreement, any other Note Documents or any Guarantee Documents. No action may be brought against the Asian Development Bank as the trustee of CGIF or as contributor to CGIF or against any other contributors to CGIF or any of their respective officers, employees or agents by any third party including the Issuer, Initial Noteholders, Facility Agent, and Lead Arranger in connection with this Agreement.

11.10 Authority to Verify.

The Issuer hereby grants authority to the Facility Agent, the Noteholders and any of their authorized representatives to conduct random verification with the BIR to establish the authenticity of the income tax returns and financial statements submitted by the Issuer pursuant to this Agreement.

11.11 Waiver, Cumulative Rights.

No failure or delay on the part of any Noteholder in exercising any right, power or remedy accruing to it upon any breach or default of the Issuer under this Agreement shall impair any such right, power or remedy nor be construed as a waiver of any breach or default thereafter occurring, nor shall a waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder. Any waiver, permit, consent or approval of any kind or character on the part of a Noteholder of any breach of any provision or condition of this Agreement, must be in writing and shall be effective only to the extent as specifically set forth in such writing. All remedies afforded the Noteholders under this Agreement, by law or otherwise, shall be cumulative and not alternative. No notice to or demand on the Issuer in any case shall entitle it to any other or further notice or demand in similar or other circumstances.

11.12 Day Count Convention.

Any interest, commission or fee accruing under a Note Document will accrue from day to day and is calculated based on 30/360 days.

11.13 Exempt Transaction.

The Notes are to be issued to, and held by, Institutional Qualified Buyers in the Philippines, pursuant to an exempt transaction provided under Section 10.1 (l) of the SRC and Rules 10.1.3.1. to 10.1.3.6 of the SRC IRR. As such, the Notes are considered exempt from registration and no notice of exemption from the registration requirements under the SRC shall be required to be filed with the SEC after the issuance of the Notes. Any transfer or sale of the Notes to Persons not qualifying as Institutional Qualified Buyers shall be void and shall not be binding on the Issuer.

11.14 Noteholders’ Corporate Authorizations

On or prior to the Initial Issue Date, each Noteholder shall provide the Facility Agent with a notarized certificate of the Corporate Secretary of such Noteholder certifying to (1) the resolutions of the relevant Noteholder’s Board of Directors authorizing the execution, delivery and performance of the Note Documents, (2) the authority, name, title and specimen signature of each individual authorized to execute the Note Documents and any other documents in relation thereto on behalf of the relevant Noteholder and to bind the relevant Noteholder thereby, and (3) such other matters as shall reasonably be requested by the Facility Agent or its counsel, provided that such certification of the Corporate Secretary, if
issued outside the Philippines, must be authenticated by the relevant Philippine consul, and the original of such consularized certificate shall be submitted to the Facility Agent not later than twenty (20) Business Days from the Initial Issue Date.

11.15 Role of the Lead Arranger.

Except as specifically provided under this Agreement or any other Note Documents or Guarantee Documents, the Lead Arranger has no obligations of any kind to any other Party under or in connection with any Note Document or Guarantee Document.

SECTION 12. AMENDMENTS AND WAIVERS

12.1 Required Consents.

Subject to Section 12.2, any term of the Note Documents may be amended or waived only with the consent of the Majority Noteholders, the Guarantor, and the Issuer and such amendment or waiver will be binding on all Parties.

12.2 Exceptions.

(a) An amendment or waiver that has the effect of changing or which relates to:

(i) the definition of “Majority Noteholders” in Section 1.1;

(ii) an extension of the date of payment of any amount under the Note Documents;

(iii) a reduction in the amount of any payment or principal, interest, fees or commission payable;

(iv) an increase in the amount of the Commitment of any Initial Noteholder;

(v) any provision which requires the consent of all of the Noteholders;

(vi) Section 2.6, Section 8.1, Section 11.3 and this Section 12;

(vii) the nature and scope of the Guarantee Documents, including the release of the Guarantor from its obligations under therein; or

(viii) any breach or proposed breach of the terms of the Note Documents by the Issuer.

may only be waived or amended upon the consent of all of the Noteholders, the Guarantor, and the Issuer.

(The space below has been left blank intentionally.)
SIGNATURE PAGES

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

ISSUER:

AEON CREDIT SERVICE (PHILIPPINES) INC.

By:

Name: Takayuki Araki
Position: President and Chief Executive Officer

Name: Kosei Yahiro
Position: Executive Vice-President
INITIAL NOTEHOLDER:

KEB HANA BANK, MANILA BRANCH

By:

[Signature]

Name: Jin Hwi Kim
Position: President / Country General Manager
INITIAL NOTEHOLDER:

LAND BANK OF THE PHILIPPINES

By:

[Signature]

Name: Cielito H. Lunaria
Position: Vice President
INITIAL NOTEHOLDER:

METROPOLITAN BANK & TRUST COMPANY

By:

Name: Antônio R. Ocampo, Jr.
Position: Head, Corporate Banking Group

Name: Robert Manuel B. Salazar
Position: Deputy Division Head, Japan Desk
INITIAL NOTEHOLDER:

ROBINSONS BANK CORPORATION

By:

[Signature]

Name: Miguel Angel G. Gonzalez
Position: Executive Vice President and Corporate Banking Segment Head
INITIAL NOTEHOLDER:

SECURITY BANK CORPORATION

By:

Name: Imelda Marie A. Amora
Position: First Vice President, Corporate Banking Group

Name: Mae S. Villanueva
Position: Vice President, Corporate Banking Group
INITIAL NOTEHOLDER:

SHINHAN BANK – MANILA BRANCH

By:

Name: Geon Woo Do
Position: Country Head
INITIAL NOTEHOLDER:

UNION BANK OF THE PHILIPPINES

By:

Name: Leticia A. Moreno
Position: First Vice President

Name: Anna Roxane M. Matsuda
Position: Assistant Vice President
GUARANTOR:

CREDIT GUARANTEE AND INVESTMENT FACILITY,
A TRUST FUND OF THE ASIAN DEVELOPMENT BANK

By:

Name: Kiyoshi Nishimura
Position: Chief Executive Officer
LEAD ARRANGER:

FIRST METRO INVESTMENT CORPORATION

By: [Signature]

Name: Rabboni Francis B. Arjonillo
Position: President

Name: Arsenio Kenneth M. Ona
Position: First Vice President
FACILITY AGENT and GUARANTEED PARTY:

METROPOLITAN BANK & TRUST COMPANY – TRUST BANKING GROUP

By: 

Name: Lalaine C. Sta. Ana
Position: First Vice President

Name: Maribel I. Sanchez
Position: Manager
ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES

Makati City

Before me, a notary public for and in the above jurisdiction, this November 12, 2018, personally appeared:

<table>
<thead>
<tr>
<th>Name</th>
<th>Competent Evidence of Identity</th>
<th>Date and Place of Issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takayuki Araki</td>
<td>Passport No. TZ1060097</td>
<td>March 26, 2015; Japan</td>
</tr>
<tr>
<td>Kosei Yahiro</td>
<td>Passport No. TZ0655315</td>
<td>March 10, 2010; Japan</td>
</tr>
<tr>
<td>Jin Hwi Kim</td>
<td>Passport No. M83002283</td>
<td>September 20, 2010; Republic of Korea</td>
</tr>
<tr>
<td>Cielito H. Lunaria</td>
<td>Landbank ID A968</td>
<td>September 27, 2015; DFA NCR East</td>
</tr>
<tr>
<td>Antonio R. Ocampo, Jr.</td>
<td>Passport No. EC5506357</td>
<td>March 16, 2018; LTO</td>
</tr>
<tr>
<td>Robert Manuel B. Salazar</td>
<td>DL No. C05-90-040939</td>
<td></td>
</tr>
<tr>
<td>Miguel Angel G. Gonzalez</td>
<td>UMI No. 0003-6561203-6</td>
<td></td>
</tr>
<tr>
<td>Imelda Marie A. Amora</td>
<td>Passport No. EB9780887</td>
<td>December 10, 2013; DFA Manila</td>
</tr>
<tr>
<td>Mae S. Villanueva</td>
<td>Passport No. EC1649618</td>
<td>July 17, 2014; DFA NCR East</td>
</tr>
<tr>
<td>Geon Woo Do</td>
<td>Passport No. M72230399</td>
<td>August 07, 2009; Republic of Korea – Ministry of Foreign Affairs and Trade</td>
</tr>
<tr>
<td>Leticia A. Moreno</td>
<td>Passport No. EC7569477</td>
<td>April 16, 2028; DFA Manila</td>
</tr>
<tr>
<td>Anna Roxane M. Matsuda</td>
<td>UMI No. 0003-7861663-4</td>
<td></td>
</tr>
<tr>
<td>Rabboni Francis B. Arjoniilo</td>
<td>Passport No. P7939219A</td>
<td>July 14, 2018; DFA Manila</td>
</tr>
<tr>
<td>Arsenio Kenneth M. Ona</td>
<td>Passport No. P6879271A</td>
<td>April 26, 2018; DFA Manila</td>
</tr>
<tr>
<td>Lalaine C. Sta. Ana</td>
<td>SSS No. 03-7502789-9</td>
<td></td>
</tr>
<tr>
<td>Maribel L. Sanchez</td>
<td>Passport No. EC5816214</td>
<td>October 28, 2015; DFA NCR East</td>
</tr>
<tr>
<td>Kiyoshi Nishimura</td>
<td>Passport No. MZ1124983</td>
<td>March 10, 2010; Consulate General of Japan at Mumbai</td>
</tr>
</tbody>
</table>

who were identified by me through competent evidence of identity to be the same persons who executed this Notes Facility Agreement and they each acknowledged to me that the same was their free and voluntary act, and the free and voluntary act of the entity they represent.

This Notes Facility Agreement consists of 73 pages, including the Schedules and Exhibits thereto, and the page where this acknowledgment is written, and is signed by the parties on the signature pages.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and in the place indicated above.

Doc. No. 155 ;  
Page No. 62 ;  
Book No. 01 ;  
Series of 2018.

MARY ANTONETTE A. ESTOPERES  
Notary Public for Makati City  
Appointment No. M-334 until Dec. 31, 2018  
Roll of Attorney No. 63465  
PTR No. 6518566-MD-01/04/18 - Makati City  
IBP No. 023121-01/04/18 - Antique Chapter  
SyCipLaw Center, 105 Paseo de Roxas  
Makati City, 1226 Metro Manila  
Philippines
# SCHEDULE A: INITIAL NOTEHOLDERS AND COMMITMENTS

<table>
<thead>
<tr>
<th>Initial Noteholders</th>
<th>Three (3) Year Notes</th>
<th>Five (5) Year Notes</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>KEB Hana Bank, Manila Branch</td>
<td>100,000,000.00</td>
<td>50,000,000.00</td>
<td>150,000,000.00</td>
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<tr>
<td>Land Bank of the Philippines</td>
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<td>150,000,000.00</td>
</tr>
<tr>
<td>Metropolitan Bank &amp; Trust Company</td>
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<td>50,000,000.00</td>
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<tr>
<td>Robinsons Bank Corporation</td>
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<td>50,000,000.00</td>
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<tr>
<td>Security Bank Corporation</td>
<td>200,000,000.00</td>
<td></td>
<td>200,000,000.00</td>
</tr>
<tr>
<td>Shinhan Bank - Manila Branch</td>
<td>100,000,000.00</td>
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<td>100,000,000.00</td>
</tr>
<tr>
<td>Union Bank of the Philippines</td>
<td>100,000,000.00</td>
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<td>100,000,000.00</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>900,000,000.00</strong></td>
<td><strong>100,000,000.00</strong></td>
<td><strong>1,000,000,000.00</strong></td>
</tr>
</tbody>
</table>
In this Schedule B,

“ADB” means the Asian Development Bank.

“AESPR” means the annual environmental and social performance report required to be submitted annually by the Issuer to CGIF, in the form set out in Exhibit J (Form of AESPR), that describes progress with implementation of, and compliance with CGIF’s ESS.

“Applicable Law” means, in relation to any Person, any law, statute, regulation, resolution, rule, ordinance, order, decree or directive by any Authority, now or at any time in effect applicable to that Person.

“Authority” means any national, supranational, regional or local government or governmental administrative, regulatory, fiscal, judicial, or government owned body, department, commission, authority, tribunal, agency or entity or central bank (or any Person, whether or not government owned and howsoever constituted or called, that exercises the functions of a central bank) or other entity of any kind or other Person exercising executive, legislative, judicial, regulatory or administrative functions.

“CGIF Environmental and Social Safeguards” means the Safeguards Requirements.

“Change of Control” means:

(a) any Person or Persons, acting together, acquiring Control of any company; or

(b) any company consolidating with or merging into or selling or transferring all or substantially all of its property or assets to any other Person.

“Control” means the acquisition or control of more than 50% of the voting rights of the issued share capital or the right to appoint and/or remove all or the majority of the members of the board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; and the terms “Controlled” and “Controlling” shall have the same meaning.

“Child Labor” means the employment of children whose age is below the statutory minimum age of employment in the relevant country, or employment of children in contravention of International Labor Organization Convention No. 138 “Minimum Age Convention”.

“Coercive Practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any Person or its property, to influence improperly the actions of that Person.

“Collusive Practice” is an arrangement between two or more Persons designed to achieve an improper purpose, including influencing improperly the actions of another Person.

“Corrupt Practice” is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another Person.

“Due Diligence Materials” means the following considered as a whole:
(a) any business, financial, legal or tax due diligence materials or statements (oral or written) relating to the Issuer prepared in connection with the issuance of the Note Documents and Guarantee Documents and capable of being relied upon by the Initial Noteholders and the Lead Arranger or the Guarantor;

(b) any information memorandum or disclosure document prepared by the Issuer in relation to the Note Documents; and

(c) any material or information provided (regardless of whether it has been provided orally or in a written form) by the Issuer in connection with paragraph (a) or (b) above.

“ESS” means the principles and requirements set forth in CGIF Environmental and Social Safeguards (as applicable)

“ESS and Social Claim” means any claim, proceeding or investigation by any person in respect of any ESS and Social Law.

“ESS and Social Documents” means:

(a) the Annual Environmental and Social Performance Report including the monitoring of Prohibited Investment Activity List and compliance with the Social Protection Requirement

(b) any other document, plan or programme designated in writing by CGIF and the Issuer as an ESS and Social Document; and

(c) any documents required at any time to be prepared by the Issuer by CGIF as a result of any change in the current business activities of the Issuer or adoption of new business activities of Issuer allowed under this Agreement, or unanticipated impacts of any business activity of the Issuer.

“ESS and Social Law” means any Applicable Law in any jurisdiction in which the Issuer conducts business which relates to protection of the environment, pollution, health and safety, labour, indigenous peoples and/or involuntary resettlement.

“ESS and Social Non-Compliance” means any failure to comply with, or any action or omission which is inconsistent with the ESS and Social Provisions.

“ESS and Social Permits” means any Authorisation required under any ESS and Social Law relating to the operation of the business of the Issuer conducted on or from the properties owned or used by the Issuer.

“ESS and Social Provisions” means (a) the ESS and Social Documents; (b) the ESS and Social Law; (c) ESS and Social Permits; and (d) the Social Provisions.

“Financial Indebtedness” means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);

(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in subparagraphs (a) to (h) above.

“Financing of Terrorism” means the act of providing or collecting funds with the intention that they be used, or in the knowledge that they are to be used, in order to carry out terrorist acts.

“Forced Labor” means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

“Fraudulent Practice” is an act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a Person to obtain a financial or other benefit or to avoid an obligation.

“Group” means, collectively, the Issuer and its Subsidiaries (if any).

“IFRS” means international accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

“Material Adverse Change” means the occurrence of any event or series of events which, in the opinion of CGIF, has or is reasonably likely to have a Material Adverse Effect.

“Money Laundering” means:

(a) the conversion or transfer of property, knowing it is derived from a criminal offense, for the purpose of concealing or disguising its illegal origin or of assisting any Person who is involved in the commission of the crime to evade the legal consequences of its actions;

(b) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of, property knowing that it is derived from a criminal offense; or

(c) the acquisition, possession or use of property knowing at the time of its receipt that it is derived from a criminal offense.
“Obstructive Practice” means:

(a) deliberately destroying, falsifying, altering or concealing evidence material to an investigation into allegations of a Coercive Practice, Collusive Practice, Corrupt Practice or Fraudulent Practice; making false statements to investigators, in order to materially impede such investigation; failing to comply with requests to provide information, documents or records in connection with such investigation; and threatening, harassing or intimidating any Person to prevent it from disclosing its knowledge of matters relevant to an investigation or from pursuing such investigation; or

(b) acts intended to materially impede the exercise of any of the Noteholders’ and the Guarantor’s contractual rights of access to information under this Agreement in connection with an investigation into allegations of a Coercive Practice, Collusive Practice, Corrupt Practice or Fraudulent Practice.

“Original Financial Statements” means the Issuer's audited financial statements of the Issuer for the financial year ended 31 December 2017.

“Person” means any natural person, corporation, company, consortium, partnership, firm, voluntary association, joint venture, trust, unincorporated organisation, government, state or agency of a state or any association, authority or any other entity whether or not having separate legal personality or whether acting in an individual, fiduciary or other capacity.

“PFRS” means the Philippine Financial Reporting Standards.

“Prohibited Investment Activity List” means the list of prohibited practices (which are included in ADB’s list of prohibited investments) that do not qualify for CGIF support, as provided on the website of CGIF at www.cgif-abmi.org set out in Exhibit H (Prohibited Investment Activity List).

“Social Provisions” means the social requirements set out in Exhibit I (The Social Protection Requirements).

“Safeguard Requirements (or SR)” means ADB Safeguard Policy Statement’s Safeguard Requirement 1 (Environment), Safeguard Requirement 2 (Involuntary Resettlement), and Safeguard Requirement 3 (Indigenous Peoples).

“Specified Practice” means a Coercive Practice, Collusive Practice, Corrupt Practice and a Fraudulent Practice.
Part 2
Representations and Warranties

1. Status
   (a) The Issuer is a stock corporation, duly incorporated and validly existing under the laws of the Philippines.
   (b) The Issuer has the power to own its assets and carry on its business as it is being conducted.

2. Binding obligations
   The obligations expressed to be assumed by the Issuer in each Note Document and Guarantee Document are legal, valid, binding and enforceable obligations.

3. Non-conflict with other obligations
   The entry into and performance by the Issuer of, and the transactions contemplated by, the Note Documents and Guarantee Documents do not and will not conflict with:
   (a) any law or regulation applicable to it;
   (b) its and each of its Subsidiaries’ constitutional documents; or
   (c) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries’ assets.

4. Power and authority
   The Issuer has the power to enter into, perform and deliver, and has taken all necessary action to authorize its entry into, performance and delivery of, the Note Documents and/or Guarantee Documents to which it is a party and the transactions contemplated by those Note Documents and/or Guarantee Documents.

5. Validity and admissibility in evidence
   Other than payment of the documentary stamp taxes in connection with the execution of this Agreement or the Notes (which shall be paid within the period required by applicable Law), all Authorisations required or desirable:
   (a) to enable the Issuer to lawfully enter into, exercise its rights and comply with its obligations in the Note Documents and Guarantee Documents to which it is a party;
   (b) to make the Note Documents and Guarantee Documents to which it is a party admissible in evidence in its jurisdiction of incorporation; and
   (c) for it and its Subsidiaries, if any, to carry on their business, and which are material, have been obtained or effected and are in full force and effect.

6. Deduction of Tax
The Issuer is not required under the law applicable where it is incorporated or resident or at the address specified in this Agreement to make any deduction for or on account of Tax from any payment it may make under any Note Document and/or Guarantee Document, other than the applicable creditable withholding taxes on interest and other income on payments earned or received from, relative or directly attributable to, the Note Documents and/or Guarantee Documents.

7. Governing law and enforcement

(a) The choice of English law as the governing law of the Guarantee Documents to which it is a party will be recognized and enforced in its jurisdiction of incorporation; and

(b) Any arbitral award obtained in Singapore in relation to the Note Documents and/or Guarantee Documents to which it is a party will be recognized and enforced in its jurisdiction of incorporation.

8. No filing or stamp taxes

Under the law of the jurisdiction of incorporation of the Issuer, it is not necessary that the Note Documents or Guarantee Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Note Documents or Guarantee Documents or the transactions contemplated by the Note Documents or Guarantee Documents, other than documentary stamp taxes in connection with the execution of this Agreement or the Notes (which shall be paid within the period required by applicable Law).

9. No default

(a) No Event of Default is continuing.

(b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries’) assets are subject which might have a Material Adverse Effect.

10. Pari passu ranking

Its payment obligations under the Note Documents and Guarantee Documents rank at least pari passu with the claims of all of its other unsecured and unsubordinated creditors, except for obligations which have preference solely by operation of Applicable Law, including but not limited to preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors’ rights generally (except any preference or priority established by Article 2244, paragraph 14(a) of the Civil Code of the Philippines) and by general principles of equity.

11. No misleading information

(a) Any factual information provided by any member of the Group to the Noteholders, Facility Agent, and the Guarantor in connection with the Note Documents and/or Guarantee Documents (including, without limitation, the
Due Diligence Materials) was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

(b) Any financial projections contained in the Due Diligence Materials have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.

(c) Nothing has occurred or been omitted from the Due Diligence Materials and no information has been given or withheld that results in the information contained in the Due Diligence Materials being untrue or misleading in any material respect.

(d) All information (other than the Due Diligence Materials) supplied by any member of the Group is true, complete and accurate in all material respects as at the date it was given and is not misleading in any respect.

12. No proceedings pending or threatened

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against the Issuer or any of its Subsidiaries.

13. Financial statements

(a) The Issuer’s Original Financial Statements were prepared in accordance with PFRS consistently applied, save to the extent expressly disclosed in such Original Financial Statements.

(b) The Issuer’s Original Financial Statements fairly present in all material respects the financial condition and operations of the Issuer as at the end of and for the relevant financial year save to the extent expressly disclosed in such Original Financial Statements.

(c) There has been no Material Adverse Change in the business or financial condition of the Issuer since the date of the Original Financial Statements.

14. Anti-Money Laundering and Anticorruption

Neither the Issuer nor any Person on its behalf has been engaged in:

(a) any Specified Practice in connection with its business and operations, including the procurement or the execution of any contract for goods, services or works relating to its business;

(b) Money Laundering or acted in breach of any applicable Law relating to Money Laundering; or

(c) Financing of Terrorism or acted in breach of any applicable Law relating to Financing of Terrorism.
15. No Change of Control

No Change of Control of the Issuer has occurred (in a manner or to an extent which, in the reasonable opinion of the Guarantor, has or is reasonably likely to have a Material Adverse Effect).

16. ESS and Social Compliance

(a) The Issuer is in compliance with the ESS and Social Provisions.

(b) There are no past, pending and threatened ESS and Social Claims against the Issuer.

(c) There are no facts or circumstances that could reasonably be expected to form the basis of an ESS and Social Claim.

(d) The Issuer has not engaged in any activity included in the Prohibited Investment Activity List.

17. No Subsidiary

The Issuer has no Subsidiary as of the Issue Date.

18. Representations in Note Documents and Guarantee Documents

All representations made by the Issuer in the Note Documents and Guarantee Documents are true and accurate as at the date they were given.
Part 3
General Covenants

1. Authorisations

The Issuer shall promptly:

(a) obtain, comply with and do all that is necessary to maintain in full force and effect; and

(b) supply certified copies to the Facility Agent (in sufficient copies for the Noteholders and the Guarantor) of, any Authorisation required to enable it to perform its obligations under the Note Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Note Document.

2. Compliance with laws

Without prejudice to paragraphs 8 (ESS and Social Compliance and ESS and Social Claims) and 14 (Anti-Money Laundering, Anticorruption and Prohibited Investment Activity List) of this Part 3 (General Covenants) of Schedule B (Representations and Warranties, Covenants and Events of Default), the Issuer shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Note Documents and Guarantee Documents.

3. Pari passu ranking

The Issuer shall ensure that its payment obligations under the Note Documents rank and continue to rank at least pari passu with the claims of all of its other unsecured and unsubordinated creditors, except for obligations which have preference solely by operation of Applicable Law, including but not limited to preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors’ rights generally (except any preference or priority established by Article 2244, paragraph 14(a) of the Civil Code of the Philippines) and by general principles of equity.

4. Negative pledge

(a) The Issuer shall not, and shall ensure that no other member of the Group (if any) will, create or permit any Security to subsist over any of its present or future property, assets or revenues.

(b) The Issuer shall not, and shall ensure that no other member of the Group (if any) will:

(i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by any other member of the Group (if any);

(ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(iii) enter into or permit to subsist any title retention arrangement, except for the purchase of vehicles, information technology (“IT”))
equipment and IT facilities covered by financing arrangements in the ordinary course of business;

(iv) enter into or permit to subsist any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts, except any netting or set-off arrangement entered into by any member of the Group or in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(v) enter into or permit to subsist any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

(c) Subparagraphs (a) and (b) above do not apply to Security:

(i) arising by operation of law;

(ii) incurred in relation to the normal course of business of the Issuer or any member of the Group;

(iii) provided to third parties and to CGIF at the same time which shall rank pari passu with such secured debt (except for debts which are protected by law to have preferential right);

(iv) which shall not materially affect CGIF. For the avoidance of doubt, if the Issuer provides a Security to any creditor (“New Creditor”) in respect of a Financial Indebtedness, the Issuer shall also provide the same Security to CGIF, such that, CGIF and the New Creditor shall rank pro rata and pari passu with respect to the same Security given;

(v) constituted over an asset being acquired (“Acquired Asset”) for the sole purpose of securing the acquisition of the Acquired Asset, provided that the Acquired Asset is used in the normal course of the Issuer’s or any member of the Group’s business; or

(vi) as otherwise authorized or approved in writing by CGIF upon request by Issuer.

5. Disposals

(a) The Issuer shall not, and shall ensure that no other member of the Group will, enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset.

(b) Subparagraph (a) above does not apply to any sale, lease, transfer or other disposal:

(i) made in the ordinary course of business of the disposing entity including the sale of written off accounts and receivables to third
parties provided that in the case of the sale of receivables, the same will not result in a Material Adverse Effect;

(ii) of assets in exchange for other assets comparable or superior as to type, value and quality and for a similar purpose; or

(iii) where the higher of the market value or consideration receivable (when aggregated with the higher of the market value or consideration receivable for any other sale, lease, transfer or other disposal by members of the Group, other than any permitted sale, lease, transfer, or disposal under subparagraphs (i) to (ii) above) does not exceed 5% of the total assets of the Issuer (or its equivalent in another currency or currencies) as stated in the most recent financial statements of the Issuer in any financial year, provided, that the Issuer may enter into any other sale, lease, transfer or other disposal in excess of the threshold imposed hereunder with the prior written consent of the Guarantor.

6. Merger

The Issuer shall not, and shall ensure that no other member of the Group will, enter into any amalgamation, demerger, merger or corporate reconstruction, except as otherwise approved by the Guarantor, which approval shall not be unduly withheld, and provided further, that the same will not result in a Material Adverse Effect.

7. Change of business

The Issuer shall procure that no substantial change is made to the general nature of the business of the Issuer or the Group from that carried on at the date of this Agreement and shall notify the Facility Agent, Noteholders, and Guarantor prior to making any change in its business activities which may have an adverse impact in violation of paragraphs 8 (d) below.

However, the Issuer may engage in quasi-banking activities, insurance, electronic money issuance, credit card services, or provide any other products and services consistent with the foregoing. In this regard, the Issuer may undertake necessary corporate acts to effect and carry out the changes in its constitutive documents to comply with any legal or regulatory requirements.

8. ESS and Social Compliance, Monitoring Claims

(a) The Issuer shall comply with all ESS and Social Provisions, obtain and maintain any ESS and Social Permits and take all reasonable steps in anticipation of known or expected future changes to or obligations under ESS and Social Law or any ESS and Social Permits.

(b) The Issuer shall provide to CGIF an AESPR which assesses its compliance with the Safeguard Requirements, within sixty (60) days of the anniversary date of signing of this Agreement or at such time as may be reasonably requested by CGIF in writing.

(c) The Issuer shall procure that, promptly upon the request of CGIF, CGIF (or a representative of CGIF) shall be given access to such premises, technical and statistical data, books, records and other data as may be required by CGIF to monitor compliance with the ESS and Social Provisions, provided that CGIF shall ensure that such access rights are exercised at reasonable times of the day and on reasonable notice to the Issuer. The Issuer shall facilitate the
carrying out of any monitoring/verification activities by or on behalf of CGIF.

(d) The Issuer shall inform CGIF in writing as soon as reasonably practicable upon becoming aware of:

(i) Any accidents and incidents that have or are likely to have a Material Adverse Effect or impacts on the Issuer’s compliance with ESS and Social Provisions;

(ii) any ESS and Social Claim which has been commenced or (to the best of its knowledge and belief) is threatened against the Issuer; or

(iii) any facts or circumstances which will or might reasonably be expected to result in any ESS and Social Claim being commenced or threatened against the Issuer, in each case where such ESS and Social Claim might reasonably be expected, if determined against the Issuer, to have a Material Adverse Effect.

(e) The Issuer shall not engage in any business activities or projects involving directly or indirectly the use of any expropriated land, or involuntary resettlement (involving either physical displacement or economic displacement) or (in the opinion of CGIF) having an adverse impact on the environment or indigenous people.

9. Acquisitions

(a) The Issuer and any member of the Group is permitted to acquire any company, business, assets or undertaking or make any investment provided that:

(i) the Issuer shall maintain a Capital Adequacy Ratio of at least ten percent (10%); and

(ii) the acquisition or investment:

(1) is in respect of assets, activities, or businesses which are similar, related, or ancillary to the Issuer’s existing business or those which the Issuer is permitted to enter into under paragraph 7 (Change of Business) of Part 3 of this Schedule B; or

(2) does not fall under subparagraph (a) (ii) (1) above but the value of which acquisition or investment (when aggregated with the value of all other acquisitions and investments permitted under this subparagraph and made in the same financial year) shall not exceed five percent (5%) of the total assets of the Issuer (or its equivalent in another currency or currencies) as stated in the most recent financial statements of the Issuer, provided further, that any acquisition or investment which exceeds the limits provided in this subparagraph (a) (ii) (2) may be undertaken by the Issuer with the prior written consent of the Guarantor; and

(iii) the Issuer shall in no case engage in any activity included in the Prohibited Investment Activity List.

10. Loans and guarantees
The Issuer and any member of the Group may make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any person, provided the Issuer maintains a Capital Adequacy Ratio of at least ten percent (10%).

11. Financial Indebtedness

The Issuer and any other member of the Group may incur any Financial Indebtedness provided the Issuer maintains a Capital Adequacy Ratio of at least ten percent (10%).

12. Compliance with Note Documents and Guarantee Documents

The Issuer shall, and shall ensure each other member of the Group will, comply in all respects with the terms of, and perform all of its obligations under, each Note Document and Guarantee Document.

13. No amendments to Note Documents or Guarantee Documents

Subject to Section 12.2, unless with prior written consent of the Guarantor, the Issuer shall not, and shall ensure that no other member of the Group will, amend, vary, novate, supplement, supersede, waive or terminate any term of any Note Document or Guarantee Document.

14. Anti-Money Laundering; Anticorruption and Prohibited Investment Activity List

(a) The Issuer shall not engage in (nor shall it authorize or permit any Person acting on its behalf to engage in):

(i) any Specified Practice in connection with its business and operations, including the procurement or the execution of any contract for goods, services or works relating to its business;

(ii) Obstructive Practices;

(iii) Money Laundering or act in breach of any applicable Law, relating to Money Laundering; or

(iv) Financing of Terrorism or otherwise in breach of any applicable Law relating to Financing of Terrorism,

and the Issuer shall institute, maintain and comply with internal procedures and controls following international best practice standards of the highest ethical standards appropriate for the relevant sector of the Issuer for the purpose of preventing any action in breach of the provisions of this subparagraph (a).

(b) The Issuer shall inform the Facility Agent, Noteholders, and Guarantor promptly if it should at any time obtain information in relation to any violation or potential violation of the provisions of subparagraph (a) above.

(c) If any of the Facility Agent, Noteholders, or Guarantor notifies the Issuer of its concern that there has been a violation of any of the provisions of subparagraph (a) above, the Issuer shall:
(i) cooperate in good faith with the Facility Agent, Noteholders, and Guarantor and its representatives in determining whether such a violation has occurred;

(ii) respond promptly and in reasonable detail to any notice from the Facility Agent, Noteholders, or Guarantor; and

(iii) furnish documentary support for such response upon request of the relevant Party, including, without limitation, providing legal opinions, Authorisation and disclosure letters from any Governmental Agency, additional due diligence or investigation reports.

Notwithstanding any other provision of this Agreement or any confidentiality undertaking executed between the Issuer and the Guarantor, the Issuer acknowledges and agrees that the Guarantor may disclose to any Government Entity any information obtained by the Guarantor in relation to any violation of any of the provisions of subparagraph (a) above.

(d) The Issuer shall not utilize any proceeds of the Note for any activity in the Prohibited Investment Activity List.

15. Other financial resources

Prior to the Guaranteed Party making a demand or claim on the Guarantor in accordance with the terms of the Guarantee Documents, the Issuer must have utilized all other financial resources available to it for the purposes of paying interest and/or principal and/or any other sums due under the Notes.

16. Use of Proceeds

The Issuer shall only use the proceeds from the issuance of the Notes for general corporate finance purposes.

17. No Change of Control

No Change of Control of the Issuer has occurred on or after the date of this Agreement in a manner or to an extent which, in the reasonable opinion of the Guarantor, has or is reasonably likely to have a Material Adverse Effect.

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Part 4
Information Covenants

1. Financial statements

The Issuer shall supply to the Facility Agent (in sufficient copies to the Noteholders and the Guarantor):

(a) as soon as the same become available, but in any event within 120 days after the end of each of its financial years, its audited financial statements for that financial year; and:

(b) as soon as the same become available, but in any event within 60 days after the end of each quarter of each of its financial years, its financial statements for that quarter,

in each case, certified as a true copy by the Issuer’s authorized signatory.

2. Compliance Certificate

(a) The Issuer shall supply to the Facility Agent (in sufficient copies to the Noteholders and the Guarantor), with each set of financial statements delivered pursuant to subparagraph 1(a)(i) or 1(b)(i) (Financial statements) above, a Compliance Certificate in the form of Exhibit G (Form of Compliance Certificate) hereto as at the date as at which those financial statements were drawn up.

(b) Each Compliance Certificate delivered pursuant to subparagraph (a) above shall be signed by the Issuer's auditors.

3. Requirements as to financial statements

(a) Each set of financial statements delivered by the Issuer pursuant to paragraph 1 (Financial statements) shall be certified by a director or authorized signatory of the relevant company as fairly representing its financial condition as at the date as at which those financial statements were drawn up.

(b) The Issuer shall procure that each set of financial statements delivered pursuant to paragraph 1 (Financial statements) is prepared using PFRS.

4. Information: miscellaneous

The Issuer shall supply to the Facility Agent (in sufficient copies to the Noteholders and the Guarantor):

(a) all documents dispatched by the Issuer to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;

(b) all documents dispatched or information disclosed by the Issuer to the Noteholders under the Note Documents at the same time as they are dispatched or disclosed;

(c) promptly, any announcement, notice or other document relating specifically to the Issuer posted onto any electronic website maintained by any stock exchange on which shares in or other securities of the Issuer are listed or any
electronic website required by any such stock exchange to be maintained by or on behalf of the Issuer;

(d) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group, and which might, if adversely determined, have a Material Adverse Effect;

(e) promptly, any approval by the Issuer’s board of directors and/or stockholders of any amendment to, or modification of, its articles of incorporation or by-laws;

(f) promptly, any approval by the Issuer’s board of directors and/or stockholders of any implementation of a change in law, which has a Material Adverse Effect;

(g) promptly, such further information regarding the financial condition, business and operations of any member of the Group as the Facility Agent (upon instruction by the Majority Noteholders and the Guarantor) may reasonably request; and

(h) promptly, notice of any change in authorized signatories of the Issuer signed by a director or company secretary of the Issuer accompanied by a notarized corporate secretary’s certificate bearing the specimen signatures of any new authorized signatories.

5. Notification of default

(a) The Issuer shall notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

(b) Promptly upon a request by the Facility Agent (upon instruction by the Majority Noteholders and the Guarantor), the Issuer shall supply to Facility Agent (in sufficient copies to the Noteholders and the Guarantor) a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

6. “Know your customer” checks

The Issuer shall promptly upon the request of Facility Agent (upon instruction by the Majority Noteholders and the Guarantor) supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (upon instruction by the Majority Noteholders and the Guarantor) in order for the Noteholders and the Guarantor to conduct any "know your customer" or other similar procedures under applicable laws and regulations.
Part 5
Events of Default

1. Non-payment

The Issuer does not pay on the due date any amount payable pursuant to a Note Document and/or Guarantee Document at the place at and in the currency in which it is expressed to be payable unless:

(a) its failure to pay is caused by administrative or technical error; and

(b) payment is made within three (3) Business Days of its due date.

2. Other obligations

(a) The Issuer does not comply with any provision of the Note Documents (other than those referred to in paragraph 1 (Non-payment).

(b) The Issuer does not comply with paragraph 14 (Anti-Money Laundering; Anticorruption and Prohibited Investment Activity List) of Part 3 (General Covenants) of this Schedule B (Representations and Warranties, Covenants and Events of Default).

(c) No Event of Default under subparagraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 30 Business Days of the earlier of (i) the Facility Agent (upon instruction by the Guarantor) giving notice to the Issuer and (ii) the Issuer becoming aware of the failure to comply.

3. Misrepresentation

Any representation or statement made by the Issuer in the Note Documents or any other document delivered by or on its behalf under or in connection with any Note Document is or proves to have been incorrect or misleading in any material respect when made, unless the circumstances giving rise to such misrepresentation or breach of warranty:

(i) are capable of remedy within a period of 30 days so that if the Issuer were to repeat the representation or warranty at the expiry of such period, it would be true and not misleading in any material respect;

(ii) are remedied to the satisfaction of the Guarantor within such 30-day period commencing on the earlier of the Facility Agent (upon instruction by the Guarantor) giving notice to the Issuer and the Issuer becoming aware of the misrepresentation or breach of warranty; and

(iii) do not constitute a breach of paragraph 14 (Anti-Money Laundering and Anticorruption) of Part 2 (Representations and Warranties) of this Schedule B (Representations and Warranties, Covenants and Events of Default).

4. Cross default

(a) Any Financial Indebtedness of the Issuer or any other member of the Group is not paid when due or within any originally applicable grace period.
Any Financial Indebtedness of the Issuer or any other member of the Group is declared to be (or becomes capable of being declared) or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).

Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).

Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).

The foregoing events shall be deemed to have not occurred if:

(i) The Issuer can show proof satisfactory to CGIF that the Financial Indebtedness as per the relevant contract is deposited with a reputable bank on escrow or has been consigned; or

(ii) The Issuer promptly discloses to CGIF details satisfactory to CGIF of the circumstances that may give rise to the cross default, genuine grounds for contesting such claim, and that its financial position is and will not be impaired as a result of this dispute.

5. Insolvency

The Issuer or any other member of the Group is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

The value of the assets of the Issuer or any other member of the Group is less than its liabilities (taking into account contingent liabilities).

A moratorium is declared in respect of any indebtedness of the Issuer or any other member of the Group due to insolvency of the Issuer or such other member of the Group.

6. Insolvency proceedings

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, provisional supervision or reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise) of any member of the Group other than a solvent liquidation or reorganization of any member of the Group which is not the Issuer;

a composition or arrangement with any creditor of any member of the Group, or an assignment for the benefit of creditors generally of any member of the Group or a class of such creditors;
(e) the appointment of a liquidator (other than in respect of a solvent liquidation of a member of the Group which is not the Issuer), receiver, administrator, administrative receiver, compulsory manager, provisional supervisor or other similar officer in respect of any member of the Group or any of its assets; or

(f) enforcement of any Security over any assets of the Issuer or any other member of the Group,

or any analogous procedure or step is taken in any jurisdiction.

Subparagraph (a) above shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 90 days of commencement.

7. Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a member of the Group having an aggregate value of more than 5% of the total assets of the Issuer based on its latest Financial Statements and is not discharged within 90 days, except as otherwise agreed with the Guarantor.

8. Cessation of business

The Issuer suspends or ceases to carry on all or a material part of its business or of the business of the Group taken as a whole.

9. Change of control

A Change of Control of the Issuer occurs (in a manner or to an extent which, in the reasonable opinion of the Guarantor, has or is reasonably likely to have a Material Adverse Effect).

10. Material adverse change

Any event or series of events occurs which, in the opinion of the Guarantor, has or is reasonably likely to have a Material Adverse Effect.
EXHIBIT A: NOTICE OF DRAWDOWN

[Dated at least four (4) Business Days prior to proposed Issue Date]

Metropolitan Bank & Trust Company – Trust Banking Group
[Address]

Re: Notes Facility Agreement dated [_______] (the “Facility Agreement”) among AEON CREDIT SERVICE (PHILIPPINES) INC. as the Issuer, [●] as Initial Noteholders, CREDIT GUARANTEE AND INVESTMENT FACILITY, A TRUST FUND OF THE ASIAN DEVELOPMENT BANK, as the Guarantor, METROPOLITAN BANK & TRUST COMPANY – TRUST BANKING GROUP as Facility Agent, and FIRST METRO INVESTMENT CORPORATION as Lead Arranger

Ladies and Gentlemen:

We refer to the Facility Agreement. Capitalized terms used herein shall have the same meanings as ascribed to them under the Facility Agreement.

In accordance with Section 2.4(c) (Procedure for Drawdown) of the Facility Agreement, the Issuer hereby gives notice of its intent to make a Drawdown in the amount of [●] on [●] or, if not a Business Day, on the next succeeding Business Day.

Kindly make the proceeds of such Borrowing available by crediting the amount thereof to account with the following details:

Bank:
Bank Address:
Account Name:
Account Number:

Very truly yours,

AEON CREDIT SERVICE (PHILIPPINES) INC.

By:

____________________________________
[Name]
[Position]
EXHIBIT B: FORM OF DRAWDOWN CERTIFICATE

[Letterhead of the Issuer]

[Issue Date]

Metropolitan Bank & Trust Company - Trust Banking Group
[Address]

Re: Notes Facility Agreement dated [_______] (the “Facility Agreement”) among AEON CREDIT SERVICE (PHILIPPINES) INC. as the Issuer, [●] as Initial Noteholders, CREDIT GUARANTEE AND INVESTMENT FACILITY, A TRUST FUND OF THE ASIAN DEVELOPMENT BANK, as the Guarantor, METROPOLITAN BANK & TRUST COMPANY – TRUST BANKING GROUP as Facility Agent, and FIRST METRO INVESTMENT CORPORATION as Lead Arranger

Ladies and Gentlemen:

AEON Credit (Philippines), Inc. (the “Issuer”) hereby certifies in connection with the Facility Agreement that, as of the date hereof:

1. no Default or Event of Default has occurred and is continuing;
2. all the representations and warranties of the Issuer contained in the Facility Agreement or in any certificate issued by the Issuer pursuant thereto or otherwise in connection therewith remain true and correct;
3. all of the covenants of the Issuer set forth in the Facility Agreement have been fully met and performed;
4. the Issuer is in compliance with all terms and provisions set forth in the Facility on its part to be observed or performed; and
5. all remaining conditions precedent specified in Section 8 of the Facility Agreement have been satisfied and all documents heretofore delivered by, or on behalf of, the Issuer as conditions precedent continue in full force and effect.

Terms not defined herein have the meanings set forth in the Facility Agreement.

AEON CREDIT SERVICE (PHILIPPINES) INC.

By:

[Name]
[Position]
EXHIBIT C: FORM OF DISCLOSURE STATEMENT

[Name of Noteholder]
DISCLOSURE STATEMENT ON LOAN/CREDIT TRANSACTION
(As Required under R.A. 3765, Truth in Lending Act)

NAME OF BORROWER:
ADDRESS:

1. LOAN GRANTED (Amount to be Financed)………………………………………… (A)

2. FINANCE CHARGES

<table>
<thead>
<tr>
<th>Nature of Charge</th>
<th>Not Deducted From</th>
<th>Deducted From</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Interest</td>
<td>From To</td>
<td>P P</td>
</tr>
<tr>
<td></td>
<td>Simple</td>
<td>( ) Monthly ( ) Semi-Annually</td>
</tr>
<tr>
<td></td>
<td>( ) Compound ( ) Quarterly ( ) Annual</td>
<td></td>
</tr>
<tr>
<td>b. Non-Interest Charges</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>c. Commitment Fee</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>d. Guarantee Fee</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>e. Other charges incidental to the extension of credit:</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total finance charges</td>
<td>P</td>
<td>P (B)</td>
</tr>
</tbody>
</table>

3. NON-FINANCE CHARGES

<table>
<thead>
<tr>
<th>Nature of Charge</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Insurance Premium</td>
<td>P</td>
</tr>
<tr>
<td>b. Taxes</td>
<td>-</td>
</tr>
<tr>
<td>c. Documentary/Science Tax</td>
<td>-</td>
</tr>
<tr>
<td>d. Notarial Fee</td>
<td>-</td>
</tr>
<tr>
<td>e. Others (specify)</td>
<td>-</td>
</tr>
<tr>
<td>Total non-finance charges</td>
<td>P</td>
</tr>
</tbody>
</table>

4. TOTAL DEDUCTIONS FROM PROCEEDS OF LOAN (B plus C)……………….……………… P - (D)

5. NET PROCEEDS OF LOAN (A less D)………………………….……………… P -

6. PERCENTAGE OF FINANCE CHARGES TO TOTAL OF AMOUNT FINANCED ……….

7. EFFECTIVE INTEREST RATE …………………. _____% p.a.

8. SCHEDULE OF PAYMENT

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Single Payment due on</td>
<td>P</td>
</tr>
<tr>
<td>b. Total Installment Payments payable in</td>
<td>P</td>
</tr>
<tr>
<td>payments at each installments</td>
<td></td>
</tr>
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</table>

9. COLLATERAL: This loan is wholly/partly secured by: ( ) real estate ( ) chattel ( ) government securities ( ) unsecured ( ) REM/MTI

10. ADDITIONAL CHARGES IN CASE CERTAIN STIPULATIONS ARE NOT MET BY THE BORROWER

<table>
<thead>
<tr>
<th>Nature</th>
<th>Amount</th>
</tr>
</thead>
</table>

CERTIFIED CORRECT:
[Name of Noteholder]

By:
Date: ____________________________

I ACKNOWLEDGE RECEIPT OF A COPY OF THE STATEMENT PRIOR TO THE CONSUMMATION OF THE CREDIT TRANSACTION AND THAT I UNDERSTAND AND FULLY AGREE TO THE TERMS AND CONDITIONS THEREOF.
Name of Borrower

By:
Date:

NOTICE TO BORROWER: YOU ARE ENTITLED TO A COPY OF THIS PAPER WHICH YOU SHALL SIGN.
EXHIBIT D: FORM OF CERTIFICATION OF FACILITY AGENT

[Dated at least two (2) Business Days prior to proposed Issue Date]

[Name of Noteholder]

Noteholder

[Address]

Re: Notes Facility Agreement dated [______] (the “Facility Agreement”) among AEON CREDIT SERVICE (PHILIPPINES) INC. as the Issuer, [●] as Initial Noteholders, CREDIT GUARANTEE AND INVESTMENT FACILITY, A TRUST FUND OF THE ASIAN DEVELOPMENT BANK, as the Guarantor, METROPOLITAN BANK & TRUST COMPANY – TRUST BANKING GROUP as Facility Agent, and FIRST METRO INVESTMENT CORPORATION as Lead Arranger

Ladies and Gentlemen:

We refer to the Facility Agreement. Capitalized terms used herein shall have the same meanings as ascribed to them under the Facility Agreement.

The undersigned hereby certifies that it has received all applicable condition precedent documents, as required under Section 8.1 (Conditions of Drawdown) of the Agreement. Copies of such condition precedent documents which have been delivered by the Issuer to the undersigned are attached hereto, which copies are certified by the undersigned to be true, correct, and complete copies of the originals.

Very truly yours,

METROPOLITAN BANK & TRUST COMPANY– TRUST BANKING GROUP

By:

__________________________________________

[Name]
[Position]

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EXHIBIT E: FORM OF NOTE ACCELERATION NOTICE

[Date]

AEON CREDIT (PHILIPPINES), INC.
Issuer
Metro Manila, Philippines

Re: Notes Facility Agreement dated [_______] (the “Facility Agreement”) among AEON CREDIT SERVICE (PHILIPPINES) INC. as the Issuer, [●] as Initial Noteholders, CREDIT GUARANTEE AND INVESTMENT FACILITY, A TRUST FUND OF THE ASIAN DEVELOPMENT BANK, as the Guarantor, METROPOLITAN BANK & TRUST COMPANY – TRUST BANKING GROUP as Facility Agent, and FIRST METRO INVESTMENT CORPORATION as Lead Arranger

Ladies and Gentlemen:

We refer to the Facility Agreement. Capitalized terms used herein shall have the same meanings as ascribed to them under the Facility Agreement.

The undersigned hereby declares and notifies you that a [Non-Payment Event / Issuer Event of Default] has occurred.

In accordance with the provisions of the Facility Agreement, the undersigned hereby declares and notifies you that:

(a) all Commitments of all the Noteholders, and the corresponding obligation of the Noteholders to make or maintain their respective Advances, are hereby terminated; and

(b) the Principal Amount, as well as all interest accrued and unpaid thereon, and all other amounts payable under the Facility Agreement or in connection therewith, are hereby due and payable [immediately / (such other date as may be specified by the party issuing this notice)], and such amounts shall be so payable without presentment, demand, protest or further notice of any kind, all of which have been expressly waived by the Issuer, pursuant to the Facility Agreement.

Very truly yours,

CREDIT GUARANTEE AND INVESTMENT FACILITY,
A TRUST FUND OF THE ASIAN DEVELOPMENT BANK

By:

________________________
[Name]
[Position]

Copy furnished:

METROPOLITAN BANK & TRUST COMPANY - TRUST BANKING GROUP
[Address]
EXHIBIT F: FORM OF GUARANTEE AGREEMENT
GUARANTEE AGREEMENT

DATED 12 NOVEMBER 2018

CREDIT GUARANTEE AND INVESTMENT FACILITY,
a trust fund of the Asian Development Bank

and

METROPOLITAN BANK & TRUST COMPANY – TRUST BANKING GROUP
as noteholders’ representative for and on behalf of all Noteholders

relating to

up to (i) Nine Hundred Million Philippine Pesos (PHP 900,000,000) denominated, guaranteed and unsubordinated notes having a fixed rate of interest and due 16 November 2021 and (ii) One Hundred Million Philippine Pesos (PHP 100,000,000) denominated, guaranteed and unsubordinated notes having a fixed rate of interest and due 16 November 2023
issued by Aeon Credit Service (Philippines) Inc.
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**Schedule**

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**Signatories** ................................................................. 30
THIS GUARANTEE (this Agreement) is dated 12 November 2018 and is made BETWEEN:

(1) CREDIT GUARANTEE AND INVESTMENT FACILITY, a trust fund of the Asian Development Bank with its principal office in Manila, the Philippines, in its capacity as guarantor (CGIF); and

(2) METROPOLITAN BANK & TRUST COMPANY – TRUST BANKING GROUP in its capacity as the representative for and on behalf of the Noteholders (as defined below) (the Guaranteed Party),

(each a Party and collectively the Parties).

BACKGROUND:

(A) At the request of the Issuer (as defined below), CGIF has agreed, subject to the terms and conditions of this Agreement, to issue a guarantee in favour of the Guaranteed Party in respect of the Notes to be issued on the Issue Date (as defined below).

(B) It is intended that this document take effect as a deed notwithstanding the fact that a Party may only execute this document under hand.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Conflict

If there is any conflict between this Agreement and the Notes Facility Agreement in regard to the timing and amount of any payments of Guaranteed Amounts, this Agreement shall prevail.

1.2 Definitions

In this Agreement:

2021 Notes means the Philippine Peso denominated notes in the aggregate principal amount not exceeding Nine Hundred Million Philippine Pesos (PHP 900,000,000) due 16 November 2021 issued by the Issuer (as defined below).

2023 Notes means the Philippine Peso denominated notes in the aggregate principal amount not exceeding One Hundred Million Philippine Pesos (PHP 100,000,000) due 16 November 2023 issued by the Issuer (as defined below).

Additional Accrued Interest means the amount of interest in respect of any Note for the Additional Accrual Period at the Note Interest Rate.

Additional Accrual Period means:

(a) in the case of a CGIF Acceleration or a Guaranteed Party Acceleration, the period from (and including) the Note Interest Payment Date immediately preceding the CGIF Acceleration or Guaranteed Party Acceleration (as the case may be) to (but excluding) the Guarantor Payment Date; or
(b) where a Demand has been made in respect of principal due on the Note Maturity Date, the period from (and including) the Note Maturity Date to (but excluding) the Guarantor Payment Date.

**Affiliate** means, in relation to a company or corporation, a Subsidiary or the Holding Company of such company or corporation or a Subsidiary of that Holding Company.

**Articles of Agreement** means the articles of agreement of CGIF originally dated 11 May 2010 as amended on 27 November 2013, 31 May 2016, 23 May 2017, and 31 May 2018 (as may be further amended or supplemented from time to time).

**Business Day** means a day (other than a Saturday or Sunday) on which banks are open for general business in Mandaluyong City, Makati City, Taguig City, City of Manila, and Quezon City.

**CGIF Acceleration** has the meaning given to it in Clause 5.4 (CGIF Acceleration).

**CGIF Acceleration Notice** means a written notice delivered by CGIF to the Issuer and the Guaranteed Party, substantially in the form set out in Schedule 3 (Form of CGIF Acceleration Notice).

**CGIF Assets** means all property and assets of CGIF held in trust in accordance with the Articles of Agreement of CGIF and available from time to time to meet the liabilities of CGIF. For the avoidance of doubt, a CGIF Asset does not include any assets of the Asian Development Bank or any other contributors to CGIF.

**CGIF Certificate** means the certificate to be issued by CGIF to the Guaranteed Party certifying it has received (or waived receipt of) the documents and evidence set out in Schedule 1 (Conditions Precedent) to the Indemnity Agreement in form and substance satisfactory to CGIF, substantially in the form set out in Schedule 1 (Form of CGIF Certificate).

**Demand** means a demand for payment under this Agreement which complies with the terms of this Agreement in the form set out in Schedule 2 (Form of Demand).

**Demand Period** means in respect of a Non-Payment Event relating to:

(a) any Scheduled Interest (including the Scheduled Interest due on the last Note Interest Payment Date) or Noteholders’ Representative Expenses, a period of 10 Business Days starting on the date of such Non-Payment Event; and

(b) the Principal Amount due on the Note Maturity Date, a period of 20 Business Days starting on the date of such Non-Payment Event.

**Event of Default**, with respect to the 2021 Notes or the 2023 Notes, means the occurrence of any of the events described in Part 5 of Schedule B of the Notes Facility Agreement in relation to such Notes.

**Global Note** has the meaning given to such term in the Notes Facility Agreement.

**Governmental Agency** means any government department or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute).
Government Entity means any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

Guarantee means the guarantee provided by CGIF pursuant to, and subject to the terms and conditions of this Agreement.

Guarantee Documents means this Agreement, the Indemnity Agreement, the Guarantee Fee Letter and any other document or agreement entered into between any of CGIF, the Issuer and the Guaranteed Party (as applicable) in connection with any of those documents.

Guarantee Term has, with respect to the 2021 Notes or the 2023 Notes, the meaning given to it in Clause 2.2 (Term of the Guarantee) for such Notes.

Guaranteed Amount has the meaning given to it in Clause 2.1 (Guarantee).

Guaranteed Party Acceleration has the meaning given to it in Clause 5.2 (Guaranteed Party Acceleration).

Guarantor Default Interest Amount means any amount payable by CGIF pursuant to Clause 3.4 (Guarantor Default Interest).

Guarantor Default Rate means the Note Interest Rate plus 2 per cent. per annum.

Guarantor Payment Date means the date of actual payment by CGIF in respect of a Guaranteed Amount.

Holding Company means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

Indemnity Agreement means the Reimbursement and Indemnity Agreement dated on or about the date of this Agreement between CGIF and the Issuer in connection with this Agreement.

Institutional Qualified Buyers means the Noteholders who must be Philippine resident juridical persons or entities who, at the point of offer, purchase and on the Issue Date, are classified or considered as Qualified Buyers under Section 10.1(l) of the Securities Regulation Code or Rule 10.1.3.1 to 10.1.3.6 of the Implementing Rules and Regulations of the Securities Regulation Code, and when applicable, duly qualified by a SEC-registered qualified investor registrar.

Issue Date means 16 November 2018.

Issuer means Aeon Credit Service (Philippines) Inc., a company incorporated under the laws of the Philippines with company registration number CS201300789.

Issuer Event of Default means the occurrence of any of the events described in “Insolvency”, “Insolvency Proceedings” or “Creditors’ Process” under Part 5 of Schedule B (Representations and Warranties, Covenants, and Events of Default) to the Notes Facility Agreement.

Non-Payment Event, with respect to the 2021 Notes or the 2023 Notes, means the non-payment (after giving effect to any applicable grace period) of any Guaranteed Amount by the Issuer in accordance with the terms of the Notes Facility Agreement in relation to such Notes.

Note Acceleration Notice has the meaning given to it in the Notes Facility Agreement.
Note Documents means the Notes Facility Agreement and the Global Note, and all other documentation related to the issuance of the Notes.

Notes Facility Agreement means the notes facility agreement dated 12 November 2018 between, inter alia, the Issuer, CGIF and the Guaranteed Party.

Note Interest Payment Date, with respect to the 2021 Notes or the 2023 Notes, has the meaning given to the term Interest Payment Date under the Notes Facility Agreement in relation to such Notes.

Note Interest Rate, with respect to the 2021 Notes or the 2023 Notes, has the meaning given to the term Interest Rate under the Notes Facility Agreement in relation to such Notes.

Note Maturity Date means, with respect to the 2021 Notes or the 2023 Notes, the third (3rd) or fifth (5th) anniversary of the Issue Date, as applicable to the relevant Note.

Noteholders means the holder of a Note or a Transferee as recorded by the Registrar under the Registry and Paying Agency Agreement, which in no case shall exceed eight (8) at any given time.

Noteholders' Representative means initially the person named as ‘Facility Agent’ in the Notes Facility Agreement or any successor appointed as Facility Agent in respect of the Notes from time to time in accordance with the Notes Facility Agreement with the prior written consent of the Guarantor.

Noteholders' Representative Expenses means:

(a) all costs, expenses and liabilities properly incurred by the Noteholders' Representative in making a Demand of CGIF in accordance with this Agreement; and

(b) the remuneration due and payable to the Noteholders' Representative in accordance with clause 9 (Fees and Expenses) of the Noteholders' Representative Appointment Agreement.

Notes, unless expressly otherwise specified herein, refer to the 2021 Notes and 2023 Notes.

Original Due Date has the meaning given to it in Clause 3.3 (Payment of a Guaranteed Amount following a Demand).

Paid Guaranteed Amount has the meaning given to it in Clause 4.1 (Subrogation).

Philippines means the Republic of the Philippines.

PHP means the lawful currency of the Philippines.

Principal Amount means at any time the outstanding principal amount in respect of the 2021 Notes or the 2023 Notes, as the case may be, due on the Note Maturity Date, or on an accelerated basis following a Guaranteed Party Acceleration pursuant to Clause 5.2(a) or a CGIF Acceleration pursuant to Clause 5.4 (CGIF Acceleration).

Register of Noteholders means a register maintained by the Registrar which provides a full and complete record of the Noteholders holding title to the Notes and the particulars of any transfer of the Notes.

Registrar refers to the Philippine Depository & Trust Corp. in its capacity as such registrar.
**Scheduled Interest** means scheduled interest on the 2021 Notes or the 2023 Notes payable at the Note Interest Rate on each Note Interest Payment Date (excluding, for the avoidance of doubt, default interest (if any)) for such Notes.

**Security** means any mortgage, pledge, lien, charge, encumbrance, hypothecation, security interest or claim of any kind or nature on or with respect to any asset, whatsoever, howsoever and wherever created or arising and whether consensual or non-consensual (including any agreement to give any of the foregoing and any conditional sale or other title retention agreement) in each case to the extent securing payment or performance of an obligation.

**Subsidiary** means, in relation to any company or corporation, a company or corporation:

(a) which is controlled, directly or indirectly, by the first mentioned company or corporation and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

(b) more than half the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation;

(c) all entities whose financial statements are required to be fully consolidated with the first mentioned company or corporation in accordance with the accounting standards adopted for the consolidated financial statements of such company or corporation; or

(d) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

**Taxes** or **Tax** means any present and future taxes (including documentary stamp tax or value-added tax, gross receipt tax or any substitute tax), levies, imposts, duties, filing and other fees or charges imposed by any Government Entity.

**Tax Deduction** means a deduction or withholding for or on account of Tax from a payment under this Agreement.

**Transferee** means an Institutional Qualified Buyer to which a Noteholder seeks to transfer all or part of such Noteholder’s rights and obligations pursuant to the Notes Facility Agreement.

**US$, USD or US Dollar** means the lawful currency of the United States of America in general circulation from time to time.

### 1.3 Construction

(a) In this Agreement, terms not defined herein have the meaning as set out in the Notes Facility Agreement and unless the contrary intention appears, a reference to:

(i) **amendment** includes a supplement, novation, extension (whether of maturity or otherwise), restatement, re-enactment or replacement (however fundamental and whether or not more onerous) and **amended** will be construed accordingly;

(ii) **assets** includes present and future properties, revenues and rights of every description;

(iii) a **Clause**, a **Sub-clause**, a **Paragraph** or a **Schedule** is a reference to a clause, subclause of, or paragraph of, or a schedule to, this Agreement;
(iv) a currency is a reference to the lawful currency for the time being of the relevant country;

(v) a Note Document, Guarantee Document or other document or Security includes (without prejudice to any prohibition on any amendments) that Note Document, Guarantee Document or other document or Security as amended from time to time;

(vi) including means including without limitation, and includes and included shall be construed accordingly;

(vii) a provision of law is a reference to that provision as extended, applied, amended or re-enacted and includes any subordinate legislation;

(viii) a Party or any other person includes its successors in title, permitted assigns and permitted transferees;

(ix) a person includes any individual, company, corporation, unincorporated association or body (including a partnership, trust, fund, joint venture or consortium), government, state, agency, organisation or other entity whether or not having separate legal personality;

(x) a regulation includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

(xi) a successor shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of its jurisdiction of establishment, incorporation or domicile has assumed the rights and obligations of such party under this Agreement or to which, under such laws, such rights and obligations have been transferred;

(xii) a time of day is a reference to Manila time; and

(xiii) the winding-up, dissolution or administration of a company or corporation shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is established or incorporated or any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

(b) Unless the contrary intention appears, a reference to a month or months is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month or the calendar month in which it is to end, except that:

(i) if the numerically corresponding day is not a Business Day, the period will end on the next Business Day in that month (if there is one) or the preceding Business Day (if there is not);

(ii) if there is no numerically corresponding day in that month, that period will end on the last Business Day in that month; and
2. GUARANTEE

2.1 Guarantee

(a) Subject to the provisions of this Agreement, CGIF irrevocably and unconditionally guarantees to the Guaranteed Party the full and punctual payment of each Guaranteed Amount.

In this Agreement, and with respect to the 2021 Notes or the 2023 Notes, a Guaranteed Amount means:

(i) any Principal Amount and any Scheduled Interest which is overdue and unpaid (whether in whole or in part) (after the expiry of any applicable grace periods) by the Issuer under the Notes Facility Agreement;

(ii) any Additional Accrued Interest; and

(iii) any Noteholders’ Representative Expenses.

(b) For the avoidance of doubt, a Guaranteed Amount does not include any increased costs, tax-related indemnity (but includes any additional amounts required to be paid to the Noteholders due to a tax deduction in accordance with Section 2 (Repayment and Redemption) and Section 4.1(b) (Funding and Yield Protection) of the Notes Facility Agreement, provided that the Guaranteed Amount will not exceed the original amount which would have been due from the Issuer if no tax deduction were required), default interest, fees, or any other amounts other than any Principal Amount, any Scheduled Interest, any Additional Accrued Interest and any Noteholders’ Representative Expenses payable by the Issuer to the Guaranteed Party or any Noteholders.

2.2 Term of the Guarantee

(a) The Guarantee shall be effective as of the first date on which both:

(i) the Issue Date has taken place; and

(ii) CGIF has issued the CGIF Certificate.

(b) Subject to paragraph (c) below and Clauses 2.7 (Reinstatement) and 12 (Termination), the Guarantee will expire with respect to the 2021 Notes and the Guarantee will expire with respect to the 2023 Notes on the earlier of:
(i) the date on which all Guaranteed Amounts have been paid, repaid or prepaid in full, or the payment obligations of the Issuer in respect of all Guaranteed Amounts have been otherwise discharged or released pursuant to the Note Documents or any other arrangement between the Issuer and the Guaranteed Party;

(ii) the date of full redemption, prescription or cancellation of the Notes;

(iii) in the event of an occurrence of a Non-Payment Event, the last day of a Demand Period;

(iv) the date on which the Guaranteed Party takes an Acceleration Step other than in respect of a CGIF Non-Payment Event;

(v) the date on which the Notes become payable under and in accordance with the Notes Facility Agreement on an accelerated basis at the instigation of the Issuer; and

(vi) the effective date of any termination of the Guarantee pursuant to Clause 12 (Termination),

in each case with respect to the 2021 Notes or the 2023 Notes, as the case may be (such period of effectiveness of the Guarantee being the **Guarantee Term** with respect to such Notes).

(c) The Guarantee will remain effective where a Demand has been received in accordance with this Agreement but payment by CGIF has not yet been made to the Guaranteed Party.

2.3 Continuing guarantee

The Guarantee is a continuing guarantee and will extend to the ultimate balance of all Guaranteed Amounts payable by the Issuer under the Note Documents and this Agreement, regardless of any intermediate payment or discharge in whole or in part or where the payment of a Guaranteed Amount has been made but further Guaranteed Amounts are still due and payable or where any Notes are outstanding.

2.4 Limited recourse

Notwithstanding any other provisions of this Agreement or any Note Document, the recourse of the Guaranteed Party against CGIF under this Agreement and any Note Document is limited solely to the CGIF Assets. The Guaranteed Party acknowledges and accepts that it only has recourse to the CGIF Assets and it has no recourse to any assets of Asian Development Bank or any other contributors to CGIF. Any obligation of CGIF under this Agreement, any other Guarantee Document or any Note Document shall not constitute an obligation of Asian Development Bank or any other contributors to CGIF.

2.5 No personal liability of the Asian Development Bank or any other contributors to CGIF

Notwithstanding any other provisions of this Agreement or any Note Document, neither the Asian Development Bank nor any other contributors to CGIF or the officers, employees or agents of the Asian Development Bank or any contributor to CGIF shall be subject to any personal liability whatsoever to any third party including the Guaranteed Party in connection with the operation of CGIF or under this Agreement, any Note Document or any Guarantee Document. No action may be brought against the Asian Development Bank as the trustee of CGIF or as contributor to CGIF or against any other contributors to CGIF or any of their respective officers, employees or agents by any third party including the Guaranteed Party in connection with this Agreement, any other Guarantee Document or any Note Document.
2.6 Waiver of defences

The obligations of CGIF under this Agreement will not be affected by and shall remain in force notwithstanding any act, omission, event or thing of any kind which, but for this provision, would reduce, release or prejudice any of its obligations under this Agreement. This includes:

(a) any time, waiver or any other concession or consent granted to, or composition with, any person;
(b) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or Security over assets of, any person;
(c) any failure to realise the full value of any Security;
(d) any incapacity, or lack of power, authority or legal personality of any person;
(e) any termination, amendment, modification, variation, novation, replacement, supplement, or superseding of or to a Note Document or any other document or Security relating thereto, but only if the prior written consent of CGIF has been obtained;
(f) any unenforceability, illegality or, invalidity of any obligation of any person under any Note Document or any other document or Security relating thereto;
(g) any insolvency or similar proceedings affecting CGIF or the Issuer; or
(h) the replacement of the Guaranteed Party as representative for and on behalf of the Noteholders.

2.7 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of the Issuer and/or CGIF or any Security for those obligations or otherwise) is made by the Guaranteed Party in whole or in part in respect of a Guaranteed Amount on the basis of any payment, Security (if any) or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, then the liability of CGIF under Clauses 2 (Guarantee) and 3 (Payment under the Guarantee) will continue or be reinstated as if the discharge, release or arrangement had not occurred.

2.8 Additional Security

This Agreement is in addition to and is not in any way prejudiced by any Security (to the extent applicable) in respect of the Issuer’s obligations under the Note Documents now or subsequently held by the Guaranteed Party (or any trustee or agent on its behalf).

2.9 Pari Passu Ranking

Without limiting any other provision contained in this Agreement or any other Note Document, CGIF’s payment obligations under this Agreement rank pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law (if any).
3. **PAYMENT UNDER THE GUARANTEE**

3.1 **General**

(a) CGIF is only liable to pay a Guaranteed Amount under the Guarantee (and only in accordance with the terms and subject to the conditions of this Agreement) if and to the extent that the Guaranteed Party delivers to CGIF a Demand in respect of that Guaranteed Amount within the Demand Period (if any) and such Demand complies with the requirements set out in this Clause 3. A Demand must clearly specify which of the 2021 Notes or the 2023 Notes it is issued with respect to.

(b) The Guaranteed Party may make a Demand for payment of a Guaranteed Amount within the Demand Period following a Non-Payment Event which is continuing, provided that, for the avoidance of doubt, there will be no Demand Period in the case of a Demand under Clause 5.3 (Demand upon a Guaranteed Party Acceleration) in respect of a CGIF Non-Payment Event. A Demand may be revoked by written notice by the Guaranteed Party to CGIF at any time prior to the date on which a Guaranteed Amount is due for payment to the extent that moneys are actually received in respect of a Guaranteed Amount prior to such date from a source other than CGIF.

(c) Notwithstanding any other provisions of this Agreement, a Demand may only be made for payment of a Guaranteed Amount or a Guarantor Default Interest Amount. Furthermore, if a Non-Payment Event occurs as a result of the Note becoming payable on an accelerated basis:

(i) a Demand may only be made in respect of that Non-Payment Event in accordance with Clause 5 (Acceleration of the Notes); and

(ii) no Demand may be made in respect of a Non-Payment Event where the relevant amount of principal or accrued interest (as the case may be) became payable under the Notes Facility Agreement on an accelerated basis at the instigation of the Issuer in accordance with the Notes Facility Agreement, including, without limitation, as a result of the Issuer’s voluntary redemption of the Notes (whether in full or in part) prior to the maturity date of the Notes.

(d) CGIF agrees that the Guaranteed Party is not required to proceed against, enforce any other rights or Security (if any), or claim payment from any person before claiming from CGIF under this Agreement, irrespective of any law or any provision of any Note Document to the contrary, provided that CGIF shall only be required to make payments to the Guaranteed Party in accordance with the terms of this Agreement.

3.2 **Form of Demand**

(a) Each Demand must be in the form set out in Schedule 2 (Form of a Demand) and must clearly set out:

(i) the basis of the Demand including the calculation of the Guaranteed Amount;

(ii) the Guarantor Default Interest Amount (if any), and

(iii) all relevant evidence, information and documentation in support of the Demand as is reasonably necessary to evidence in reasonable detail the occurrence of the Non-Payment Event, the amounts unpaid and the payment due from CGIF in respect of the relevant Guaranteed Amount.
(b) No Demand (other than a Demand under Clause 5.3(a)) may include any portion of a Guaranteed Amount or a Guarantor Default Interest Amount that is or was the subject of another Demand.

(c) If a Demand is not:

(i) in the proper form (as set out in Schedule 2 (Form of a Demand));

(ii) on its face properly completed, executed or delivered; or

(iii) supported by the necessary evidence or other information or documentation referred to paragraph (a) above,

it will be deemed not to have been received by CGIF. CGIF shall, as soon as reasonably practicable, notify the Guaranteed Party if it considers this to be the case, and advise the Guaranteed Party of its requirements, so that the Guaranteed Party is able to prepare and submit a revised Demand to CGIF within the Demand Period.

3.3 Payment of a Guaranteed Amount following a Demand

(a) CGIF shall, within 10 Business Days after the receipt by CGIF of a Demand (the tenth Business Day after the receipt by CGIF of a Demand, the Original Due Date), pay to the Guaranteed Party the Guaranteed Amount which is the subject of that Demand.

(b) Following receipt of any Guaranteed Amount paid by CGIF pursuant to a Demand, the Guaranteed Party shall promptly notify the Issuer and CGIF that such payment has been received.

3.4 Guarantor Default Interest

(a) If CGIF fails to make a payment in accordance with Clause 3.3 (Payment of a Guaranteed Amount following a Demand), CGIF will pay interest on the overdue Guaranteed Amount for the period from (and including) the Original Due Date for the Guaranteed Amount to (but excluding) the Guarantor Payment Date at the Guarantor Default Rate.

(b) If CGIF fails to make a payment in accordance with Clause 5.4 (CGIF Acceleration) in respect of the scenario set out in Clause 5.4(a), CGIF will pay interest on the overdue Guaranteed Amount for the period from (and including) the Acceleration Due Date for the Guaranteed Amount to (but excluding) the Guarantor Payment Date at the Guarantor Default Rate.

4. SUBROGATION AND TRANSFERS

4.1 Subrogation

(a) Immediately upon the payment by CGIF under this Agreement of all or any part of the Guaranteed Amount in accordance with this Agreement (a Paid Guaranteed Amount), CGIF shall be subrogated to:

(i) all of the rights, powers and remedies of the Guaranteed Party, on behalf of the Noteholders, and of the Noteholders themselves, in respect of the Notes and each Note Document (in each case, to the extent relating and proportionate to that Paid Guaranteed Amount), against any relevant person, including (and to the extent relating
and proportionate to that Paid Guaranteed Amount) any rights or claims, whether accrued, contingent or otherwise; and

(ii) all of the Guaranteed Party's privileges, rights and Security (if any) against the Issuer or with respect to the Notes, in each case insofar as they extend to an amount equal to that Paid Guaranteed Amount.

(b) The Guaranteed Party must, at its own expense, execute such instruments or documents and take such other actions as CGIF may require to give effect to, facilitate or evidence the subrogation referred to in this Clause 4 and to perfect the rights of CGIF to receive such amounts equal to the Paid Guaranteed Amount under the Note Documents.

(c) For the avoidance of doubt, no Noteholder shall be obliged to transfer or assign any rights or any legal title in the Notes, except to the extent that it has received payment of any amounts from CGIF in respect thereof.

4.2 Transfer

(a) Upon payment by CGIF of a Paid Guaranteed Amount, the Guaranteed Party shall, at the written request of CGIF and in consideration of such payment:

(i) transfer and assign, free from any Security, to CGIF all of its rights:

(A) under the Note Documents; and

(B) in respect of any Security securing the Notes or any other amounts payable under the Note Documents (including any right, title and interest to any asset which has arisen as a result of enforcement of such Security, if any),

insofar as those rights relate and are proportionate to that Paid Guaranteed Amount; and

(ii) execute such instruments or documents and take such other actions as necessary for CGIF to give effect to, facilitate or evidence the transfer and assignment referred to in this Clause 4 and to perfect the rights of CGIF to receive such amounts equal to the Paid Guaranteed Amount under the Note Documents.

(b) The Guaranteed Party shall not, and shall take reasonable steps to ensure that the Issuer does not do anything that could lessen or impair any of the rights referred to in subparagraph (a)(i) above, CGIF's rights of subrogation or any other right of CGIF to recover any amount equal to the Paid Guaranteed Amount.

5. ACCELERATION OF THE NOTES

5.1 Acceleration Step

The Guaranteed Party agrees with, and undertakes in favour of, CGIF that it shall not:

(a) take any step to declare any Note to be or become immediately due and payable, or payable on an accelerated basis under the Note Documents; or

(b) take any enforcement or similar action in relation to any Security (if any) in respect of the Notes,
(each an **Acceleration Step**), other than in accordance with Clause 5.2 (Guaranteed Party Acceleration).

5.2 **Guaranteed Party Acceleration**

The Guaranteed Party may, on behalf of the Noteholders and subject to the terms of the Note Documents, take an Acceleration Step if:

(a) a Non-Payment Event has occurred and is continuing and a Demand has been properly received by CGIF (within the Demand Period) in accordance with this Agreement in respect of the relevant Guaranteed Amount and not paid by CGIF in accordance with the terms of this Agreement (a **CGIF Non-Payment Event**); or

(b) an Event of Default occurs (other than pursuant to a CGIF Non-Payment Event),

in each case, a **Guaranteed Party Acceleration**.

5.3 **Demand upon a Guaranteed Party Acceleration**

(a) Upon the occurrence of a Guaranteed Party Acceleration pursuant to Clause 5.2(a), the Guaranteed Party may deliver in accordance with this Agreement a Demand (where no Demand Period is applicable) in respect of the aggregate of the Guaranteed Amounts and the Guarantor Default Interest Amount (if any) to be paid by CGIF in accordance with this Agreement.

(b) Upon the occurrence of a Guaranteed Party Acceleration pursuant to Clause 5.2(b), the Guaranteed Party shall have no further right to deliver a Demand in respect of the Guaranteed Amounts to be paid by CGIF in accordance with this Agreement and CGIF shall have no further obligation to pay any Guaranteed Amount.

5.4 **CGIF Acceleration**

(a) At any time after (a) the occurrence of an Issuer Event of Default or (b) the receipt by CGIF of a Demand under this Agreement, CGIF may, in its absolute discretion, deliver a CGIF Acceleration Notice to the Issuer and the Guaranteed Party declaring the Notes to be immediately due and payable under the Note Documents on a specified date (which must be (i) in respect of (a), no later than ten (10) Business Days from the date the CGIF Acceleration Notice is delivered by CGIF to the Issuer and the Guaranteed Party pursuant to this Clause 5.4 and (ii) in respect of (b), no later than ten (10) Business Days from the receipt of the Demand by CGIF) (such date the **Acceleration Due Date**) and confirming that it will pay all Guaranteed Amounts on the Acceleration Due Date (a **CGIF Acceleration**).

The Parties agree that any such notice shall take effect in accordance with its terms.

(b) The Parties also agree that CGIF may, in its absolute discretion, cancel and withdraw any CGIF Acceleration Notice at any time prior to the Notes and/or amounts owing under the Notes Facility Agreement being redeemed or paid in full.

6. **APPLICATION OF FUNDS AND RECOVERIES**

6.1 **Application of funds**

Following payment by CGIF of any Paid Guaranteed Amount or payment by CGIF under this Agreement of all or any part of the Guarantor Default Interest Amount pursuant to the terms of this Agreement, the Guaranteed Party must hold such amounts on trust for the Noteholders pending
payment to the account of the Noteholders on the terms set out in the Notes Facility Agreement and must (as soon as practicable after receipt) apply them in or towards payment of the Guaranteed Amount(s) relating to such Paid Guaranteed Amount in accordance with the terms of the Notes Facility Agreement.

6.2 Recoveries

(a) After the delivery by the Guaranteed Party of a Demand in respect of any Guaranteed Amount, if the Guaranteed Party recovers any money or asset from the Issuer or any other person in respect of that Guaranteed Amount (a Recovered Amount), the Guaranteed Party must as soon as reasonably practicable (and in any case within ten (10) calendar days from the date of its receipt of such Recovered Amount) supply details of the recovery to CGIF and pay to CGIF (or any other person at the instruction of CGIF) an amount equal to such Recovered Amount and not exceeding the Paid Guaranteed Amount.

(b) Following payment by CGIF of any Paid Guaranteed Amount, if CGIF discovers that the Guaranteed Party had no right to receive a payment of the relevant Guaranteed Amount (or any portion thereof) to which such Paid Guaranteed Amount relates, CGIF shall be entitled, upon notice to the Guaranteed Party, to recover from the Guaranteed Party the relevant payment (or the relevant portion thereof) together with all expenses, charges, Tax and fees incurred by CGIF in relation to the return of the relevant payment to the extent that the Guaranteed Party still holds such amounts itself or to its order (and provided only that it has the ability to direct the relevant amounts).

(c) To the extent any part of a Guaranteed Amount has been recovered from any source, the Guaranteed Party may not seek to recover such amounts from CGIF under this Agreement.

7. TAXES

7.1 If CGIF is required by law to make a Tax Deduction in respect of a payment to be made by it under this Agreement (the Relevant Payment), CGIF may make the Relevant Payment with such Tax Deduction and is not required to make any increased payment in respect of the Relevant Payment.

7.2 If CGIF is aware that it must make a Tax Deduction (or that there is a change in the rate or the basis of a Tax Deduction), it must promptly notify the Guaranteed Party.

7.3 If CGIF is required to make a Tax Deduction, it must make the minimum Tax Deduction allowed by law and must make any payment required in connection with that Tax Deduction within the time allowed by law.

7.4 Nothing in this Clause 7 shall be considered to constitute a waiver of the privileges, immunities and exemptions applicable to CGIF, the Asian Development Bank or any contributors to CGIF pursuant to the Articles of Agreement.

8. PAYMENTS

8.1 Payment by CGIF and other Parties

(a) A payment by CGIF of a Paid Guaranteed Amount or a payment by CGIF under this Agreement of all or any part of the Guarantor Default Interest Amount pursuant to a Demand in accordance with this Agreement will discharge the payment obligations of CGIF under this Agreement to the extent of such payment, whether or not such payment is properly applied by or on behalf of the Guaranteed Party.
(b) All payments to be made by a Party under this Agreement must be made on the due date for payment in immediately available funds to such account as the receiving Party may direct such account to be notified by the receiving Party to the other Party at least five (5) Business Days prior to the relevant due date for payment.

8.2 Currency

(a) Subject to paragraph (b) below, all payments to be made by a Party under this Agreement must be made, unless otherwise specified in this Agreement, in the currency in which the amounts are incurred in relation to costs, fees, expenses, liabilities and other indemnities.

(b) If, in respect of a payment by CGIF under this Agreement (the subject payment) which, but for this paragraph, would be made in a certain currency (the Payment Currency), CGIF determines that it is impossible or impracticable or it is unable on commercially reasonable terms and in accordance with its policy, for CGIF to obtain the Payment Currency to fund payment of any amount which CGIF is required to pay under this Agreement, CGIF may give notice to the Guaranteed Party to that effect as soon as practicable before the date on which the subject payment is due under this Agreement (the Payment Date). In this event, CGIF may make the subject payment in an equivalent amount of the Substitute Currency (as defined below) converted at the Spot Rate (as defined below). The Guaranteed Party agrees and acknowledges that CGIF, by making such payment in the Substitute Currency, shall have satisfied its payment obligations in respect of the subject payment.

(c) In this Clause 8.2:

Spot Rate means with respect to:

(i) the conversion of USD into PHP or PHP into USD, where the Substitute Currency is USD;

(A) the PHP/USD exchange rate determined as the morning weighted average rate of exchange between the USD and the PHP as of the latest date prior to the relevant Payment Date as cited by the Philippine Dealing System, at or about 11:00 a.m. Manila time;

(B) if the above rate of exchange is not available on that date at that time, the PHP/USD exchange rate offered by the Bangko Sentral ng Pilipinas (BSP) on such date at or about 11:00 a.m. Manila time; or

(C) if neither of the above rates of exchange is available on that date at that time, the average of the PHP/USD exchange rate offered and published by each of the three biggest majority privately-owned commercial banks in the Philippines (measured by total assets) at such date and time as reasonably determined by CGIF; or

(ii) the conversion of a Substitute Currency which is not in USD, such rates of exchange as may be determined by the Guarantor in its absolute discretion.

Substitute Currency means US Dollars or such other currency as CGIF may determine and notify to the Guaranteed Party before the Payment Date (as defined above).

8.3 Certificates and determinations

Any certification, determination or notification by a Party of a rate or amount made pursuant to the terms of this Agreement will be, in the absence of manifest error, conclusive evidence of the matters to which it relates.
8.4 Business Days

If a payment under this Agreement is due on a day which is not a Business Day, the due date for that payment will instead be the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not) or whatever day CGIF reasonably determines is market practice and for the avoidance of doubt no interest shall accrue or be payable in respect of any postponement in accordance with this provision.

9. UNDERTAKINGS

9.1 No amendment to Note Documents

Unless with prior written consent of CGIF, the Guaranteed Party shall not:

(a) terminate, amend, modify, vary, novate, replace, supplement, supersede, waive, or give any consent in relation to, any term of a Note Document; or

(b) take, or omit to take, any action that would lessen or impair any right of the Guaranteed Party under any Note Document.

9.2 Compliance with Note Documents

The Guaranteed Party shall comply in all respects with the terms of, and perform all of its obligations under, each Note Document.

9.3 Notification of default

The Guaranteed Party shall notify CGIF of any Event of Default promptly upon becoming aware of its occurrence or being notified by the Issuer or any other related party.

9.4 Information: miscellaneous

The Guaranteed Party must supply to CGIF:

(a) promptly upon receipt, all documents dispatched or information disclosed by the Issuer to it or the Noteholders generally under the Note Documents; and

(b) all documents (including, without limitation, any notice, request or certificate) despatched or issued by the Guaranteed Party to the Issuer in accordance with the Note Documents or otherwise in connection with the Notes at the same time as they are despatched or issued.

10. AMENDMENTS AND WAIVERS

10.1 Amendments

Any term of this Agreement may be amended with the written agreement of the Parties and the Issuer.

10.2 Waivers and remedies cumulative

(a) The rights and remedies of each Party under this Agreement:

(i) may be exercised as often as necessary;
(ii) are cumulative and not exclusive of its rights and remedies under the general law; and

(iii) may be waived only in writing and specifically.

(b) No delay in exercising or non-exercise by a Party of any right or remedy under this Agreement shall operate as a waiver of that right or remedy, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy other than where any rights (including, without limitation, the right to require payment of any Guaranteed Amount) are to be exercised in accordance with specified requirements under this Agreement.

11. ASSIGNMENT OR TRANSFER

(a) No Party may assign or transfer any of its rights and obligations under this Agreement without the prior consent of the other Party except that CGIF may assign or transfer any of its rights and benefits under this Agreement (including its right of subrogation) to any person without the prior written consent of the Guaranteed Party or any other person.

12. TERMINATION

(a) Except as otherwise provided in Clause 2.4 (Limited recourse), Clause 2.5 (No personal liability of the Asian Development Bank or any other contributors to CGIF), Clause 4 (Subrogation and transfers), Clause 18 (Governing law) and Clause 19 (Dispute resolution), all rights and obligations of each Party will cease and expire on the last day of the Guarantee Term.

(b) Termination or expiry of the Guarantee pursuant to the terms of this Agreement is without prejudice to the rights of any Party which have accrued prior to such termination or expiry, whether arising under this Agreement, at law or otherwise.

(c) CGIF may terminate the Guarantee with immediate effect if any term of a Note Document has been terminated, amended, modified, varied, novated, replaced, supplemented, superseded or waived without the prior written consent of CGIF.

13. SET-OFF

No Party may set off any obligation owed to it by the other Party under this Agreement against any obligation owed by it to that other Party.

14. SEVERABILITY

If a term of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any jurisdiction, it shall not affect:

(a) the legality, validity or enforceability in that jurisdiction of any other term of this Agreement; or

(b) the legality, validity or enforceability in other jurisdictions of that or any other term of this Agreement.
15. COUNTERPARTS

This Agreement may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

16. NOTICES

16.1 In writing

(a) Any communication in connection with this Agreement must be in writing, with copy sent to the Issuer, and, unless otherwise stated, may be given:

(i) in person, by post or fax; or

(ii) to the extent agreed by the Parties making and receiving communication, by email or other electronic communication.

(b) For the purpose of this Agreement, an electronic communication will be treated as being in writing.

(c) Unless it is agreed to the contrary, any consent or agreement required under this Agreement must be given in writing.

16.2 Contact details

(a) The contact details of CGIF for all notices in connection with this Agreement are:
Address: Asian Development Bank Building, 6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Fax number: +632-683-1377
Email: aeon.php@cgif-abmi.org
Attention: CEO and Vice President, Operations

(b) The contact details of the Guaranteed Party for all notices in connection with this Agreement are:
Address: 16th Floor Metrobank Financial Center 7th Street corner 35th Street Bonifacio Global City Taguig City 1634 Philippines
Telephone: (632) 8575614 / (632) 8575643
Fax number: (632) 858 8016
Email: jaz.bilasano@metrobank.com.ph
Attention: Jasmin S. Bilasano / Maribel L. Sanchez

(c) The contact details of the Issuer for all notices in connection with this Agreement are:
Address: 3rd Floor, Hanston Square 17 San Miguel Avenue Ortigas Center, Pasig City Philippines
Fax number: (632) 631-1367
Any Party may change its contact details by giving five Business Days' notice to the other Party.

Where a Party nominates a particular department or officer to receive a communication, a communication will not be effective if it fails to specify that department or officer.

16.3 Effectiveness

(a) Except as provided below, any communication in connection with this Agreement will be deemed to be given as follows:

(i) if delivered in person, at the time of delivery;

(ii) if posted, when received;

(iii) if by fax, when received in legible form; and

(iv) if by e-mail or any other electronic communication, when received in legible form.

(b) A communication given under paragraph (a) above but received on a non-working day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.

(c) A communication to CGIF will only be effective on actual receipt by it.

16.4 English Language

(a) Any notice given in connection with this Agreement must be in English.

(b) Any other document provided in connection with this Agreement must be:

(i) in English; or

(ii) in the language of the jurisdiction in which the Notes are issued, accompanied by a certified English translation. In this case, the English translation prevails unless the document is a statutory or other publicly available official document.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Unless expressly provided to the contrary in a Guarantee Document, a person who is not a party to a Guarantee Document may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999 and, notwithstanding any term of any Guarantee Document, no consent of any third party is required for any amendment (including any release or compromise of any liability) or termination of any Guarantee Document. Notwithstanding the foregoing, the Asian Development Bank and other contributors to CGIF, and any of their respective officers, employees or agents may enforce Clauses 2.4 (Limited recourse), 2.5 (No personal liability of the Asian Development Bank or any other contributors to CGIF) and 19.2(j) and 19.2(l) (Arbitration) of this Agreement.
18. **GOVERNING LAW**

This Agreement and any non-contractual obligations arising out of or in connection with this Agreement shall be governed by English law.

19. **DISPUTE RESOLUTION**

19.1 **Governing Law**

This Clause 19 and any non-contractual obligations arising out of or in connection with it shall be governed by English law.

19.2 **Arbitration**

(a) Any dispute, claim, difference or controversy arising out of, relating to, or having any connection with this Agreement (which includes this Clause 19) and any Guarantee Document other than this Agreement, including any dispute as to their existence, validity, interpretation, performance, breach or termination, or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (for the purpose of this Clause 19, a **Dispute**), shall be referred to and be finally resolved by arbitration administered by the Singapore International Arbitration Centre (SIAC) under the Arbitration Rules of the SIAC in force when the Notice of Arbitration is submitted (for the purpose of this Clause 19, the **Rules**).

(b) The Parties further agree that following the commencement of arbitration, they will initially attempt in good faith to resolve the Dispute through mediation at the Singapore Mediation Centre (SIMC), in accordance with the SIAC-SIMC Arb-Med-Arb Protocol (the **Protocol**), for the time being in force which shall last for a period not exceeding eight (8) weeks from the commencement of the mediation proceedings (the **Mediation Period**). Where a settlement has been reached between the Parties within the Mediation Period, such terms of settlement shall be referred to the arbitral tribunal and the arbitral tribunal may make a consent award on such agreed terms. In the absence of a settlement by the Parties within the Mediation Period, the Dispute shall revert back to arbitration pursuant to the Protocol. Unless otherwise agreed by the Parties, the arbitration shall resume by arbitrators who were not involved in the mediation process above.

(c) The Rules and the Protocol are incorporated by reference into this Clause 19 and capitalised terms used in this Clause 19 (which are not otherwise defined in this Agreement) shall have the meaning given to them in the Rules and the Protocol.

(d) The number of arbitrators shall be three. The arbitrators nominated by the parties in accordance with the Rules shall jointly nominate the third arbitrator who, subject to confirmation by the President of the Court of Arbitration of SIAC (the **President**), will act as president of the arbitral tribunal. If the third arbitrator is not chosen by the two arbitrators nominated by the parties within 30 days of the date of appointment of the later of the two party-appointed arbitrators to be appointed, the third arbitrator shall be appointed by the President.

(e) The seat of arbitration shall be Singapore and all hearings shall take place in Singapore unless the arbitral tribunal in its absolute discretion decides that a different location will be appropriate.

(f) Except as modified by the provisions of this Clause 19 and the Rules, Part II of the International Arbitration Act (Cap. 143A) of Singapore shall apply to any arbitration
proceedings commenced under this Clause 19. Neither party shall be required to give general discovery of documents, but may be required only to produce specific, identified documents which are relevant to the Dispute.

(g) The language used in the arbitral proceedings shall be English. All documents submitted in connection with the proceedings shall be in the English language, or, if in another language, accompanied by an English translation and in which case, the English translation shall prevail.

(h) Service of any Notice of Arbitration made pursuant to this Clause 19 shall be made in accordance with the Rules and at the addresses given for the sending of notices under this Agreement at Clause 16 (Notices).

(i) The arbitration award(s) rendered by the arbitral tribunal shall be final and binding on the parties. To the fullest extent permitted under any applicable law, the parties irrevocably exclude and agree not to exercise any right to refer points of law or to appeal to any court or other judicial authority.

(j) The arbitral tribunal and any emergency arbitrator appointed in accordance with the Rules shall not be authorized to order, and the Guaranteed Party agrees that it shall not seek from the arbitral tribunal or any judicial authority:

(i) any order of whatsoever nature against the Asian Development Bank and other contributors to CGIF, and any of their respective officers, employees or agents; or

(ii) any interim order to sell, attach, freeze or otherwise enforce against the CGIF Assets.

(k) The Rules shall not prohibit CGIF from disclosing any information relating to any arbitral proceedings and/or arbitral award arising out of this Clause 19 to the board of directors of CGIF (the CGIF Board) as part of its approval process and portfolio administration, or to the Asian Development Bank or any other contributors to CGIF or any of their respective officers, employees, advisers, agents or representatives. The members of the CGIF Board may seek instructions from their constituents for the purpose of CGIF Board approval and portfolio administration and the Board documents and other relevant information may be distributed to any representatives of the relevant member countries of CGIF for the said purpose only, provided that such information and documents distributed by the CGIF Board insofar as they relate to any arbitral proceedings and/or arbitral award shall be clearly marked "CONFIDENTIAL".

(l) Nothing in this Agreement, any other Guarantee Document or any Note Document, or any agreement, understanding or communication relating to this Agreement (whether before or after the date of this Agreement), shall constitute or be construed as an express or implied waiver, renunciation, exclusion or limitation of any of the immunities, privileges or exemptions accorded to the Asian Development Bank under the Agreement Establishing the Asian Development Bank, any other international convention or any applicable law, or accorded to CGIF under the Articles of Agreement.

19.3 Waiver of immunity

To the fullest extent permitted by law, the Guaranteed Party irrevocably and unconditionally:

(a) submits to the jurisdiction of:
(i) the Singapore courts; and

(ii) the courts of any other jurisdiction in relation to the recognition of any judgment or order of the Singapore courts or arbitral award,

in each case, in relation to proceedings in connection with any arbitration in relation to any Dispute and in relation to the recognition of any arbitral award and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the Singapore courts or the courts of any other jurisdiction in relation to the recognition of such judgment or court order or arbitral award and agrees to ensure that no such claim is made on its behalf; and

(b) consents to the enforcement of any order or judgment in support of arbitration or any award made or given in connection with any Dispute and the giving of any relief in the Singapore courts and the courts of any other jurisdiction whether before or after a final arbitral award is rendered including, without limitation:

(i) relief by way of interim or final injunction or order for specific performance or recovery of any property;

(ii) attachment of its assets; and

(iii) enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use), and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the Singapore courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf.

20. DISCLOSURE OF INFORMATION

20.1 Confidential information

Except as disclosed under the offering circular dated on or about the date of this Agreement relating to the Notes or as permitted or required under this Agreement, the Note Documents, this Agreement and the terms thereof as well as any information relating any dispute arising therefrom are confidential (Confidential Information) and each Party agrees that it will not, without the prior consent of the other Party, disclose the contents of this Agreement or any Note Document or its existence to any other person, except where such information is:

(a) publicly available (including, without limitation, through disclosure made in a Note Document), other than as a result of a breach of this Clause 20;

(b) required to be disclosed by law, regulation or any Government Agency;

(c) required in connection with any legal or arbitration proceedings;

(d) disclosed to any rating agency provided that such rating agency shall be informed of its confidential nature and that some or all of such information may be price-sensitive information;

(e) disclosed to any Noteholder, its officers, employees, advisers, agents and representatives by the Noteholders' Representative, provided and on the condition that the Noteholders' Representative procures that the person receiving such confidential information is also bound by the provisions of this Clause 20; or
(f) disclosed to its Affiliates, its and its Affiliates' respective officers, employees, advisers, agents and representatives who, in any such case, have reasonably required to know such information, provided that such person shall be made aware of and agree to be bound by the confidentiality obligations under this paragraph prior to such information being disclosed to it.

20.2 Disclosure by CGIF

This Clause 20 does not prohibit the disclosure by CGIF of any information deemed confidential under this Clause 20 which is circulated to the CGIF Board as part of CGIF’s approval process and portfolio administration, or to the Asian Development Bank or any other contributors to CGIF or any of their respective officers, employees, advisers, agents and representatives. The members of CGIF Board may seek instructions from their constituents and the Note Documents, Guarantee Documents and other relevant information may be distributed to representatives of the contributors to CGIF.

THIS AGREEMENT has been executed as a deed by the Parties hereto and is intended to be and is hereby delivered on the date first above written.
SCHEDULE 1

FORM OF CGIF CERTIFICATE

To: Metropolitan Bank & Trust Company – Trust Banking Group in its capacity as the noteholder representative for and on behalf of the holders of the Notes (as defined below) (in this capacity the Guaranteed Party).

From: Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (CGIF)

Copy: Aeon Credit Service (Philippines) Inc. (the Issuer)

Date: ____________________

Dear Sirs,

Aeon Credit Service (Philippines) Inc. (the Issuer) – Reimbursement and Indemnity Agreement dated 12 November 2018 (the Indemnity Agreement) between, amongst others, the Issuer and CGIF in connection with the Guaranteed Notes of Aeon Credit Service (Philippines) Inc. of up to (i) Nine Hundred Million Philippine Pesos (PHP 900,000,000) having a fixed rate of interest and due 16 November 2021 (the 2021 Notes) and (ii) One Hundred Million Philippine Pesos (PHP 100,000,000) having a fixed rate of interest and due 16 November 2023 (the 2023 Notes) (collectively, the Notes)


I am a duly authorised officer of CGIF. I am authorised to give this certificate and certify that CGIF has received (or waived receipt of) all of the documents and evidence set out in Schedule 1 (Conditions Precedent) to the Indemnity Agreement in form and substance satisfactory to CGIF.

This also serves as notification to the Guaranteed Party in accordance with Clause 2.2 (Term of the Guarantee) of the Guarantee Agreement that the guarantee pursuant to the Guarantee Agreement is in effect, subject to the issuance of the Notes, and to the Issuer that CGIF has no objection to the issuance of the Notes.

Unless we notify you to the contrary in writing, you may assume that this certificate remains true and correct.

This certificate, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with English law.

For

CREDIT GUARANTEE AND INVESTMENT FACILITY,
a trust fund of the Asian Development Bank

_________________________
Name:
Title:
SCHEDULE 2
FORM OF DEMAND

To: Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (CGIF)

From: [Noteholders’ Representative] in its capacity as the noteholder representative for and on behalf of the holders of the Notes (as defined below) (in this capacity the Guaranteed Party).

Copy: ____________________ (the Issuer)

Date: ____________________

Dear Sirs,

Aeon Credit Service (Philippines) Inc. (the Issuer) – Reimbursement and Indemnity Agreement dated 12 November 2018 (the Indemnity Agreement) between, amongst others, the Issuer and CGIF in connection with the Guaranteed Notes of Aeon Credit Service (Philippines) Inc. of up to (i) Nine Hundred Million Philippine Pesos (PHP 900,000,000) having a fixed rate of interest and due 16 November 2021 (the 2021 Notes) and (ii) One Hundred Million Philippine Pesos (PHP 100,000,000) having a fixed rate of interest and due 16 November 2023 (the 2023 Notes) (collectively, the Notes)

We refer to the Guarantee Agreement dated 12 November 2018 between CGIF and the Guaranteed Party (the Guarantee Agreement). Terms defined in the Guarantee Agreement have, unless otherwise defined in this demand, the same meaning when used in this demand.

This notice is in relation to the 2021/2023 Notes.

We, as the Guaranteed Party, hereby certify as follows:

1. A Non-Payment Event occurred on [insert date].

2. An amount of [insert aggregate amount] was due on [insert due date] under the [Notes Facility Agreement] and remains unpaid as of the date hereof. The unpaid amount(s) comprise(s):
   (a) Principal Amount in an amount of [insert the amount of principal overdue]; and / or
   (b) Scheduled Interest [insert the amount of interest overdue], which is calculated as follows:

   [Specify calculations].

In addition, CGIF will be obliged to pay:

(a) Additional Accrued Interest up to a maximum of [insert the amount of interest overdue], which is calculated as follows:

   [Specify calculations]; and

---

1 Tranche of note to be specified. A demand must only relate to the 2021 or 2023 Notes. If a Non-Payment Event has occurred under both tranches then two demands must be submitted to CGIF.
(b) Noteholders' Representative Expenses [insert the amount of Noteholders' Representative Expenses], incurred in relation to (with attached documentary evidence):

[Specify]

3. We therefore demand payment of the Guaranteed Amount, calculated as follows:

(a) [Specify unpaid Principal Amount and Scheduled Interest and Noteholders' Representative Expenses]; and

(b) up to a maximum amount of [insert maximum amount] of Additional Accrued Interest.

4. [CGIF failed to make a payment in accordance with Clause 3.3 of the Guarantee, we therefore demand payment of the Guarantor Default Interest Amount:

(a) [insert amount], for the period from (and including) the original due date for the Guaranteed Amount to (but excluding) the date of this Demand:

[Specify calculations];

plus

(b) the Guarantor Default Interest Amount for the period from (and including) the date of this Demand to (but excluding) the date of actual payment by CGIF.]

OR

[CGIF did not fail to make a payment in accordance with Clause 3.3 of the Guarantee, we therefore do not demand payment of the Guarantor Default Interest Amount]

5. In addition to the Guaranteed Amount and Guarantor Default Interest Amount referred to above, the following amount(s) is/are also due and unpaid as of the date hereto in respect of the [2021/2023] Notes, however, do(es) not constitute the Guaranteed Amount or the Guarantor Default Interest Amount and is/are not payable by CGIF:

[Specify]

6. We enclose the following evidence, information and documentation in support of the information contained in this Demand:

[Specify evidence, information and documentation]

Please make payment to the following account:

Bank Name : [•]

Bank Swift : [•]

Beneficiary Name : [•]

Account Number : [•]
A Demand may be revoked by written notice by the Guaranteed Party to CGIF at any time prior to the date on which a Guaranteed Amount is due for payment to the extent that moneys are actually received in respect of a Guaranteed Amount prior to such date from a source other than CGIF.
[Noteholders’ Representative] acting for and on behalf of all Noteholders

____________________________________
Name:
Title:
FORM OF CGIF ACCELERATION NOTICE

To: [●] (the Noteholders’ Representative)

To: Aeon Credit Service (Philippines) Inc. (the Issuer)

From: Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank

[Date]

Dear Sirs,

Aeon Credit Service (Philippines) Inc. (the Issuer) – up to (i) Nine Hundred Million Philippine Pesos (PHP 900,000,000) having a fixed rate of interest and due 16 November 2021 (the 2021 Notes) and (ii) One Hundred Million Philippine Pesos (PHP 100,000,000) having a fixed rate of interest and due 16 November 2023 (the 2023 Notes) (collectively, the Notes) guaranteed by the Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (CGIF)

We refer to the Guarantee (as defined in the Guarantee Agreement entered into amongst CGIF, the Noteholders’ Representative dated 12 November 2018 in respect of the Notes (the Guarantee Agreement)). Terms defined in the Guarantee Agreement have, unless otherwise defined in this notice, the same meaning when used in this notice.

This notice is in relation to the [2021/2023] Notes.

We hereby confirm as follows:

1. [An Issuer Event of Default has occurred.] [A Non-Payment Event has occurred and is continuing in accordance with the Notes Facility Agreement on [insert date] / [ ]. As a result, we have exercised our rights pursuant to clause 5.4 (CGIF Acceleration) of the Guarantee Agreement to carry out a CGIF Acceleration. We hereby declare the Notes to be immediately due and payable under the Note Documents on [insert date].

2. We therefore agree to pay the aggregate unpaid Guaranteed Amounts, being [insert amount].

3. We enclose the following evidence, information and documentation in support of the information contained in this CGIF Acceleration Notice:

[Specify evidence, information and documentation]

For and on behalf of

CREDIT GUARANTEE AND INVESTMENT FACILITY,
a trust fund of the Asian Development Bank

_________________________
Name:
Title:

2 Tranche of note to be specified. A demand must only relate to the 2021 or 2023 Notes. If CGIF Acceleration is for both tranches then two notices must be submitted.
SIGNATORIES

CGIF
EXECUTED as a DEED by
CREDIT GUARANTEE AND
INVESTMENT FACILITY,
a trust fund of the Asian Development Bank
and SIGNED and DELIVERED as a DEED
on its behalf by

In the presence of:
Witness' signature:

........................................

Witness' name:

........................................

Witness' address:

........................................
........................................
........................................
THE GUARANTEED PARTY

EXECUTED as a DEED by

METROPOLITAN BANK & TRUST

COMPANY – TRUST BANKING GROUP

By:

___________________
Name: Lalaine C. Sta. Ana
Title: First Vice President

___________________
Name: Maribel L. Sanchez
Title: Manager

In the presence of:

Witness' signature:

.......................................................... 

Witness' name:

..........................................................

Witness' address:

..........................................................

..........................................................

..........................................................
EXHIBIT G: FORM OF COMPLIANCE CERTIFICATE

[Letterhead of the Issuer]

[Date]

[Metropolitan Bank & Trust Company - Trust Banking Group]
[Address]

Re: Notes Facility Agreement dated [_______] (the “Facility Agreement”) among AEON CREDIT SERVICE (PHILIPPINES) INC. as the Issuer, [●] as Initial Noteholders, CREDIT GUARANTEE AND INVESTMENT FACILITY, A TRUST FUND OF THE ASIAN DEVELOPMENT BANK, as the Guarantor, METROPOLITAN BANK & TRUST COMPANY – TRUST BANKING GROUP as Facility Agent, and FIRST METRO INVESTMENT CORPORATION as Lead Arranger

Ladies and Gentlemen:

In reference to Schedule B, Part 4 of the Facility Agreement, I hereby state and certify, on behalf of AEON CREDIT (PHILIPPINES), INC. (the “Issuer”), that as of the date hereof, to my knowledge, no Event of Default has occurred and no other event, which with the giving of any notice and/or certificate and/or with the lapse of time would constitute an Event of Default, has occurred, [except as follows:] (Note: Include bracketed portion if an Event of Default has occurred and is subsisting, and state the nature thereof and the action which the Issuer has taken or proposes to take with respect thereto);

Terms not defined herein have the meanings set forth in the Facility Agreement.

[Name and Signature of the Issuer’s Chief Finance Officer/Treasurer/Comptroller]
EXHIBIT H: PROHIBITED INVESTMENT ACTIVITY LIST

1. Production or activities involving harmful or exploitative forms of forced labor or child labor.

2. Production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase-outs or bans, such as (a) pharmaceuticals, pesticides, and herbicides, (b) ozone-depleting substances, (c) polychlorinated biphenyls and other hazardous chemicals, (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and (e) trans-boundary trade in waste or waste products.

3. Production of or trade in weapons and munitions, including paramilitary materials.

4. Production of or trade in alcoholic beverages, excluding beer and wine.

5. Production of or trade in tobacco.


7. Production of or trade in radioactive materials, including nuclear reactors and components thereof.

8. Production of, trade in, or use of un-bonded asbestos fibers.

9. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.

10. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

---

1 Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.
2 Child labor means the employment of children whose age is below the host country’s statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 “Minimum Age Convention” (www.iilo.org).
3 A list of pharmaceutical products subject to phaseouts or bans is available at http://www.who.int.
4 A list of pesticides and herbicides subject to phaseouts or bans is available at http://www.pic.int.
5 A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at http://www.unep.org/ozone/montreal.shtml.
6 A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.
7 A list of hazardous chemicals is available at http://www.pic.int.
8 A list is available at http://www.cites.org.
9 As defined by the Basel Convention; see http://www.basel.int.
10 This does not apply to project/subproject sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a project sponsor’s subproject sponsor’s primary operations.
11 This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.
12 This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
EXHIBIT I: SOCIAL PROTECTION REQUIREMENTS

(1) For the purposes of this Schedule:

(a) the core labour standards are the elimination of all forms of forced or compulsory labour; the abolition of child labour; elimination of discrimination in respect of employment and occupation; and freedom of association and the effective recognition of the right to collective bargaining, as per the relevant conventions of the International Labor Organization;

(b) forced labour means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty; and

(c) child labour means the employment of children whose age is below the statutory minimum age of employment in the relevant country, or employment of children in contravention of International Labor Organization Convention No. 138 'Minimum Age Convention' (www.iioo.org).

(2) The Issuer shall comply with applicable labour laws in relation to its business, and shall take the following measures to comply with the core labour standards:

(a) carry out its activities consistent with the intent of ensuring legally permissible equal opportunity, fair treatment and non-discrimination in relation to recruitment and hiring, compensation, working conditions and terms of employment for its workers (including prohibiting any form of discrimination against women during hiring and providing equal work for equal pay for men and women engaged by the Issuer);

(b) not restrict its workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment;

(c) engage contractors and other providers of goods and services:

(i) who do not employ child labour or forced labour;

(ii) who have appropriate management systems that will allow them to operate in a manner which is consistent with the intent of (A) ensuring legally permissible equal opportunity and fair treatment and non-discrimination for their workers, and (B) not restricting their workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; and

(iii) whose subcontracts contain provisions which are consistent with paragraphs (i) and (ii) above.
(3) The Issuer shall provide CGIF with an annual report its compliance with the measures identified above (which may be included in any report required to be provided by the Issuer to CGIF pursuant to the ESS).
EXHIBIT J: FORM OF AESPR
ANNUAL ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORT

Please provide responses to the questions below. Please include additional sheets or attachments as required to provide details on questions that have been answered Yes. The Borrowing Entity (BE) is required to submit the annual performance report to CGIF.

<table>
<thead>
<tr>
<th>Name of the Borrowing Entity (BE)</th>
<th>AEON Credit Service (Philippines) Inc. (“AEON Credit PH”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting period</td>
<td></td>
</tr>
<tr>
<td>From:</td>
<td></td>
</tr>
<tr>
<td>To:</td>
<td></td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td>General corporate finance purposes</td>
</tr>
</tbody>
</table>

Company authorized representative (e.g. Head of Credit Risk):

I certify that all information contained in this AESPR is true, complete and accurate in all respects at the time of submission and no such document or material omitted any information the omission of which would have made such document or material misleading.

<table>
<thead>
<tr>
<th>Name:</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title:</td>
<td></td>
</tr>
<tr>
<td>Signature:</td>
<td></td>
</tr>
</tbody>
</table>

A. Portfolio Information

For the reporting period, please provide the following information about your portfolio (AEON Installment Plan) where applicable:

### Business Lines

<table>
<thead>
<tr>
<th>Product line</th>
<th>Description</th>
<th>Total exposure outstanding for most recent FY year end (in US$)</th>
<th>Average loan or transaction size (in US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer loans</td>
<td>Loans for individuals (Hire purchase for home appliance and mobile)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Electronic Appliances (TV, Refrigerator, Air conditioner etc.)</td>
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<td></td>
<td>Mobile Phones</td>
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<tr>
<td></td>
<td>Furniture</td>
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<td></td>
<td>Personal Computers</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Others (Bike, Camera, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product line</td>
<td>Description</td>
<td>Total exposure outstanding for most recent FY year end (in US$)</td>
<td>Average loan or transaction size (in US$)</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td><strong>Long term: Transactions with tenor greater than 12 months</strong></td>
<td></td>
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<tr>
<td>SME</td>
<td>Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions less than US$ 1 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subproject finance/Large Corporate finance</td>
<td>Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions larger than US$ 1 million</td>
<td></td>
<td></td>
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<tr>
<td>Trade finance</td>
<td></td>
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<tr>
<td><strong>Short term (ST): Transaction with tenor less than 12 months</strong></td>
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<tr>
<td>ST Corporate finance</td>
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<tr>
<td>ST Trade finance</td>
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<tr>
<td><strong>Other</strong></td>
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<tr>
<td>Microfinance</td>
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<tr>
<td>Other (if applicable)</td>
<td>Please describe</td>
<td></td>
<td></td>
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</tbody>
</table>

**B. Prohibited Investment Activities List (PIAL)**

<table>
<thead>
<tr>
<th>Industry / Activity</th>
<th>Triggered?</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>1. Production or activities involving harmful or exploitative forms of forced labor(^2) or child labor(^3)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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\(^1\) ADB SPS June, 2009

\(^2\) Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

\(^3\) Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 “Minimum Age Convention” (www.ilo.org).
<table>
<thead>
<tr>
<th>Industry / Activity</th>
<th>Triggered?</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase-outs or bans, such as (a) pharmaceuticals, pesticides, and herbicides, (b) ozone-depleting substances, (c) polychlorinated biphenyls and other hazardous chemicals, (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and (e) trans-boundary trade in waste or waste products</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>3. Production of or trade in weapons and munitions, including paramilitary materials</td>
<td></td>
<td></td>
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<tr>
<td>4. Production of or trade in alcoholic beverages, excluding beer and wine</td>
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<tr>
<td>5. Production of or trade in tobacco</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Gambling, casinos, and equivalent enterprises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Production of or trade in radioactive materials, including nuclear reactors and components thereof</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4 A list of pharmaceutical products subject to phaseouts or bans is available at http://www.who.int.
5 A list of pesticides and herbicides subject to phaseouts or bans is available at http://www.pic.int.
6 A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at http://www.unep.org/ozone/montreal.shtml.
7 A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.
8 A list of hazardous chemicals is available at http://www.pic.int.
9 A list is available at http://www.cites.org.
10 As defined by the Basel Convention; see http://www.basel.int.
11 This does not apply to subproject sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a subproject sponsor’s primary operations.
12 This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.
<table>
<thead>
<tr>
<th>Industry / Activity</th>
<th>Triggered?</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Production of, trade in, or use of un-bonded asbestos fibers&lt;sup&gt;13&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>13</sup> This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
EXHIBIT K: FORM OF THE APPLICATION TO PURCHASE
This is an application to purchase (the "Application") AION Credit Service (Philippines), Inc.'s ("AION Credit") Fixed Rate Corporate Notes Due 2021 (the "Notes"). Any Application submitted by a prospective purchaser must be for a minimum principal amount (face value) of ₱25,000,000.00 and in multiples of ₱25,000,000.00 thereafter. The Notes will be recorded in electronic book-entry form in the name of the Philippine Depository & Trust Corp. (the "Register") and shall be subject to the rules and regulations of the Register ("PDTC Rules"). Only completed Applications and all supporting documents must be received by the Arranger not later than 12:00 noon of November 13, 2018, unless otherwise extended or earlier terminated. Any Application improperly or incompletely accomplished may likewise be rejected. This Application is irrevocable and, once submitted, may not be withdrawn by the Applicant.

Payment in full, through one of the three methods set forth below, must accompany this Application.

---

**APPLICATION TO PURCHASE**

**7.299% Fixed Rate Notes**

**Due 2021**

---

**Name of Applicant:** (Last, First, M.I./ Business Name)*

**Type of Investor:**
- [ ] Individual
- [ ] Corporate

---

**Amount in Words:**

**Amount in Figures:**

**Total Purchase Amount**

---

**Mode of Payment for the Notes:**

- [ ] Real Time Gross Settlement
- [ ] Direct Debit (Fund Transfer)

We hereby authorize the debiting of my/our account with the Draws Bank named below with the corresponding account number, of Total Purchase Amount (as stated above) in cleared funds, in favor of the Arranger named below, covering full payment for the Notes covered by this Application.

**Debt Peso Current/Savings Account Number:**

---

**Permanent Address:**

**Present Mailing Address:** (if different from Permanent Address):*

---

**Telephone Numbers:***

**Fax Number(s):***

---

**Primary Contact Person (if other than Applicant):**

**Relationship to Applicant:**

---

**Date of Birth / Incorporation (mm/dd/yyyy):***

**Place of Birth / Incorporation:**

---

**Nationality:**

**Tax Identification Number:**

---

**Nature of Work or Business:**

**Name of Employer/ Business:**

---

**Sources of Income:**

---

**Mode of Collection of Interest and Principal Payments:**

We hereby unconditionally instruct and authorize the Paying Agent to cause the payments of interest and principal on the Notes net of applicable taxes, fees and cost to be purchased via:

- [ ] Credit PESO current/savings account number

---

**Tax Status:**

- [ ] Individual (Taxable)
- [ ] Domestic Corporate
- [ ] Tax Exempt** Corporate

**Note:** If a foreign investor, tax rate below will apply (subject to application of preferential rates)**

- [ ] Non-resident individual not engaged in business: 25%
- [ ] Resident foreign corporate: 20%
- [ ] Non-resident foreign corporate: 20%

**Subject to submission of documentary proof of exemption**

---

**If a Corporation, please fill up Additional Required Information:** (Please use additional sheets if necessary):

---

**Name of Parent Company, if any:**

---

**Names of Directors:**

**Name of Stockholders Owning at Least 2% of the Authorized Capital Stock:**

---

**Name of Beneficial Owners of Applicant, if any:**

**Address of Beneficial Owner:**

---

* Required to be filled up under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulation, and rule of any Philippine governmental body relating thereto.

**Communications (E-mail Indemnity):** By indicating the e-mail address, I/we consent to receive all statements, notices and communications via e-mail, and such consent shall be regarded as a waiver of my/our right to receive any bank deposits in respect of such statements or notices. I/we acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relation to its transmission. I/we are responsible for keeping such email address active and existing during the term of the Notes, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or re-transmitting such communication via electronic means.
The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Noteholder be allowed to sell or transfer Notes until such Noteholder shall have submitted to the Registrar all the documents required for the issuance of such Notes.

IF THE APPLICANT IS A CORPORATION:

(a) An original notarized Certificate of the Corporate Secretary of the Applicant setting forth resolutions of the Applicant’s Board of Directors authorizing the purchase of the Notes and designating the signatories, with their specimen signatures, for the said purposes;

(b) Copies of its Articles of Incorporation and By-laws and latest amendments thereof, together with the Certificate of Incorporation issued by the Securities and Exchange Commission (“SEC”) or equivalent government institution, stamped and signed as certified as true copies by the SEC or by the Applicant’s Corporate Secretary, or by an equivalent officer(s) who is/are authorized signatory(ies); and

(c) Two (2) duly authorized signature cards containing the specimen signatures of the Applicant’s authorized signatories, validated by its Corporate Secretary or by an equivalent officer(s) who is/are authorized signatory(ies), and further validated/signed by the Arranger’s authorized signature(ies) and countersigned on the reverse by the Registrar.

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the following documentary proof of its tax-exempt or preferential status together with this Application to Purchase:

(a) Certified true copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and all prior tax exemption certificate, ruler or opinion issued by the BIR confirming the exempt or preferential rate;

(b) A duly notarized undertaking (in the prescribed form and substance by AEON Credit,) declaring and warranting that the same Noteholder named in the tax exemption certificate described in (a) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax year to immediately notify AEON Credit and the Registrar of any suspension or revocation of its tax exemption certificates or preferential rate entitlement and agreeing to indemnify and hold AEON Credit, the Registrar and the Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding of the required tax; and

(c) Such other documentary requirements as may be required by AEON Credit, the Registrar or the Paying Agent under the applicable regulations of the relevant taxing or other authorities, which for purposes of claiming tax treaty withholding rate benefits shall consist of a duly accomplished Certificate of Residence for Tax Treaty Relief (CORTT) Form prescribed in Revenue Memorandum Order No. 8-17, and shall include evidence of the applicability of a tax treaty and consularized proof of the Noteholder’s local domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Noteholder is not doing business in the Philippines; provided further that, upon submission of reasonable evidence of exemption or preferential rate entitlement of the Applicant to the Registrar, all sums payable by AEON Credit to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges from and to the extent which the Noteholder has adequately evidenced exemption.

Unless properly provided with satisfactory proof of the tax-exempt status of a Noteholder, the Registrar and Paying Agent may assume that said Noteholder is taxable and proceed to apply the tax due on the Notes. Notwithstanding the submission by the Noteholder, or the receipt by AEON Credit or any of its agents, of documentary proof of the tax-exempt status of a Noteholder, AEON Credit may, in its sole and reasonable discretion, determine that such Noteholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Notes. Any question on such determination shall be referred to AEON Credit.

REPRESENTATIONS, WARRANTIES AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants, that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant agrees to immediately notify AEON Credit and the Registrar, either directly or through the Arranger, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant’s tax status) or any of its representations or warranties. The Applicant understands that the Arranger, the Registrar, the Paying Agent, Metropolitan Bank & Trust Company – Trust Banking Group (“Facility Agent”), and AEON Credit will rely on the Applicant’s representations and warranties set forth herein including, without limit, its declaration of its tax status, including, if applicable, its tax-exempt status in processing payments due to it under the Notes. The Applicant agrees to indemnify and hold the Arranger, the Registrar, the Paying Agent, Facility Agent and AEON Credit (“Offer Participants”) free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non-withholding of the required tax due to the representations as indicated in this Application to Purchase, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant likewise authorizes the Registrar and the Paying Agent to verify the information stated in this Application and the documents, of documentary proof of the tax-exempt status of a Noteholder, AEON Credit may, in its sole and reasonable discretion, determine that such Noteholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Notes. Any question on such determination shall be referred to AEON Credit.

APPLICANT’S FULL NAME (IN PRINT):  
APPLICANT’S AUTHORIZED SIGNATURE/S :  

ACKNOWLEDGEMENT AND ACCEPTANCE

Arranger’s Acceptance:  
☐ Acceptance  ☐ Rejection due to

Arranger’s Certification/Endorsement:  
We received this Application, with all the required attachments below, at a.m. / p.m. on 
We hereby warrant that:

(a) The necessary know-your-client process was conducted on the Applicant pursuant to the Money-Laundering Act and the amendments thereto (“AML”) as well as its implementing rules and regulations (“IRR”) and our own internal policies;

(b) The identity of the Applicant was duly established pursuant to the AML and its IRR.

(c) To the best of the undersigned’s knowledge, all information provided to AEON Credit and the Registrar regarding the Applicant are true, complete, current and correct;

(d) Any and all authorizations and waivers from the Applicant necessary for the undersigned Arranger to disclose all information required by AEON Credit and the Registrar to determine the eligibility of the Applicant have been duly obtained; and

(e) The Applicant’s signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

FINAL ALLOCATION AMOUNT: PHP:  
AMOUNT OF REFUND, IF ANY: PHP:  

<table>
<thead>
<tr>
<th>Arranger</th>
<th>Arranger’s Authorized Signatory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature over printed name</td>
<td>Signature over printed name</td>
</tr>
</tbody>
</table>
**APPLICATION TO PURCHASE**

7.695% Fixed Rate Notes
Due 2023

This is an application to purchase (the "Application") AEON Credit Service (Philippines), Inc.'s ("AEON Credit") Fixed Rate Corporate Notes Due 2023 (the "Notes"). Any Application submitted by a prospective purchaser must be for a minimum principal amount (face value) of P25,000,000.00 and in multiples of P25,000,000.00 thereafter. The Notes will be recorded in electronic book-entry form in the name of the Philippine Depository & Trust Corp. (the "Registrar") and shall be subject to the rules and regulations of the Registrar ("PDTC Rules"). Duly completed Applications and all supporting documents must be received by the Arranger not later than 12:00 am on November 13, 2019 unless otherwise amended or written terminated. Any Application improperly or incompletely accomplished may likewise be rejected. This Application is irrevocable and, once submitted, may not be withdrawn by the Applicant. Payment in full, through one of the three methods set forth below, must accompany the Application. The Application shall be subject to the terms and conditions stated in the Notes Facility Agreement, the Guarantee Agreement, the Receiving and Paying Agency Agreement (collectively, the "Note Documents") and in the Information Memorandum ("Information Memorandum").

### Name of Applicant: (Last, First, M.I./ Business Name)*

<table>
<thead>
<tr>
<th>Type of Investor:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td></td>
</tr>
</tbody>
</table>

* We (the "Applicant") hereby apply to purchase the following principal amount of the Notes (the "Total Purchase Amount"), subject to the Note Documents, the PDTC Rules and the Information Memorandum.

<table>
<thead>
<tr>
<th>Amount in Words ($)</th>
<th>Amount in Figures ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Purchase Amount</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Mode of Payment for the Notes:

- **Real Time Gross Settlement**
  - We have caused the crediting of the Total Purchase Amount (as stated above) in cleared funds, covering full payment for the Notes covered by this Application to the Arranger named below, for the account of AEON Credit.

- **Direct Debit (Fund Transfer)**
  - We hereby authorize the debiting of my/our account with the Drawee Bank named below, with the corresponding account number, of Total Purchase Amount (as stated above) in cleared funds, in favor of the Arranger named below, covering full payment for the Notes covered by this Application.

  **Debt Peso Current/Savings Account Number:**
  - 
  - **with** bank,
  - **branch.**

### Permanent Address:*

**Present Mailing Address (if different from Permanent Address):**

<table>
<thead>
<tr>
<th>Telephone Numbers:</th>
<th>E-mail Address:* (Please fill in only if you specifically consent to e-mail communications. Provisions on Communications under the Notes Facility Agreement will apply):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fax Numbers:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Primary Contact Person (if other than Applicant):</th>
<th>Relationship to Applicant:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Date of Birth / Incorporation (mm/dd/yyyy):*</th>
<th>Place of Birth / Incorporation:*</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Nationality:*</th>
<th>Tax Identification Number:*</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Nature of Work or Business:*</th>
<th>Name of Employer/ Business:*</th>
</tr>
</thead>
</table>

### Sources of Income:*:

<table>
<thead>
<tr>
<th>Mode of Collection of Interest and Principal Payments:</th>
<th>Tax Status:</th>
</tr>
</thead>
<tbody>
<tr>
<td>I/we hereby unconditionally instruct and authorize the Paying Agent to cause the payments of interest and principal on the Notes net of applicable taxes, fees and cost to be purchased via:</td>
<td>[Individual (Taxable)]</td>
</tr>
<tr>
<td>- <strong>Credit PESO current/savings account number</strong></td>
<td>[Domestic Corporate]</td>
</tr>
<tr>
<td>With branch:*</td>
<td>[Tax Exempt]</td>
</tr>
<tr>
<td>- <strong>Credit Demand Deposit Account</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>[If a foreign investor, tax rate below will apply (subject to application of preferential rates):]</td>
</tr>
<tr>
<td></td>
<td>[Non-resident individual not engaged in business: 25%]</td>
</tr>
<tr>
<td></td>
<td>[Resident foreign corporate: 20%]</td>
</tr>
<tr>
<td></td>
<td>[Non-resident foreign corporate: 20%]</td>
</tr>
<tr>
<td></td>
<td>[Subject to submission of documentary proof of exemption]</td>
</tr>
</tbody>
</table>

* Must be a PDS Group accredited cash settlement bank

<table>
<thead>
<tr>
<th>If a Corporation, please fill up Additional Required Information:</th>
<th>(Please use additional sheets if necessary):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Parent Company, if any:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Names of Directors:*</th>
<th>Name of Stockholders Owning at Least 2% of the Authorized Capital Stock:*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Beneficial Owners of Applicant, if any:*</td>
<td>Address of Beneficial Owner:</td>
</tr>
</tbody>
</table>

* Required to be filed up under Republic Act No. 9160, Republic Act No. 9194 and BSP Circular Nos. 251, 253 and 279, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.

* Communications (E-mail Indemnity) By indicating the e-mail address, I/we consent to receive all statements, notices and communications via e-mail, and such consent shall operate as a waiver of my/our right and privilege to the secrecy of bank deposits in respect of such statements or notices. I/we acknowledge that security of any statement, notice or communication sent through electronic means is not guaranteed and I/we assume all risks in relation to its transmission. I/we are responsible for keeping such email access active and existing during the term of the Notes, otherwise, I/we shall be liable for any fees or charges that may be imposed or incurred in transmitting or re-transmitting such communication via electronic means.
REQUIRED ATTACHMENTS TO THIS APPLICATION

The Applicant understands that the Registrar will not issue a Registry Confirmation nor will any Noteholder be allowed to sell or transfer Notes until such Noteholder shall have submitted to the Registrar all the documents required for the issuance of such Notes.

IF THE APPLICANT IS A CORPORATION:

(a) An original notarized Certificate of the Corporate Secretary of the Applicant setting forth resolutions of the Applicant’s Board of Directors authorizing the purchase of the Notes and designating the signatories, with their specimen signatures, for the said purposes;

(b) Copies of its Articles of Incorporation and By-laws and latest amendments thereof, together with the Certificate of Incorporation issued by the Securities and Exchange Commission ("SEC") or equivalent government institution, stamped and signed as certified as true copies by the SEC or by the Applicant’s Corporate Secretary, or by an equivalent officer/s who is/are authorized signatory/ies;

(c) Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant’s authorized signatories, validated by its Corporate Secretary or by an equivalent officer/s who is/are authorized signatory/ies, and further validated/signed by the Arranger’s authorized signatory/ies whose signatures have been submitted to the Registrar.

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the following documentary proof of its tax-exempt or preferential status together with this Application to Purchase:

(a) Certified true copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and/or the tax exemption certificate, ruling or opinion issued by the BIR confirming the exempt or preferential rate;

(b) A duly notarized undertaking (in the prescribed form and substance by AEON Credit,) declaring and warranting that the same Noteholder named in the tax exemption certificate described in (a) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaken to immediately notify AEON Credit and the Registrar of any suspension or revocation of its tax exemption certificates or preferential rate entitlement and agreeing to indemnify and hold AEON Credit, the Registrar and the Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding of the required tax; and

(c) Such other documentary requirements as may be required by AEON Credit, the Registrar or the Paying Agent under the applicable regulations of the relevant taxing or other authorities, which for purposes of claiming tax treaty withholding rate benefits shall consist of a duly accomplished Certificate of Residence for Tax Treaty Relief (CORTT) Form prescribed in Revenue Memorandum Order No. 8-17, and shall include evidence of the applicability of a tax treaty and consularized proof of the Noteholder’s domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Noteholder is not doing business in the Philippines; provided further that, upon submission of reasonable evidence of exemption or preferential rate entitlement of the Applicant to the Registrar, all sums payable by AEON Credit to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges from and to the extent which the Noteholder has adequately evidenced exemption.

Unless properly provided with satisfactory proof of the tax-exempt status of a Noteholder, the Registrar and Paying Agent may assume that said Noteholder is taxable and proceed to apply the tax due on the Notes. Notwithstanding the submission by the Noteholder, or the receipt by AEON Credit or any of its agents, of documentary proof of the tax-exempt status of a Noteholder, AEON Credit may, in its sole and reasonable discretion, determine that such Noteholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Notes. Any question on such determination shall be referred to AEON Credit.

PRESENTATIONS, WARRANTIES AND AUTHORIZATION

In executing this Application, the Applicant represents and warrants, that all information contained herein (including its tax status) and the required attachments are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without use of fraud, coercion or any other vice of consent. The Applicant agrees to immediately notify AEON Credit and the Registrar, either directly or through the Arranger, if anything occurs which renders or may render untrue or incorrect in any respect any of the information given herein (including information given with respect to the Applicant’s tax status) or any of its representations or warranties. The Applicant understands that the Arranger, the Registrar, the Paying Agent, Metropolitan Bank & Trust Company - Trust Banking Group (“Facility Agent”), and AEON Credit will rely on the Applicant’s representations and warranties set forth herein including, without limit, its declaration of its tax status, including, if applicable, its tax-exempt status in processing payments due to it under the Notes. The Applicant agrees to indemnify and hold the Arranger, the Registrar, the Paying Agent, Facility Agent and AEON Credit (“Offer Participants”) free and harmless against any and all claims, actions, suits, damages, and liabilities resulting from the non-withholding of the required tax due to the representations as indicated in this Application to Purchase, any misrepresentation contained herein or any reliance on the confirmations contained herein. The Applicant likewise authorizes the Registrar and the Paying Agent to verify the information stated in this Application, or the terms, dates, and in any and in all manner, including but not limited to, requesting information contained herein from the Arranger regarding the Applicant’s account/s with the said Arranger. By signing this application, the Applicant, solely and exclusively for the limited purpose of enabling the Offer Participants to record, process and share information as contemplated by this Application, the processes and procedures of the Registrar and under the Note Documents hereby gives full consent and authority to the Offer Participants for the collection, processing, retention, and/or sharing of their personal, sensitive personal or privileged information. The Applicant warrants that the Applicant (or its authorized signatory) has read and understood the Note Documents, the Information Memorandum and the terms and conditions stated in this Application as well as the PDTG Rules and unconditionally accepts the same. The Applicant further agrees that completion of this Application constitutes an instruction and authority from the Applicant to AEON Credit and/or Arranger to execute any application form or other documents and generally to do all such other things and acts as AEON Credit, and/or Arranger may consider necessary or desirable to effect registration of the Notes in the name of the Applicant.

APPLICANT’S FULL NAME (IN PRINT): ____________________________________________________________________________

APPLICANT’S AUTHORIZED SIGNATURE/S: ____________________________________________________________________________

ACKNOWLEDGEMENT AND ACCEPTANCE

Arranger’s Acceptance: ☐ Acceptance ☐ Rejection due to __________________________

Arranger’s Certification/Endorsement: We received this Application, with all the required attachments below, at __________ a.m. / p.m. on __________. We hereby warrant that:

(a) The necessary know-your-client process was conducted on the Applicant pursuant to the Anti-Money Laundering Act and the amendments thereto ("AML Act") as well as its implementing rules and regulations ("IRR") and our own internal policies;

(b) The identity of the Applicant was duly established pursuant to the AML Act and its IRR;

(c) To the best of the undersigned’s knowledge, all information provided to AEON Credit and the Registrar regarding the Applicant are true, complete, current and correct;

(d) Any and all authorizations and waivers from the Applicant necessary for the undersigned Arranger to disclose all information required by AEON Credit and the Registrar to determine the eligibility of the Applicant have been duly obtained; and

(e) The Applicant’s signature appearing herein is genuine and authentic and was herein affixed freely and voluntarily.

FINAL ALLOCATION AMOUNT: PHP __________ AMOUNT OF REFUND, IF ANY: PHP __________

Arranger’s Authorized Signatory
Signature over printed name

Arranger’s Authorized Signatory
Signature over printed name
EXHIBIT L: FORM OF THE GLOBAL NOTE
AEON CREDIT SERVICE (PHILIPPINES), INC. (the “Company”) acting by authority of its Board of Directors pursuant to resolutions adopted and passed on [_____] hereby issues this Global Note to Metropolitan Bank & Trust Company – Trust Banking Group, in its capacity as Facility Agent, in acknowledgement of the obligations of the Company in respect of the 3-Year Philippine Peso Fixed-Rate Notes (the “3-Year Notes”) with a total aggregate amount of ₱[●] based on an issue price of one hundred percent (100%) of the face value of each 3-Year Note with a fixed interest rate equivalent to [●]% per annum and due on [●] 2021. The Company hereby promises to pay the holders of its 3-Year Notes the principal, interest and any other amounts due on the 3-Year Notes subject to the Notes Facility Agreement dated November 12, 2018 and the Guarantee Agreement dated [_____] which is hereby incorporated by reference in this Global Note. In case of any conflict between the terms of this Global Note and the Notes Facility Agreement, the provisions of the latter shall prevail.

Issued this [●].

__________________________________________
[NAME]
Authorized Signatory

__________________________________________
[NAME]
Authorized Signatory
AEON CREDIT SERVICE (PHILIPPINES), INC. (the “Company”) acting by authority of its Board of Directors pursuant to resolutions adopted and passed on [_____] hereby issues this Global Note to Metropolitan Bank & Trust Company – Trust Banking Group, in its capacity as Facility Agent, in acknowledgement of the obligations of the Company in respect of the 5-Year Philippine Peso Fixed-Rate Notes (the “5-Year Notes”) with a total aggregate amount of ₱[●] based on an issue price of one hundred percent (100%) of the face value of each 5-Year Note with a fixed interest rate equivalent to [●]% per annum and due on [●] 2023. The Company hereby promises to pay the holders of its 5-Year Notes the principal, interest and any other amounts due on the 5-Year Notes subject to the Notes Facility Agreement dated November 12, 2018 and the Guarantee Agreement dated [_____] which is hereby incorporated by reference in this Global Note. In case of any conflict between the terms of this Global Note and the Notes Facility Agreement, the provisions of the latter shall prevail.

Issued this [●].

__________________________________________  __________________________________________
[NAME]                                               [NAME]
Authorized Signatory                                Authorized Signatory
Information Memorandum

Up to PHP 1,000,000,000.00
CGIF-Guaranteed Corporate Notes Issuance

ÆON CREDIT SERVICE (PHILIPPINES), INC.
Issuer

CREDIT GUARANTEE AND INVESTMENT FACILITY,
A TRUST FUND OF THE ASIAN DEVELOPMENT BANK
Guarantor

MIZUHO SECURITIES ASIA
Financial Advisor

FIRST METRO INVESTMENT CORPORATION
Arranger

A Notes Issuance under the ASEAN+3 Multi-Currency Bond Issuance Framework

As of November 12, 2018

Strictly Private and Confidential
ABSTRACT

The purpose of this Information Memorandum (“IM”) is to provide prospective lenders with relevant information to assist them in their evaluation thereof and in making their decision to subscribe to the Fixed Rate Notes Issue (the “Issue”; the fixed rate notes subject of the Issue, the “Notes”).
NOTICE TO RECIPIENTS

THE SECURITIES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (“SEC”) AS THE ISSUANCE IS AN EXEMPT TRANSACTION UNDER SECTION 10.1 (L) OF THE SECURITIES REGULATION CODE (“SRC”) AND RULE 10.1.3 OF ITS IMPLEMENTING RULES AND REGULATIONS (“SRC RULES”). ANY FUTURE OFFER OR SALE OF THE SECURITIES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

THE OFFERING, SALE, AND ISSUANCE OF THE NOTES IS AN EXEMPT TRANSACTION UNDER SECTION 10.1 (L) OF THE SRC AND RULE 10.1.3 OF THE SRC IRR.

UPON ISSUANCE, THESE SECURITIES SHALL BE SIMULTANEOUSLY ENROLLED AS SECURITIES THAT MAY BE TRADED BETWEEN AND AMONG QUALIFIED BUYERS WHICH ARE JURIDICAL PERSONS NOT EXCEEDING EIGHT (8) AT ANY ONE TIME AT THE PHILIPPINE DEALING & EXCHANGE CORP. (“PDEX”) IN ACCORDANCE WITH THE PROCEDURES AND REQUIREMENTS SET FORTH IN THIS INFORMATION MEMORANDUM, AND THE RELEVANT PDEX RULES, OPERATING FRAMEWORK, AND TRADING CONVENTIONS. ANY FUTURE OFFER OR SALE OF THE SECURITIES WITHIN THE PDEX TRADING SYSTEM MUST BE TO A QUALIFIED BUYER WHICH IS A JURIDICAL PERSON, AS DEFINED AND PRESCRIBED UNDER THE SRC AND ITS IMPLEMENTING RULES AND REGULATIONS.

THE OFFER AND ISSUANCE OF THE NOTES ARE MADE SOLELY TO QUALIFIED BUYERS WHICH ARE JURIDICAL PERSONS UNDER SECTION 10.1 (L) OF THE SRC AND RULES 10.1.3 OF THE SRC RULES. QUALIFIED BUYERS ELIGIBLE TO PURCHASE THE NOTES UNDER RULE 10.1.3.6 OF THE SRC RULES ARE LIMITED TO JURIDICAL PERSONS ONLY FULFILLING THE FINANCIAL REQUIREMENTS UNDER SRC RULE 10.1.11.2 AND REGISTERED AS SUCH WITH AN AUTHORIZED REGISTRAR.

THE ISSUER (DEFINED BELOW) WILL NOT OBTAIN A CONFIRMATION OR DECLARATION OF SUCH EXEMPTION FROM OR FILE A NOTICE OF SUCH EXEMPTION WITH THE SEC.

The information provided in this IM has been prepared solely for informational purposes, and is being furnished to prospective lenders in connection with the proposed Issue. The distribution of this IM in certain jurisdictions may be restricted by law. This IM may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Persons coming into possession of this IM are required by ÆON Credit Service (Philippines), Inc. ("ÆON Credit", the “Company” or the “Issuer”) to inform themselves about, and to observe, any and all such restrictions.

This IM is distributed upon the express understanding that no information (which has been obtained from sources other than from ÆON Credit’s own records) herein contained, has been independently verified and that no representation or warranty expressed or implied is made nor is any responsibility of any kind accepted by ÆON Credit, or any of their respective affiliates, shareholders, directors, employees, agents or advisors with respect to the completeness or accuracy of any information.
contained herein. In addition, no representation or warranty expressed or implied is made that such 
information remains unchanged in any respect as of any date or dates after those stated herein, with 
respect to any matter concerning ÆON Credit or the Issue, or any statement made in this IM.

The contents of this IM are not to be considered as legal, business, or tax advice. This IM is not 
intended to provide the sole basis of any credit or other evaluation to provide financing to ÆON 
Credit. Each prospective lender should make its own independent evaluation of ÆON Credit and the 
Offer and the creditworthiness of ÆON Credit and of the relevance and accuracy of the information 
contained herein, and should make such other investigation as it deems necessary to determine 
whether it should provide financing to ÆON Credit. Prospective lenders are advised to observe 
certain risks, some of which are set out in this IM.

Where this IM summarizes the provisions of any other document, that summary should not be relied 
upon and the relevant documentation (which will be supplied upon request, if it has not been supplied 
with this IM) must be referred to for its full effect. In furnishing this IM, ÆON Credit reserves the 
right to amend or to replace the IM at any time and undertakes no obligation to provide the recipient 
with access to any additional information.

This IM contains certain “forward-looking statements”. These forward-looking statements can 
generally be identified by use of statements that include words or phrases such as ACSPI or its 
management “believes”, “expects”, “anticipates”, “intends”, “plans”, “projects”, “foresees”, or other 
words or phrases of similar import. Similarly, statements that describe ÆON Credit’s objectives, 
plans or goals are also forward-looking statements. All forward-looking statements are subject to 
certain risks and uncertainties that could cause actual results to differ materially from those 
contemplated by the relevant forward-looking statement. Nothing in this IM is or should be relied 
upon as a promise or representation as to the future. The forward-looking statements included herein 
are made only as of the date of this IM, and ÆON Credit undertakes no obligation to update such 
forward-looking statements publicly to reflect subsequent events or circumstances.

In consideration of receiving this IM, the prospective lenders are reminded that they must keep all 
information confidential in accordance with the confidentiality undertaking which they have signed, 
and will not, without prior written consent of ÆON Credit, disclose or reveal the information to any 
person.

Each prospective lender must comply with all applicable laws in force in the jurisdiction where the 
transaction is entered into and must obtain the necessary consent, approval, authority, or permission 
for the same under the laws and regulations in force in any jurisdiction to which it is subject and 
ÆON Credit shall not have any responsibility therefore. The information contained herein is being 
submitted to the prospective lenders only in connection with the transaction described herein and may 
not be directly or indirectly divulged to any person or entity or reproduced, disseminated or disclosed, 
in whole or in part, for any other purpose.
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EXECUTIVE SUMMARY

Company Overview

ÆON Credit Service (Philippines) Inc. (the “Company” or “ÆON Credit”) was incorporated on February 14, 2013. A month after its incorporation, ÆON Credit commenced operations by offering ÆON Installment Plan, a loan facility availed by customers for the purchase of consumer products without any credit card, through a growing network of partner merchants and store affiliates.

ÆON Credit is a subsidiary of ÆON Financial Service Co., Ltd. Japan (“ÆON Financial”), a company listed on the First Section of the Tokyo Stock Exchange. The core business of ÆON Financial is the issuance of credit cards and prepaid cards. It has a combined total of 41 million credit card and prepaid card holders in Japan and overseas as of March 31, 2018. It is in fact one of the biggest credit card issuers and a leading consumer credit provider in Japan.

It is worthy to note that ÆON Financial is a member of the ÆON Group of Companies (“ÆON Group”), a global retail and financial services group based in Japan. ÆON Group consists of around 300 subsidiaries and affiliated companies which operate mainly in Asia.

ÆON Group’s most basic and abiding principles are the pursuit of peace, respect for humanity, and contribution to local communities through customer-centered initiatives. Under these principles, we are determined to achieve global management standards.

ÆON Group, in managing its businesses, is always guided by its fundamental principle of ‘Customer First’ philosophy. Its aim is to surpass expectations by combining excellent products with unique personal services.

ÆON Credit provides financial assistance to retail customers who wish to avail of personal loans and vehicle loans, and purchase home appliances, furniture, electronics, gadgets and other consumer products. Operations focus particularly on non-credit card holders and the unbanked, as the Company’s simple loan application process and accessible network of partner merchants facilitate opportunities for individuals with otherwise limited access to financial services.

The Company’s partnerships with key merchants such as Abenson, Automatic Centre, SM Appliance Center, Western Appliances, Metro Gaisano and Robinsons Appliances allow it the benefit of a wide customer reach without the cost of significant capital outlay that typically comes with brick and mortar-centric businesses. As of June 2018, ÆON Credit operates across a network of more than 1,470 stores across Luzon and several areas in Visayas. The Company aims to expand its operations to the Mindanao region by 2019.

Selected Financial Information

<table>
<thead>
<tr>
<th>Financial Highlights</th>
<th>Income Statement Items</th>
<th>For the year ended December 31</th>
<th>Jan to June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td>75</td>
<td>156</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>54</td>
<td>140</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Gross Profit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>(49)</td>
<td>(19)</td>
<td>76</td>
</tr>
<tr>
<td>Net Income</td>
<td>(67)</td>
<td>(36)</td>
<td>36</td>
</tr>
<tr>
<td><strong>Balance Sheet Items</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>305</td>
<td>483</td>
<td>1,264</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>280</td>
<td>325</td>
<td>1,070</td>
</tr>
<tr>
<td>Total Equity</td>
<td>26</td>
<td>158</td>
<td>193</td>
</tr>
<tr>
<td><strong>Financial Ratios</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>5%</td>
<td>35%</td>
<td>33%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>(65%)</td>
<td>(12%)</td>
<td>18%</td>
</tr>
<tr>
<td>Net Income Margin</td>
<td>(89%)</td>
<td>(23%)</td>
<td>9%</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>0.9x</td>
<td>1.3x</td>
<td>1.4x</td>
</tr>
<tr>
<td>Bank Debt to Equity</td>
<td>10.1x</td>
<td>1.8x</td>
<td>4.9x</td>
</tr>
<tr>
<td>Net Debt (Bank Debt less Cash) to Equity</td>
<td>9.0x</td>
<td>1.8x</td>
<td>4.9x</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>(22%)</td>
<td>(9%)</td>
<td>4%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>(262%)</td>
<td>(39%)</td>
<td>20%</td>
</tr>
</tbody>
</table>
INVESTMENT CONSIDERATIONS

A. Key Investment Highlights

ÆON Credit promotes financial inclusion in the country by extending financial services to Filipinos with limited access to banks.

According to the Global Findex Database Report 2017, 41% and 45% of unbanked Filipinos cite the distance of financial institutions and a lack of necessary documentation for compliance, respectively, as reasons for not having a bank account. Consequently, access to more formal sources of credit service becomes more difficult for such individuals with either limited or no banking history. ÆON Credit bridges this gap, and manages to address identified barriers by designing its business model to cater specifically to the unbanked.

The Company provides financial assistance to retail customers who wish to avail of personal loans, vehicle loans, and purchase consumer products through simple installment plans. Concerns on distance are addressed by an accessible network of partner merchants across over 1,470 stores in Luzon and Visayas where ÆON Sales Promoters are conveniently stationed to assist customers with loan application. A basic list of documentary requirements allows the Company to conduct basic Know Your Customer procedures without overwhelming potential borrowers.

By focusing operations to address the concerns of non-credit card holders and the unbanked, the Company’s straightforward loan application process and extensive network of merchant partners facilitate opportunities for individuals with otherwise limited access to financial services. Moreover, hire purchase loans for home appliances and similar products allow individuals to enhance consumer lifestyle, while vehicle loans provide sources of livelihood for the underserved.

It has growth potential being the Philippine subsidiary of ÆON Financial, and a member company of the ÆON Group, the largest retail business in Japan.

ÆON Financial, the financial services business arm of the ÆON Group, leverages on its brand strength and extensive network to develop synergies and grow its business both in Japan and abroad. In turn, ÆON Financial’s subsidiaries, such as ÆON Credit, benefit from the knowledge transfer sourced from ÆON Financial. In particular, digital initiatives to improve efficiency of receivables collection, to build a low-risk portfolio, and to increase productivity translate into large growth opportunities for ÆON Credit, especially since ÆON Financial looks to grow its Global Business to 50% of consolidated ordinary profit by 2020.

Hire purchase loans, personal loans, and vehicle loans of ÆON Credit are representative of a wider array of consumer finance services offered by its parent company that may likewise be offered by ÆON Credit in the future. The Company is set to launch a line of products similar to its parent company’s once it has acquired its quasi-banking and electronic money issuer licenses. This will not only supplement the Company’s revenue stream, but also allow ÆON Credit to diversify its customer base and become one of the largest retail-oriented financial services companies in the country.

Sustained growth in revenues and improving profitability

Revenues of the Company continue to exhibit an upward trend, growing from PHP 75.17 Mn in 2014 to PHP 873.16 Mn in 2017, while profitability has largely improved with ÆON Credit logging a positive bottomline after previous year losses attributable to initial cash burn. Growth in the Company’s portfolio has been favourable as ÆON Credit ended 2017 with PHP 1.78 Bn in Gross Loans, and more than 92% of
loans and receivables that were neither past due nor impaired considered as high grade with excellent repayment experience.

**The Notes will be guaranteed by Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (rated AA by Standard & Poor’s).**

Guarantees issued by the Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (“CGIF” or the “Guarantor”), are irrevocable and unconditional commitments to pay bondholders upon non-payment by the Issuer throughout the tenor of the bond. The commitment is backed by CGIF’s equity capital from its sovereign government contributors including 10 ASEAN countries, the People’s Republic of China, Japan (Japan Bank for International Cooperation), the Republic of Korea, and the Asian Development Bank. To date, CGIF’s guarantees are backed by USD 859.2 Mn of paid-in capital.

In June 2018, S&P Global Ratings affirmed its AA long-term and A-1+ short term issuer credit ratings for CGIF, citing the institution’s adequate business profile and extremely strong financial profile. CGIF’s shareholders approved its first ever capital increase to USD 1.2 Bn from USD 700 Mn in 2017, with payments likely to be completed by the end of 2023. By increasing its capital, CGIF’s guarantee capacity will be boosted to USD 3 Bn from the current capacity of USD 1.75 Bn. Worthy to note, CGIF’s source of funding is largely considered stable given that the Guarantor does not have existing borrowings, and that funds are obtained solely through retained earnings and equity contributions.

Investing in the Notes is likewise an opportunity to participate in one of the first few CGIF-backed debt issuances in the local market. As of December 31, 2017, Philippine debt issuances accounted for only 15% of CGIF’s total guarantee portfolio, excluding matured/redeemed issuances. Since the fund was established in 2010, only two debt transactions have been arranged and issued for the Philippine market.

**The Notes will serve as a benchmark in Philippine debt capital markets, as the first issuance under the ASEAN+3 Multi-Currency Bond Issuance Framework in the country.**

The ASEAN+3 Multi-Currency Bond Issuance Framework (“AMBIF”) is a policy initiative under the Asian Bond Markets Initiative (“ABMI”) that seeks to facilitate intraregional bond and note issuances by streamlining market practices, documentation and disclosure information requirements common among ASEAN+3 domestic bond markets. Through the AMBIF, issuers are able to expand into ASEAN+3 markets outside their country of domicile, and investors are able to actively participate in the region’s various investment opportunities.

Since ABMI established the ASEAN+3 Bond Market Forum in 2010, only one entity has issued debt under the AMBIF format. The CGIF-Guaranteed Corporate Notes Issuance by ÆON Credit will be the first debt issuance in the Philippines under such format. While the Notes are a solely domestic Philippine Peso-denominated issuance, it plays a key role in fine-tuning the implementation of AMBIF in the Philippines and in the development of the local debt capital market as the pilot issuance of the initiative in the country. The Notes serve as the benchmark for Philippine issuers that may seek to tap ASEAN+3 markets in the future as a means of diversifying funding and expanding regional capital markets presence.

**B. Risk Factors**
An investment in the Notes involves a number of risk factors. Prospective investors should carefully consider all the data contained in the Preliminary Information Memorandum, including the investment considerations before making an investment decision. The business, financial condition and results of operations of the Issuer could be materially and adversely affected by any of these investment considerations. The following discussion is not intended to be a comprehensive discussion of the risk and other factors and is not in any way meant to be exhaustive. Investors are encouraged to make their own independent legal, financial, and business examination of the Issue.

**Majority of the Company’s borrowers are unbanked and have either minimal or no credit history.**

The loan application process of ÆON Credit is designed to cater to non-credit card holders and the unbanked. Documentary requirements are minimal, but still able to provide the Company with information sufficient for basic KYC and internal credit risk rating processes.

**Credit risk of customer default associated with introduction of new financing products.**

The introduction of vehicle loans to the Company’s existing portfolio of financing products and services may be associated with higher risk of customer default. As informal sector workers, vehicle drivers are less likely to be protected by labor laws and standards, or covered by social insurance.

Through its partnership with GMS, ÆON Credit utilizes Internet of Things technology to mitigate the risks of such default. To date, the Company has zero non-performing loans attributable to tricycle financing.

**Growth constraints to the Company’s lending portfolio.**

Part of the Company’s strategy is to expand its operations through partnerships with local appliance stores and retailers. Growth in ÆON Credit’s lending portfolio may be impeded should the Company be unable to secure additional partnerships to expand its network, or should existing agreements with any of its partner merchants be cancelled.

Moving forward, the Company plans to expand its portfolio to include card business and remittances. By venturing into more comprehensive financing services, ÆON Credit manages the risk of growth constraints to its lending portfolio.

**Difficult economic conditions may negatively affect the ability of the Company’s borrowers to meet monthly installment payments.**

Given the composition of the Company’s lending portfolio and borrower profile, collections may become more difficult in the case of an economic downturn. Lower income households face greater risk of missing monthly installment payments, as they may be more adversely affected than higher income households.

Nonetheless, ÆON Credit ended 2017 with PHP 1.78 Bn in Gross Loans, and more than 92% of loans and receivables that were neither past due nor impaired considered as high grade with excellent repayment experience.

**Economic slowdown or deterioration in the economic conditions in the Philippines may adversely affect the Company’s business and operations in the Philippines.**

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant currency devaluation, debt restructuring, electricity shortages and blackouts.
From 1997 to 1999, the Asian Economic Crisis adversely affected the Philippine economy, causing a significant devaluation of the Philippine Peso, increases in interest rates, and increased market volatility. These factors had material adverse impacts on the ability of many companies to meet their debt obligations.

ÆON Credit shall continue to adopt what it considers conservative financial and operational controls and policies within the context of the prevailing political, economic and business environments taking into consideration the interests of its customers, shareholders and creditors.

ÆON Credit’s business operations may be affected by political and military instability in the Philippines

The Philippines has from time to time experienced severe political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business. In the last few years, there were instances of political instability, including public and military protests arising from alleged misconduct by the previous administration.

In June 2016, the Philippines elected a new Chief Executive, President Rodrigo Duterte. Since assuming office, various fiscal, monetary and trade policies were passed in congress and implemented such as the first package of the comprehensive tax reform program called the Tax Reform for Acceleration and Inclusion (TRAIN) which seeks to correct a number of deficiencies in the tax system to make it simpler, fairer, and more efficient. However, perceptions over human rights and geopolitical issues may affect overall sentiment on the Philippines and the business environment.

There can be no assurance that the current administration will continue to implement social and economic policies favored by the previous administration. Major deviation from the policies of the previous administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company’s businesses, prospects, financial condition and results of operations.

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

PFRS continues to evolve, and certain newly promulgated standards and interpretations took effect on January 1, 2018.

PFRS 9 introduced a new expected loss impairment model that will require more timely recognition of expected credit losses. Under the impairment approach in PFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
INDICATIVE TERMS AND CONDITIONS

Summary of the Offer

The following indicative summary of the offer does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Notes, and is qualified in its entirety by the remainder of this IM. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Issue.

| Issuer | AEON Credit Service (Philippines), Inc. (“AEON Philippines”, the “Company”) |
| Guarantor | Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (“CGIF”). It is a trust fund established in 2010 by the 10 members of the Association of Southeast Asian Nations (“ASEAN”), together with the People’s Republic of China (“PRC”), Japan (Japan Bank for International Cooperation (“JBIC”)), Republic of Korea (together with the ASEAN, PRC and JBIC, “ASEAN+3”), the Asian Development Bank (“ADB”) where ADB also acts as trustee of CGIF. The operations of CGIF shall be financed solely from funds that has (and from time to time may be) contributed to CGIF by the ASEAN+3 countries and ADB. Accordingly, the Noteholders will not have recourse to any other assets of the ASEAN+3 countries or ADB. |
| Arranger and Underwriter | First Metro Investment Corporation (“First Metro”) |
| Issue | SEC registration exempt Fixed Rate Corporate Notes (the “Notes”) |
| | The Notes are proposed to be issued under the ASEAN+3 Multi-Currency Bond Issuance Framework (“AMBIF”). |
| Issue Amount | Up to PHP 1.0 billion (PHP 1,000,000,000.00) |
| Use of Proceeds | For general corporate purposes |
| Issue Price | 100% of face value of the Notes |
| Issue Date | 16 November 2018 |
| Tenor/ Maturity Date | Three-Year Notes: Three (3) years from Issue Date; and/or Five-Year Notes: Five (5) years from Issue Date |
| Form | The Notes shall be issued in scripless form |
| Manner of Offering | The offering of the Notes will be limited to a maximum of eight (8) Eligible Noteholders. |
Eligible Noteholders shall refer to Philippine resident juridical persons or entities who, at the point of offer, purchase and on the Issue Date, are classified or considered as Qualified Buyers under Rule 10.1.3 of the SRC Rules, and when applicable, duly registered with an SEC-authorized registrar. No offering shall be made to individuals or non-resident investors.

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>means 7.299% per annum for the three (3)-year Notes and 7.695% per annum, for the five (5)-year Notes, in both cases calculated based on a 30/360 day basis.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Period</td>
<td>The period commencing on the Issue Date and having a duration of six (6) months, and each period thereafter commencing on the expiry of the immediately preceding Interest Period and having a duration of six (6) months; provided, however, that for purposes of calculating the interest, the first day of the Interest Period shall be excluded and the last day of the Interest Period shall be included; provided, further, that, the last day of the first Interest Period shall be adjusted to coincide with the last day of the then current Interest Period; provided finally, that the last Interest Period shall not go beyond the Maturity Date.</td>
</tr>
<tr>
<td>Interest Payment Dates</td>
<td>Last day of each Interest Period</td>
</tr>
<tr>
<td>Final Redemption/Principal Repayment</td>
<td>The Notes shall be redeemed at par or 100% face value on the Maturity Date.</td>
</tr>
<tr>
<td></td>
<td>In the event the Maturity date is not a business day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest, on the succeeding business day.</td>
</tr>
<tr>
<td>Early Redemption Due to Taxation</td>
<td>If payments under the Notes become subject to additional or increased Taxes other than the Taxes and rates of such Taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such Tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Notes in whole, but not in part, (having given not more than 60 days’ nor less than 30 days’ prior written notice to the Facility Agent) at par or 100% face value plus accrued interest, subject to the requirements of applicable law; provided that if the Issuer does not prepay the Notes then all payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by law. In that event, the Issuer shall pay to the Noteholder(s) concerned such additional amount as will result in the receipt by such Noteholder(s) of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.</td>
</tr>
<tr>
<td>Guarantee</td>
<td>CGIF’s guarantee is irrevocable and unconditional in respect of non-payment (or failure of the Issuer to pay in full the Principal Amount and Scheduled Interest when due for payment on the Notes). CGIF guarantees</td>
</tr>
</tbody>
</table>
the full payment of all scheduled principal and interest due under the Notes in accordance with the guarantee agreement dated 12 November 2018 to be issued by CGIF in favour of the Noteholders (“Guarantee Agreement”).

“Principal Amount” means at any time the outstanding principal amount in respect of the Notes due on the maturity date of the Notes, or on an accelerated basis pursuant to the terms of the Guarantee Agreement.

“Scheduled Interest” means scheduled interest on the Notes payable, excluding, for the avoidance of doubt, default interest (if any).

Registration
The offer of the Notes is made as an exempt transaction under Section 10.1(1) of the SRC and Rule 10.1.3 of the SRC IRR. The offer is limited to Eligible Noteholders.

Selling and Transfer Restrictions
The Notes shall be issued to not more than 8 Eligible Noteholders in the primary issue and there shall be no transfers or assignment of the Notes, which would result in the Notes, and/or custodial receipts, being held by more than 8 Eligible Noteholders.

Any transfer in violation of the foregoing conditions shall be void and shall not be recorded in the register of the Notes.

The Registrar shall not reflect any transfers in the relevant Registry accounts where the same are restricted transfers on Notes as follows:

i. Transfers across Tax Categories shall not be allowed except on Interest Payment Dates that fall on a business day, provided however that transfers from a Tax-Exempt Category to a Taxable Tax Category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name on PDEx, ensuring the computations are based on the applicable withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same Tax Category as its taxable counterpart for the interest period within which such transfer occurred. For purposes hereof, "Tax Categories” refer to the two (2) applicable withholding tax categories covering, particularly, tax-exempt entities, 20% tax-withheld entities. This restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented.

ii. Transfers by Noteholders with deficient documents.

iii. Transfers during a Closed Period.

iv. Transfers that result in the total number of Eligible Noteholders exceeding 8 at any given time.

Except as otherwise contemplated under the Notes Facility Agreement, none of the Noteholders shall have the right to require Issuer to redeem and repay
any or all of the Notes before the Maturity Date. Transfers of the Notes to a
person other than Issuer shall not constitute pretermination.

The Issuer may engage in quasi-banking activities, insurance, electronic
money issuance, credit card services, or provide any other products and
services consistent with the foregoing. In this regard, the Selling and
Transfer Restrictions may be lifted, subject to the agreement of the parties
amending the terms of the Notes Facility Agreement, with the consent of the
Majority Noteholders, the Guarantor, and the Issuer.

| Sell Out Mechanism | If it is discovered after purchase that (i) a buyer is not an Eligible Noteholder
|                    | at the point of sale, or (ii) a transfer or recording of ownership has been made
to an entity who is not an Eligible Noteholder (each of (i) and (ii) shall be
debemed as a “Sell Out Trigger”), a remediation procedure via the sell-out
mechanism of such ineligible investor’s or Noteholder’s Notes will be done
in accordance with the following:

(a) When the transfer or recording of ownership in the Registry will result in
a transfer or recording of ownership to an entity that does not qualify as an
Eligible Noteholder, the transfer or recording of ownership will not be
allowed in the Registry.

(b) The Registrar will inform PDEx of such disallowed transfer or recording
of ownership, and the Sell Out Mechanism, as detailed herein, is triggered.

(c) PDEx shall inform the Trading Participant involved to trigger the
Remediation Process - Sell-out Mechanism as follows:
   i. The ineligible buyer’s Trading Participant shall sell out the ineligible
      client buyer’s holdings at the market. In the absence of a better bid
      then it must sell to the market maker.
   ii. The Trading Participant must execute the sell-out transaction no
       later than 3 trading days from the day of discovery.
   iii. No ineligible investor shall be allowed to hold the Fixed-Rate Notes
       by the end of 3 trading days from the day of discovery.
   iv. The sell-out mechanism may result in a price difference between the
       original purchase and the sell-out price. If the price difference results
       in a loss, such loss shall be assumed by the responsible Trading
       Participant. If the price difference results in a gain, it shall accrue to
       the ineligible investor that was forced to sell out the holdings.
   v. The sell-out shall be reported to the SEC and the responsible Trading
      Participant may be subject to SEC action.

| Purchase and Cancellation | The Issuer may at any time purchase any of the Notes, in accordance with
|                           | PDEx Rules applicable to the Notes, in the open market or by tender or by
|                           | contract at any price, without any obligation to purchase (and the
|                           | Noteholders shall not be obliged to sell) Notes pro-rata from all Noteholders. |
Any Note so purchased shall be redeemed and cancelled and may not be re-issued. Upon enrollment of the Notes in PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

### Status of the Notes

The Notes shall constitute the direct, unconditional, unsubordinated and general and unsecured obligations of the Issuer ranking at least *pari passu* in all respects and ratably without any preference or priority with all other outstanding, unsecured and unsubordinated obligations, contingent or otherwise, present or future, of the Issuer, in each case except for obligations which have preference solely by operation of applicable Law, including but not limited to preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors’ rights generally (except any preference or priority established by Article 2244, paragraph 14(a) of the Civil Code of the Philippines) and by general principles of equity.

### Title of the Notes

The Notes will be issued to the Noteholders in scripless form. There will be a global note to be issued to and held by the Facility Agent, but the Noteholders will not receive any physical note or certificate evidencing their interest in the Notes. Title to the Notes shall be evidenced by and recorded in the Register of Noteholders maintained by the Registrar. Upon any assignment, title to the Notes shall pass by recording the transfer from a transferor to the transferee in the Register of Noteholders maintained by the Registrar.

### Taxation

Interest income on the Notes shall be subject to a twenty percent (20%) creditable withholding tax, which tax shall be for the account of the Noteholders.

Corporate and institutional purchasers who are exempt from or are not subject to the said tax shall submit pertinent documents evidencing their tax-exempt status.

Any applicable gross receipts tax (“GRT”) (or any tax which may supersede GRT with respect to the Noteholders which are currently subject to GRT), and any adjustments thereof, shall be for the account of the Issuer. For the avoidance of doubt, GRT on interest income and other fees payable to the Noteholders shall be for the account of the Issuer but GRT on passed-on GRT (as may be defined or otherwise described under BIR RMC 62-2016 as may be amended or made effective from time to time) shall be for the account of the [Noteholders].

Applicable Documentary Stamp Taxes on original issuance shall be the account of the Issuer. The Issuer shall not be liable should there be any Documentary Stamp Tax or any tax that will be imposed on secondary transfers. The Documentary Stamp Tax thereon, if any, shall be for the account of either of the parties to the secondary transfer. The transfer, unless prohibited, shall not be recorded in the Register of Noteholders unless proof of payment of such Documentary Stamp Tax is provided to the Issuer and the Registrar.
### Positive and Negative Covenants

The Notes will have the benefit of positive and negative covenants, which are usual and customary for notes facilities of this nature.

### Conditions Precedent and Subsequent

The Issuer shall, as applicable, comply with certain conditions and submit such documents customary to transactions of similar nature, and as may be agreed between the Issuer, the Arranger and the Noteholders.

### Events of Default

Standard events of default relating to the Issuer including, among others, failure to pay, breach of covenants, cross default, bankruptcy, and other events which are usual and customary for facilities of this nature.

### No Acceleration following Event of Default

Following the occurrence of an Event of Default, no Noteholder, nor their representatives, will have any right to accelerate the Notes for so long as the Guarantor continues to make payments of scheduled interest and scheduled principal. However, following a claim being made under the Guarantee or upon the occurrence of an Issuer Event of Default (i.e. Insolvency, Insolvency Proceedings, or Creditors’ process) the Guarantor retains the right to accelerate repayment of the Notes (“Guarantor Acceleration”); upon which the Guarantor shall repay in full the outstanding principal and any accrued interest (but excluding default interest) payable in respect of the Notes.

### Default Interest

18% per annum on any past due and unpaid amount from and including the due date up to and excluding the date of payment in full.

### Secondary Trading of the Notes

The Issuer intends to enroll the Notes with PDEEx for secondary market trading. The Notes will be traded in a minimum board lot size of ₱50,000,000.00 as a minimum, and in multiples of ₱50,000,000.00 in excess thereof for as long as any of the Notes are traded on PDEEx.

The Notes shall be subject to the commitment of at least one (1) market maker that will commit to provide a live bid using the tax-withheld series name for the Notes in the Order-Driven system good for the minimum trading lot for the issue and a cumulative trading commitment of at least ₱50 Million per trading day per issue. The market maker commits to all other regulations as described in the Corporate Security Market Maker Participation Letter.

In addition to the special provisions on the continuing restriction to Eligible Noteholders, secondary market trading in PDEEx shall follow the applicable PDEEx rules, conventions, operating framework and guidelines governing trading and settlement between Noteholders of different tax status and shall be subject to the relevant fees of PDEEx and PDTC. The market maker further commits to:

a. Adopt and abide by a rate reasonability standard that is consistent with PDEEx rules, conventions and guidelines, and
b. Disclose and explain its reference and pricing methodology and any deviations therefrom to PDEEx and regulators, upon request.

<table>
<thead>
<tr>
<th>Registrar and Paying Agent</th>
<th>Philippine Depository &amp; Trust Corp.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For transfers and record updates, notices and communication with the Registrar may be made at the address below, through the appropriate intermediary:</td>
</tr>
<tr>
<td></td>
<td>Philippine Depository &amp; Trust Corporation 37th Floor Enterprise Centre Tower I Ayala Avenue, Makati City, Metro Manila Telephone no: (632) 884-5000 Fax no: (632) 884-5099 E-mail: <a href="mailto:baby_delacruz@pds.com.ph">baby_delacruz@pds.com.ph</a> Attention: Josephine Dela Cruz, Director</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Facility Agent</th>
<th>Metropolitan Bank &amp; Trust Company - Trust Banking Group</th>
</tr>
</thead>
</table>

| Market Maker                | In the event that the Notes are enrolled at the PDEEx, a Market Maker shall be appointed in accordance with PDEEx Rules |

<table>
<thead>
<tr>
<th>Governing Law of the Notes</th>
<th>Philippine Law</th>
</tr>
</thead>
</table>

| Prescription                | Claims in respect of principal and interest or other sums payable under the Notes shall prescribe unless the claim is made within 10 years (in the case of principal or other sums) or 5 years (in the case of interest) from the date on which payment becomes due. |

### Parties to the Transaction

<table>
<thead>
<tr>
<th>Issuer</th>
<th>ÆON Credit Service (Philippines), Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantor</td>
<td>Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (CGIF)</td>
</tr>
<tr>
<td>Sole Arranger</td>
<td>First Metro Investment Corporation</td>
</tr>
<tr>
<td>Local Law Transaction Counsel to the Guarantor and the Sole Arranger</td>
<td>SyCip Salazar Hernandez &amp; Gatmaitan</td>
</tr>
<tr>
<td>Local Law Counsel to the Issuer</td>
<td>Folloasco Morallos &amp; Herce</td>
</tr>
<tr>
<td>English Law Transaction Counsel to Issuer, the Guarantor, and the Sole Arranger</td>
<td>Simmons &amp; Simmons LLP</td>
</tr>
<tr>
<td>Notes Facility Agent</td>
<td>Metropolitan Bank &amp; Trust Company - Trust Banking Group</td>
</tr>
<tr>
<td>Relationship of Issuer to Sole Arranger, Registrar, and Notes Facility Agent</td>
<td>Each of the Sole Arranger, the Registrar, and the appointed Trustee has no interest in or relation to the Issuer which may conflict with the performance of their respective functions as such Sole Arranger, Registrar, or Trustee, in accordance with PDEx Rule 7.3 of the PDEx Listing and Enrollment Rules.</td>
</tr>
</tbody>
</table>
DESCRIPTION OF THE ISSUER

Company Profile

ÆON Credit Service (Philippines) Inc. (the ‘Company’ or “ÆON Credit”) was incorporated on February 14, 2013. A month after its incorporation, ÆON Credit commenced operations by offering ÆON Installment Plan, a loan facility availed by customers for the purchase of consumer products without any credit card, through a growing network of partner merchants and store affiliates.

ÆON Credit is a subsidiary of ÆON Financial Service Co., Ltd. Japan (“ÆON Financial”), a company listed on the First Section of the Tokyo Stock Exchange. The core business of ÆON Financial is the issuance of credit cards and prepaid cards. It has a combined total of 41 million credit card and prepaid card holders in Japan and overseas as of March 31, 2018. It is in fact one of the biggest credit card issuers and a leading consumer credit provider in Japan.

It is worthy to note that ÆON Financial is a member of the ÆON Group of Companies (“ÆON Group”), a global retail and financial services group based in Japan. ÆON Group consists of around 300 subsidiaries and affiliated companies which operate mainly in Asia.

ÆON Group’s most basic and abiding principles are the pursuit of peace, respect for humanity, and contribution to local communities through customer-centered initiatives. Under these principles, we are determined to achieve global management standards.

ÆON Group, in managing its businesses, is always guided by its fundamental principle of ‘Customer First’ philosophy. Its aim is to surpass expectations by combining excellent products with unique personal services. ÆON Credit provides financial assistance to retail customers who wish to avail of personal loans and vehicle loans, and purchase home appliances, furniture, electronics, gadgets and other consumer products. Operations focus particularly on non-credit card holders and the unbanked, as the Company’s simple loan application process and accessible network of partner merchants facilitate opportunities for individuals with otherwise limited access to financial services.

The Company’s partnerships with key merchants such as Abenson, Automatic Centre, SM Appliance Center, Western Appliances, Metro Gaisano and Robinsons Appliances allow it the benefit of a wide customer reach without the cost of significant capital outlay that typically comes with brick and mortar-centric businesses. As of June 2018, ÆON Credit operates across a network of more than 1,470 stores
across Luzon and several areas in Visayas. The Company aims to expand its operations to the Mindanao region by 2019.

Ownership and Shareholder Structure
<table>
<thead>
<tr>
<th>Shareholders</th>
<th>% Ownership</th>
<th>% Voting</th>
</tr>
</thead>
<tbody>
<tr>
<td>ÆON Financial Service Co., Ltd.</td>
<td>33.82%</td>
<td>50.0%</td>
</tr>
<tr>
<td>ÆON Credit Service Malaysia</td>
<td>53.24%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Abenson Inc.</td>
<td>6.47%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Automatic Appliances Inc.</td>
<td>3.24%</td>
<td>10.0%</td>
</tr>
<tr>
<td>BOT Lease Holdings Inc.</td>
<td>3.23%</td>
<td>10.0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

ÆON Financial Service Co., Ltd

ÆON Financial is a Japan-based bank holding company that functions as the financial services business arm of the ÆON Group of Companies (“ÆON Group”). ÆON Financial is comprised of 35 business segments that offer comprehensive financial services within the retail industry, including banking, credit services, leasing, insurance, and housing loans. It is 46.88%-owned by ÆON Co. Ltd. (rated BBB+ by Standard & Poor’s), and publicly listed on the first section of the Tokyo Stock Exchange. Over the years, ÆON Financial has accelerated business development in emerging markets to operate in 12 countries and regions in Asia including Japan. To date, ÆON Financial is listed on the Hong Kong Stock Exchange, Bursa Malaysia, and Stock Exchange of Thailand through locally-listed companies.

ÆON Credit Service (M) Berhad

ÆON Credit Service (M) Berhad (“ÆON Berhad”) is a publicly-listed company in Malaysia and an operating subsidiary of ÆON Financial. Similar to ÆON Credit, ÆON Berhad provides easy payment schemes for the purchase of consumer products through appointed retail merchants and chain stores. It also offers credit card services, personal loans, insurance, and other consumer finance services. It operates via 6 regional offices, 64 branches and services centers, and more than 12,000 participating merchant outlets across Malaysia.

Abenson Inc.

Abenson Inc. is engaged in the retail sale of electronics and other durable goods such as household appliances and furniture. It is a member of the Abenson Group of Companies, which was founded by Mr. Wilson Lim and includes Electroworld, Walter Mart Supermarket and Walter Mart Mall, among others.

Automatic Appliance Inc.

For more than 60 years, Automatic Appliance Inc. offers the best and latest top brand appliances. They offer convenient payment options extended after-sales service and other premium programs that have gained Automatic Appliance Inc. various honors through the decades, including the “Retailer of the Year” award in 1998. Automatic Centre’s mission is to serve the greatest number of people, and its vision is to transform every household into a comfortable and efficient home where the family can enjoy and enhanced quality of life.

BOT Lease Holdings Inc.

BOT Lease And Finance Philippines, Inc. is the only Japanese general service leasing company in the Philippines when it opened its doors for business in 1996. It provides support (credit) not only for Japanese firms in the Philippines but for local companies as well. Other than providing financing for capital

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1 Based on the Company’s 2018 General Information Sheet
investment, BOT Lease and Finance Philippines, Inc. also supports Japanese companies in a wide variety of ways, such as providing consultancy services and/or other data.

**ÆON Group Structure**

Financial Highlights of ÆON Co. Ltd. (Parent Company)

<table>
<thead>
<tr>
<th>in USD Mn</th>
<th>Fiscal year ended February</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2016 Audited</td>
<td>2017 Audited</td>
<td>2018 Audited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>72,141</td>
<td>77,970</td>
<td>88,194</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>56,184</td>
<td>61,376</td>
<td>70,311</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Equity</td>
<td>9,495</td>
<td>9,536</td>
<td>9,908</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>71,710</td>
<td>73,152</td>
<td>78,279</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>533</td>
<td>675</td>
<td>866</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Description of Business**

| Product            | Rate (add-on per month) | 6 | 9 | 12 | 15 | 18 | 21 | 24 | 36 | 48 | 60 |
|--------------------|-------------------------|---|---|----|----|----|----|----|----|----|----|----|
| Electronics        | 2.95%                   | x | x | x  | x  | x  | x  | x  | x  | x  | x  |
| Home appliances    | 2.95%                   | x | x | x  | x  | x  | x  | x  | x  | x  | x  |
| Bikes              | 2.95%                   | x | x | x  | x  | x  | x  | x  | x  | x  | x  |
| Furniture          | 2.95%                   | x | x | x  | x  | x  | x  | x  | x  | x  | x  |
| Musical instruments| 2.95%                   | x | x | x  | x  | x  | x  | x  | x  | x  | x  |
| Hardware           | 2.95%                   | x | x | x  | x  | x  | x  | x  | x  | x  | x  |
| Smartphones        | 3.30%                   | x | x | x  | x  | x  | x  | x  | x  | x  | x  |
| Camera             | 2.95%                   | x | x | x  | x  | x  | x  | x  | x  | x  | x  |
| Tablets            | 3.30%                   | x | x | x  | x  | x  | x  | x  | x  | x  | x  |
| Computers          | 3.30%                   | x | x | x  | x  | x  | x  | x  | x  | x  | x  |
The Company’s installment plans are availed mostly by unbanked individuals and non-credit cardholders for the purchase of consumer products. The target market is comprised of households with monthly income between PHP 8,000 and PHP 79,000.

In 2017, ÆON Credit expanded product offerings to include vehicle loans and personal loans, and does not require collateral.

ÆON employs a simple marketing strategy to reach its target segment and extend credit and loans for the purchase of customers’ desired product(s). In particular, marketing personnel by ÆON (“Promoters”) are located in different stores of its Partner Merchants (e.g., Abenson Ventures, Automatic Centre, Western Appliances, SM Appliance Centre, Metro Gaisano, etc.) where the ÆON Booth displays relevant information about its AIP.

The Loan Application process starts with these Promoters approaching customers in the stores to offer AIP. These Promoters are trained to guide the customers in applying for the AIP using an electronic form with the use of a laptop or tablet. The accomplished electronic application form is directly linked to the Judgment system of the Company’s head office in Pasig City for credit approval.

The credit standing and history of each AIP applicant is reviewed by the ÆON’s Head Office itself through its Judgment system. This way, ÆON is able to control and limit its applicant approvals to those customers who have a good credit history in order to ensure good collection rate. Approvals of ÆON’s Head Office are sent to corresponding ÆON Promoters through a Letter of Notification (LON) stating the approval of the Customer’s Application, the item/s to be purchased, and the agreement number. In cases wherein approved customers want to amend the LON, approval by ÆON Credit will be necessary even if the Product Price is less than the original Product Price. The release of the product shall be scheduled based on the availability of the customer or the product.

During the release of the product, the Promoter shall brief the customer of the contents of the LON and the Payment Schedule. The Payment Schedule contains the dates to which the payments are to be made by the customer and the partner payment channels where payments may be coursed through. Customers are expected to diligently pay their loan obligations based on the said Payment Schedule.
Products and Services

A. **Hire Purchase** (since 2013)

Hire Purchase Loans refer to the AEON Installment Plan, a set of financial services offered by AEON credit to Customers for the purchase of consumer products sold by retailers such as Abenson Ventures and Automatic Centre, with an applicable term ranging from six (6) to twenty-four (24) months, as may be agreed upon with the Customer.

B. **Vehicle Loan** (Tricycles since July 2017; Four-wheel vehicles since 2018)

Consistent with the Company’s mission of providing livelihood and improving the lifestyle of the Filipinos, AEON Credit offers an installment plan specifically designed for drivers. This loan enables customers to easily acquire vehicles (i.e. tricycles and secondhand 4-wheel vehicles) that they can use to drive to earn a living. The installment plan allows customers to pay on a monthly basis with an applicable term ranging from thirty-six (36) to sixty (60) months.

These vehicles are equipped with a device developed by the Company’s partners Global Mobility Service (“GMS”) and Tau Corporation that can remotely stop the vehicle in a specified location if the monthly loan amortization is unpaid and can remotely activate the vehicle once payment has been made.

Since this was offered in the market, the Company has not experienced any defaults from its Vehicle loan customers.

C. **Personal Loans** (since 2018)

This is a non-collateral loan issued by AEON Credit to customers with good credit history. Terms offered an applicable term ranging from six (6) to twelve (12) months, as may be agreed upon with the customer.

Lending Portfolio

The Company’s portfolio consists of Hire Purchase loans bearing interest rates ranging 2.95% to 3.30% in 2017. In addition, The Company started offering tricycle loans bearing interest rates ranging 1.00% to 2.50% and personal loans bearing interest rates of 1.00% to 2.5%. Portfolio-wise, Hire Purchase loans still account for 99% of loans granted to customers.

Based on the Company’s 2018 record of customers, most of their customers are between 21 to 40 years old where customers aging 24 to 27 years old contributed to 20% of the total current sales as of date. Majority of the customers have a monthly salary range between PHP 10,001 to PHP 20,000 and work in the manufacturing industry. Most of their customers live in the NCR and South Luzon regions with those coming from Cavite contributing to 10.9% while those from Laguna, Bulacan, Rizal and Quezon City contributed 9.0%, 8.3%, 7.0% and 6.7% of June 2018 sales, respectively.

As of July 2018, the aging schedule of the Company’s loan receivables (in PHP Mn) is as follows:

<table>
<thead>
<tr>
<th>Current</th>
<th>Days Past Due</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Currently, bulk of the loan portfolio of the Company (i.e. 75.6%) is in the current status while 12.8% is less-than-90-days past due. Receivables that are at least 90-days past due are fully recognized as bad debts expense.

**Key Competitive Strengths**

**A. The Company is a part of the ÆON Group, the largest retail business in Japan**

The ÆON Group operates a portfolio of retail-oriented businesses through a network of over 20,000 stores and locations across 11 countries in Asia including China, South Korea, Malaysia, Vietnam, and the Philippines. In 2017, operating revenues amounted to JPY8,210.0 Bn, allowing the ÆON Group to mark its sixth consecutive fiscal year as the largest company in the Japan retail industry in terms of operating revenues. The ÆON Group has been a staple in the Fortune 500 since 1995.

ÆON Financial, the largest shareholder of the Company, functions as the financial services arm of the ÆON Group, and has drawn on its brand strength and extensive store network to develop synergies and grow its business. For the year-ended March 31, 2017, ÆON Financial’s global business accounted for approximately 40% of consolidated ordinary profit or JPY24.0 Bn; made possible by efforts to channel its expertise to other countries and regions outside Japan. Share in consolidated ordinary profit accounted for by ÆON Financial’s global business is set to increase to 50% by fiscal year 2020.

**B. Sustained growth in revenues and improving profitability**

The Company grew its revenue to PHP 873.0 Mn in 2017 from PHP 75.0 Mn in 2014 or at a CAGR of 126%. Profitability ratios such as gross profit margins, EBITDA margins and net income margins improved across the board posting positive figures after only two years of operations.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>75</td>
<td>156</td>
<td>418</td>
<td>873</td>
<td>640</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>5%</td>
<td>35%</td>
<td>33%</td>
<td>28%</td>
<td>32%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>(65%)</td>
<td>(12%)</td>
<td>18%</td>
<td>23%</td>
<td>27%</td>
</tr>
<tr>
<td>Net Income Margin</td>
<td>(89%)</td>
<td>(23%)</td>
<td>9%</td>
<td>13%</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Interest and processing fee**

**C. Innovative approach to consumer lending**

ÆON Credit recently tied-up with Global Mobility Services, a Japanese start-up that specializes in the installation of GPS tracking systems. To enable ÆON Credit to better monitor collections from the vehicle of the loan agreement, a GPS device will be attached to the vehicle. In the event of late payment or if the device is forcefully removed from the vehicle, the vehicle’s engine will automatically shut off making it hard for the borrower to flee without making payments.

The innovative approach to consumer lending provides the Company with a risk hedging mechanism, and allows ÆON Credit to reach markets previously untapped by most banks. It is also representative of a brand
new initiative by the ÆON Group, which ÆON Financial plans to expand to its operating subsidiaries in Indonesia, Malaysia, Vietnam and Cambodia.

D. Strategic partnerships with key merchants.

ÆON Credit utilizes strategic partnerships with key merchants -many of which are located in malls and areas with high foot traffic- to widen its reach in the domestic market. By tapping a number of established and widely recognized local appliance stores for its consumer finance products, the Company is able to benefit from a wider customer reach without the cost of significant capital outlay that typically comes with brick and mortar-centric businesses.

As of June 2018, key merchants of ÆON Credit include SM Appliance Center, Western Appliances, Metro Gaisano, and Robinsons Appliances. Two of the Company’s minority shareholders, Abenson and Automatic Centre, also hold partnerships with ÆON Credit as key merchants.

E. Strong demand from a growing target market.

ÆON Credit caters to non-credit card holders and unbanked individuals representative of the Class C and D segments- a growing low and lower-middle income market that remains largely underserved, taking into account that only 22.6% of the total Filipino adult population own formal bank accounts. The Company is able to address this gap through a simple loan application process that makes financing accessible to individuals who may have purchasing power but minimal or no credit history.

Disclosure on Legal Proceedings

As of the date of this Information Memorandum, the Company is not a party to, nor any of the Company’s properties are the subject of any pending material litigation, arbitration or other legal proceeding, and no litigation or claim of material importance is known to the management and the directors to be threatened against the Company, its subsidiaries or any of its properties.

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2 Bangko Sentral ng Pilipinas 2017 Financial Inclusion Survey
BUSINESS PLANS AND STRATEGY

The high competition, seasonal demand and high risk in providing loans for appliances compelled the Company to review its business strategy by: (1) exploring other underserved market demands such as transportation, and (2) updating its business model from merchant-centric, linear relationship, unknown & random customers, and limited reach to market focused, dynamic relationship, known & targeted customer, and wider reach.

This pushed the Company to improve its business by (a) setting up IT infrastructure for expanding its customer base and building platforms; (b) improving data management and analytics; and (c) strengthening controls toward efficient and low-cost business operations.

Its medium-term plan aims at diversifying financial business field by reinforcement of installment credit services corresponding to stronger demands for consumer products into development of new financial products, remittance, care and personal loans in order to meet potential needs arising from the market. Given the targeted clientele of AEON Credit are classes C & D which are composed of mostly un-banked clients, the Company sees potential growth of retail finance market due to the following factors: (1) the rapid increase of installment credit and personal loans, (2) the advancement of digital tools for cash settlement and (3) the development of Easy-To-Use tools for cash remittances.

Development Plans

A. Sales Performance Improvement

AEON Credit aims to improve its sales performance by implementing the following programs:

Hire Purchase and Vehicle Loans
- Implementation of seasonal promotions such as gifts and special interest to new customers and target companies.
- Finalize recruitment of seasonal promoters and increase number of promoters for strong branches to bridge the gap in Hire Purchase sales and budget to 85%, current year-to-date average of 70%. Target start of deployment of Promoters is in September 2018.
- Finalization of merchant agreement with Emcor by August to start the activation of Davao area in October with six merchants and 12 branches. The area activation shall cover Hire Purchase and Vehicle

Personal Loan
- Weekly sending of SMS to a minimum 500 good paying customer with finished accounts of Hire Purchase and increase batting 10% of target customers.
- Periodically increase telemarketers from two (2) staffs to twelve (12) staffs by year-end with a minimum PHP1.3 million average sales per head and develop ladder-type incentive programs.
- Partner with at least two (2) small to medium merchants and two (2) non-trade suppliers per month to avail of AEON salary deduction scheme. Also, target key Japanese companies for salary deduction or Auto-Deduction to Account (ADA).
B. Credit Control Improvement

The Company continues to improve its verification process to be at par with competitors. The table below highlights the changes made to the employment verification process and its effect on processing time, number of new applications, sales, and percentage collection. Based on data below, it is evident that not only did the more efficient verification process brought increase amount of application and increase sales growth, but it also improves its collection rate as it provided the Company a more reliable source of information as to employment status of the applicants.

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Employment Verification</th>
<th>Result (Monthly Ave.)</th>
<th>Process Time</th>
<th>Application</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>Telephone call to declared employer</td>
<td></td>
<td>2-3 Days</td>
<td>15K</td>
<td>116Mn</td>
</tr>
<tr>
<td>2017</td>
<td>Based on submitted PhilHealth/SSS</td>
<td></td>
<td>1-2 days</td>
<td>20K</td>
<td>191M</td>
</tr>
<tr>
<td></td>
<td>Contribution Document</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>Employment Bureau Verification</td>
<td></td>
<td>&lt;1 day</td>
<td>25K</td>
<td>200M</td>
</tr>
</tbody>
</table>

In addition to improving its verification process, The Company intends to further lessen its exposure to risk by implementing policies and systems that improve its approval and collection processes to reinforce credit control. ÆON Credit already introduced credit analysis tools in the latter half of 2016 and 2017 such as the enhancement of collection data analysis on products, areas, merchants and customers. The credit analysis tools were introduced to develop (i) a better credit-scoring system with the help of improved productivity of collection operations; and (ii) a credit scoring system in coordination with its parent company, ÆON Financial. ÆON Credit plans to adjust its interest rates and credit guidelines based on customers’ credit behavior. The Company also plans to enlarge its related IT system in 2018 that can automate its approval and collection processes.

For its Hire Purchase loans, the Company implemented an internal scoring and customer profiling during the assessment process that can help lower its current ratio of past due and non-performing loan (NPL). Applying these steps during the assessment phase will enable the Company to better classify the applicants based on their profiles and credit records consequently mitigating the risk of approving customers that have very poor credit history. Such will further improve its collection performance.

Apart from this, the following initiatives were undertaken by the Company:

- Establishment of a Credit Committee on March 2017
  The Credit Committee serves as an avenue to discuss, conceive, document and revise credit policies, as needed.
• Establishment of a Quality Assurance Team
  The Quality Assurance Team was established last September 2017 and is now composed of 17
  members working together to provide quality assurance on the Collections and Assessment
  Department’s functions. This team will also oversee the Sales Finance (Marketing) Department this
  year and will be responsible for the evaluation of the call performance and data assessed. It is tasked
  to do the validation of the sales quality processes and to come up with efficient use of tools to help
  said departments in order to reach the Company’s desired benchmarks for them. of the said
  departments.

• Establishment of a Fraud Team
  The group will be responsible in ensuring that a proper framework for fraud management is set-up
  and implemented.

C. Improvement in Collection

Apart from taking steps in improving its approved customers which consequently increases the Company’s
collection rates (as mentioned above), ÆON Credit started to implement new strategies and incentive
schemes to ensure that outstanding receivables remain current in status and that long outstanding items will
be cured and be moved as part of current. These include programs that offer cash rewards to collectors
when certain amounts of collections are made. Third party collection agencies are also being engaged to
provide more collectors to help the Company get payments from long outstanding loans (i.e. above 120
days past due) and possibly even from written-off accounts.

D. Acquisition of Licenses

ÆON Credit is currently working on to obtain licenses to operate as a Quasi-bank and as an Electronic
Money Issuer (EMI) for card and remittance business from BSP by 1st quarter of 2019.

E. Establishment of New Branches

The Company plans to enlarge its activities toward major commercial areas by setting up of branches
following the present business centered in Metro Manila, such as Cebu, Davao and Legaspi after extensive
market research is made.

F. Manpower Productivity Enhancement

The Company plans to invest in system improvement for operation and back office in order to improve
efficiency, such as SAP, Cash Management system, Cognos, etc. It will also review its operation process
periodically and automate all of its relevant operations. Also, the Company plans to reinforce its internal
education and reward system.

G. Funding Cost Reduction

Another goal of the Company is to reduce its funding cost by increasing its capital in FY2018. It is also
considering borrowing offshore in foreign currency as well as borrowing via long-term bond issuance. The
Company also plans to set up a special team for a possible stock listing in the future.
Plans and Prospects per Product/Service

A. Hire Purchase

The Company plans to further expand its market in Visayas and Mindanao regions such as entering the Iloilo City market by activating seven new stores which will generate an additional minimum of PHP 3 Mn sales per month and activate 19 new stores in Davao City. Recruitment of additional sales promoter will be made to increase additional sales particularly during peak seasons. And intensify new promotion programs such as zero interest installment and special product promo highlight to drive more applications on high collection products and categories.

B. Vehicle Loan

The Company plans to continue marketing this product more extensively. New areas of expansion are in the pipeline within the year that will include Bataan and Tarlac. ÆON Credit is finalizing its partnership with K Servico and Emcor to further expand its business in Cebu, Batangas, Bicol region (Legazpi and Nage) and Davao.

C. Personal Loan

The Company aims to offer more loan programs that would expand payment options for its borrowers. One example would be through a monthly salary deduction program. To achieve this, the Company plans to approach companies under the ÆON Group, its existing merchant partners, and Japanese companies to tie-up and offer the program to its employees. The Company also wants to be able to offer loans to Overseas Filipino Workers that can cover pre-deployment expenses.

D. Credit Card Issuer

The Company plans to issue prepaid cards to the OFW’s beneficiaries for inward remittances. This can be done by establishing ties with banks or exchange/money transfer businesses across the world which can help facilitate the transfer of funds from the OFW to the beneficiary. It is also exploring the possibility of developing a system that can allow its clients to pay via their mobile devices.

E. Insurance Brokerage

Currently, the Company is conducting a feasibility study to assess the insurance brokerage market as it is considering expanding to this business by FY 2019.
MARKETING AND OPERATIONS

A. Key Merchants and their Sales Performance

The Company aims to gain more than 20% share of total merchant trade volume by FY2020. To achieve this, the ÆON Credit, together with its key merchants, will be focusing its marketing activities on customers that have previously borrowed from the Company and demonstrated good payment behavior. It also plans to set-up branches in the suburb of Metro Manila as well as major provincial cities (Visayas Region, Davao and Palawan) to extend its reach and partner with dealers, manufacturers and nonlife insurance companies in providing flexible financing programs for potential borrowers.

<table>
<thead>
<tr>
<th>Merchant Name</th>
<th>Branches</th>
<th>Key Merchant Since</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abenson Ventures</td>
<td>169</td>
<td>2013</td>
</tr>
<tr>
<td>Automatic Centre</td>
<td>41</td>
<td>2013</td>
</tr>
<tr>
<td>FC Home</td>
<td>42</td>
<td>2013</td>
</tr>
<tr>
<td>Home Along</td>
<td>34</td>
<td>2014</td>
</tr>
<tr>
<td>Western Appliances</td>
<td>17</td>
<td>2015</td>
</tr>
<tr>
<td>SM Appliance Center</td>
<td>66</td>
<td>2015</td>
</tr>
<tr>
<td>Metro Gaisano</td>
<td>5</td>
<td>2015</td>
</tr>
<tr>
<td>Robinson Appliances</td>
<td>102</td>
<td>2016</td>
</tr>
<tr>
<td>Tiongsan</td>
<td>2</td>
<td>2017</td>
</tr>
</tbody>
</table>

2017 Sales Contribution of Key Merchants
Store and Area Coverage Expansions in 2017

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>1Q 2017</th>
<th>2Q 2017</th>
<th>3Q 2017</th>
<th>4Q 2017</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Stores</td>
<td>1,107</td>
<td>1,139</td>
<td>1,190</td>
<td>1,267</td>
<td>1,358</td>
<td>+251</td>
</tr>
<tr>
<td>No. of Active Stores</td>
<td>296</td>
<td>293</td>
<td>325</td>
<td>277</td>
<td>375</td>
<td>+79</td>
</tr>
</tbody>
</table>

**Expanded Business Area:**
- North Luzon – Tuguegarao, Ilagan, Isabela and Baguio
- South Luzon – Bicol Region
- Visayas – Cebu

**Sales Generated by those with store expansions in 2017**
- 106 Abenson stores with PHP 627 Mn sales (16% growth vs 2016)
- 38 FC Home stores with PHP 429 Mn sales (56% growth vs. 2016)
- 46 SM Appliance stores with PHP 338 Mn sales (68% growth vs. 2016)
- 66 Robinsons Appliance stores with PHP 284 Mn sales (151% growth vs. 2016)

**Sales Generated by those without store expansions in 2017**
- 27 Automatic Centre stores with PHP 91 Mn sales
- 15 Western Appliance stores with PHP 71 Mn sales
- 12 All home stores with PHP 95 Mn sales

**B. Marketing Strategy Per Product**

**Hire-Purchase Loan**

Hire Purchase Sales posted a modest 37% increase year to date. Primary contributors of the increase were Abenson’s, FC Homes and Robinson’s contributing 57% of total sales. Sales increases were also noted under its Small-Medium merchant segment, specifically under the following merchants: Tiong San of Baguio, LCC of Bicol and Homeworks Furniture.

Home Along’s growth in sales also contributed to the total sales increase, through the combination of the “bundling+freebie” promotions on key products and Facebook advertisements that resulted to 100% achievement of its target.

The Visayas Region Office is beefing up its marketing communications with the implementation of radio advertisement, billboards and tricycle advertisements in key cities to increase awareness of the Company’s product offerings to the market. Furthermore, eight (8) merchant stores in Iloilo City (Panay Island) are expected to open in August which is estimated to add PHP 2.5 Mn in sales.

**Vehicle Loan**

Vehicle Loans for tricycles achieved total Sales of PHP 131.0 Mn for the first half of 2018. New areas of expansion are in the pipeline within the year which include Bataan and Tarlac.

The roll-out of the secondhand 4-Wheel business Vehicle Loan added PHP 2.9 Mn in sales during the month of June.
ÆON Credit is finalizing its partnership with K Servico and Emcor to further expand its footprint in Cebu, Batangas, Bicol region (Legazpi and Nage) and Davao. The tie-up is expected to push average sales to PHP 50 Mn by the 4th Quarter of 2018.

Personal Loan

The Company envisages the Salary Loan program to be one of the primary contributor of revenue. The Company is in current negotiations with Japanese companies, merchants and trade partners for potential tie-ups of its Salary Loan Program. Apart from this, SMS will be sent out weekly to a minimum of 500 customers with satisfactory credit history. The Company plans to increase its personal loan customer base by 10%.

C. External Partners

General Mobility Service

GMS is a Japanese venture firm engaged in the business of providing services such as supplying vehicles with the latest available wireless information technology and vehicle inter-connectivity, such as, Internet-of-Things (“IoT”) platform service and Mobility Cloud Connecting System (“MCCS”) for an efficient and environmentally friendly “green” transport system. GMS and ÆON Credit co-developed and implemented a business model of providing tricycles using the financing services of ÆON, but with the technology of the GMS remote start and control device on the financed tricycle. The GMS Device can remotely stop the tricycle in a specified location if the monthly loan premium is unpaid and can restore the vehicle once payment is done; the said device also has its theft detection and other security features.

Cebu EV-Park/Proza Herose

Cebu EV Park is the first company to provide Japanese electronic vehicle (EV) technology in the Philippines, aiming to transform internal combustion engine tricycle into electronic tricycles or ‘E-trikes’. EV Park will pioneer the mass production of electric vehicles, particularly the ‘E-trikes’ in the Philippines. ÆON Partnered with Cebu EV Park making ‘E-trikes’ available in Cebu and other parts of the Philippines, through the Financing Services of ÆON. ‘E-trike’ is an environmentally friendly product that is low maintenance, safe, and comfortable. Aside from supporting and helping the environment, E-Trikes will primarily improve the lifestyle of our customers by providing them a stable source of income.
### HIGHLIGHTS OF FINANCIAL PERFORMANCE

<table>
<thead>
<tr>
<th>Financial Highlights</th>
<th>For the year ended December 31</th>
<th>Jan - June</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Statement Items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue (see below for breakdown)</td>
<td>75</td>
<td>156</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>4</td>
<td>54</td>
</tr>
<tr>
<td>EBITDA</td>
<td>(49)</td>
<td>(19)</td>
</tr>
<tr>
<td>Net Income</td>
<td>(67)</td>
<td>(36)</td>
</tr>
<tr>
<td>Doubtful Accounts Expense</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td><strong>Balance Sheet Items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>249</td>
<td>423</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td>56</td>
<td>61</td>
</tr>
<tr>
<td>Total Assets</td>
<td>305</td>
<td>483</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>279</td>
<td>324</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>280</td>
<td>325</td>
</tr>
<tr>
<td>Total Equity</td>
<td>26</td>
<td>158</td>
</tr>
<tr>
<td><strong>Cash Flow Items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash from (used) in operating activities</td>
<td>(138)</td>
<td>(208)</td>
</tr>
<tr>
<td>Net Cash from (used) in investing activities</td>
<td>(9)</td>
<td>(9)</td>
</tr>
<tr>
<td>Net Cash from (used) in financing activities</td>
<td>165</td>
<td>195</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>29</td>
<td>7</td>
</tr>
<tr>
<td><strong>Financial Ratios</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>5%</td>
<td>35%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>(65%)</td>
<td>(12%)</td>
</tr>
<tr>
<td>Net Income Margin</td>
<td>(89%)</td>
<td>(23%)</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>0.9x</td>
<td>1.3x</td>
</tr>
<tr>
<td>Debt to Equity (Bank Debt)</td>
<td>10.1x</td>
<td>1.8x</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>(21.9%)</td>
<td>(7.5%)</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>(261.9%)</td>
<td>(22.9%)</td>
</tr>
<tr>
<td>Past Due Ratio**</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>NPL Ratio**</td>
<td>9%</td>
<td>5%</td>
</tr>
</tbody>
</table>

* Past Due = All past-due accounts/ Gross portfolio
** NPL Ratio = Over 90-days past-due accounts including interest/ Gross portfolio
Revenue Mix*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hire Purchase</td>
<td>75</td>
<td>156</td>
<td>418</td>
<td>868</td>
<td>617</td>
</tr>
<tr>
<td>Vehicle Loan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>Personal Loan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>156</strong></td>
<td><strong>418</strong></td>
<td><strong>873</strong></td>
<td><strong>640</strong></td>
</tr>
</tbody>
</table>

*Interest and Processing Fees


The Company’s financial performance exhibited rapid growth from 2014 to 2017, growing its top-line from PHP 75.1Mn to PHP 873.1Mn or at a CAGR of 126%. This was primarily due to the increase in loan bookings which grew from PHP 173Mn to PHP 1.61Bn over the same period. In addition, the Company added two additional revenue streams, namely, tricycle loans and personal loans in 2017.

The revenue is in a continuous upward trend driven by the good trend of trade volume totaling PHP 2.3Bn with an overall annual increase of 162%. This is a reflection of the rapid increase of the number of incoming applications in FY2017 which totaled to 218,412 accounts which is 116% of the previous year. The Company believes that this fast growth was due to its (a) improved sales from key merchants (i.e. Abenson, FC Home, SM, Robinsons, Home Along and All Home) and new key business partners, namely, Mega Savers (26 stores) and LCC (18 stores), (b) existing stores’ business improvements like promotions, (c) fast processing through Online Submission Application (OSA) and SSS/Philhealth verification, (d) real-time sales recording, (e) Cebu business operation which opened 26 stores in 2017 contributing PHP 50 Mn sales and (f) Vehicle loan operation which started in July 2017 and garnered sales amounting to PHP 47 Mn.

Vehicle loan and Cebu operating income accounts for 27% of the Company’s operating income as of June 30, 2018 while posting operating income of PHP 8.7M and PHP 15.8M, respectively. In addition, the Company expanded its operations in North Luzon which now includes Tuguegarao, Ilagan, Isabela and Baguio as well as in South Luzon (Bicol Region). These expansions contributed PHP 921 Mn to its 2017 sales.

Profit Margins and EBITDA Margins stabilized by the end of 2016 as a result of the efficient deployment of debt to fund the loans granted to its customers as well as proper management of corporate expenses. This is exhibited by loan growth outpacing total expense growth by an average of 100% over the historical period. Due to this, the Company’s net income margins improved year-on-year settling at 13% by the end of 2017.

Balance Sheet Items

<table>
<thead>
<tr>
<th></th>
<th>2014 Audited</th>
<th>2015 Audited</th>
<th>2016 Audited</th>
<th>2017 Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Loan Bookings</td>
<td>182</td>
<td>379</td>
<td>1,123</td>
<td>1,914</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>305</strong></td>
<td><strong>483</strong></td>
<td><strong>1,263</strong></td>
<td><strong>2,188</strong></td>
</tr>
<tr>
<td>Total Bank Borrowings</td>
<td>258</td>
<td>285</td>
<td>952</td>
<td>1,766</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>279</strong></td>
<td><strong>325</strong></td>
<td><strong>1,070</strong></td>
<td><strong>1,878</strong></td>
</tr>
<tr>
<td>Total Equity</td>
<td>25</td>
<td>157</td>
<td>193</td>
<td>310</td>
</tr>
</tbody>
</table>
Total Assets expanded to PHP 2.2 Bn or around 7.2x its initial total asset level in 2013. 90% of total assets were comprised of loans deployed to its customer base.

The loans were primarily financed by bank borrowings as indicated by the 584% increase in short-term and long-term borrowings from PHP 258 Mn in 2014 to P1.76 Bn in 2017.

**Liquidity, Leverage and Loan Quality**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>0.9x</td>
<td>1.3x</td>
<td>1.4x</td>
<td>1.1x</td>
</tr>
<tr>
<td>Debt to Equity Ratio</td>
<td>10.1x</td>
<td>1.8x</td>
<td>3.7x</td>
<td>3.6x</td>
</tr>
<tr>
<td>NPL Ratio</td>
<td>9.0%</td>
<td>5.1%</td>
<td>7.0%</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

On the Liquidity side, the Company has a healthy Current Ratio and Quick Ratio of 186.1% and 178.7%, respectively, compared to the corresponding Current and Quick Ratios of its competitor, non-banks with quasi-banking functions, and financing companies.

Leverage position has improved from 10.1x in 2014 to 3.6x in 2017 primarily from the PHP 200Mn capital made in 2015 increasing share capital to PHP 300Mn. This capital infusion was mostly used for IT-related investments made for the new product line (i.e. Vehicle loan). These figures are all within the industry average for financing companies.

**Non-Performing Loans (NPL) and Net Credit Cost Ratio (NCC)**

**Ratio of Non-Performing Loans**
NPL and NCC ended 2017 at 9.3% and 2.29%, respectively. Although NPL is higher than last year by 1.1% at 10.4% as of June this year, there has been a huge improvement this year recovering from the peak rate of 11.2% level seen in April 2017. NCC, on the other hand, has experienced a slight improvement from last year. Overall, both NPL and NCC are within the industry average for financing company and are significantly better than the main competitor.

Interim Financial Analysis (January to June 2018)

<table>
<thead>
<tr>
<th>Income Statement Items</th>
<th>2017</th>
<th>April 2018</th>
<th>May 2018</th>
<th>June 2018</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,300</td>
<td>194</td>
<td>210</td>
<td>225</td>
<td>1,275</td>
</tr>
<tr>
<td>Revenue*</td>
<td>939</td>
<td>115</td>
<td>118</td>
<td>121</td>
<td>685</td>
</tr>
<tr>
<td>Total Operating Expense</td>
<td>818</td>
<td>95</td>
<td>96</td>
<td>99</td>
<td>565</td>
</tr>
<tr>
<td>Operating Profit (Loss)</td>
<td>121</td>
<td>20</td>
<td>22</td>
<td>22</td>
<td>121</td>
</tr>
<tr>
<td>Net Profit (Loss)</td>
<td>116</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>86</td>
</tr>
</tbody>
</table>

*Interest, Processing Fees and Other income
Revenue has risen due to growth in Hire Purchase and Vehicle Loans.

Vehicles loan and Cebu operating income accounts for 27% of the Company’s operating income year-to-date while posting operating income of PHP 8.7 Mn and PHP 15.8 Mn, respectively. Operating income for the first half of 2018 is already equal to that of the 2017 full year calendar period.

Likewise, net income shows stable growth, posting a healthy 13% profit margin year-to-date.

<table>
<thead>
<tr>
<th>Balance Sheet Items</th>
<th>(in PHP Mn)</th>
<th>2017</th>
<th>April 2018</th>
<th>May 2018</th>
<th>June 2018</th>
<th>YTD Growth</th>
<th>YTD % Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Loan Bookings</td>
<td></td>
<td>1,780</td>
<td>1,914</td>
<td>1,927</td>
<td>1,963</td>
<td>662</td>
<td>151%</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td></td>
<td>2,073</td>
<td>2,280</td>
<td>2,336</td>
<td>2,426</td>
<td>933</td>
<td>163%</td>
</tr>
<tr>
<td>Total Assets</td>
<td></td>
<td>2,189</td>
<td>2,407</td>
<td>2,462</td>
<td>2,551</td>
<td>990</td>
<td>163%</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td></td>
<td>1,221</td>
<td>1,219</td>
<td>1,231</td>
<td>1,304</td>
<td>469</td>
<td>137%</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td></td>
<td>1,879</td>
<td>2,043</td>
<td>2,083</td>
<td>2,155</td>
<td>824</td>
<td>162%</td>
</tr>
<tr>
<td>Total Equity</td>
<td></td>
<td>310</td>
<td>364</td>
<td>379</td>
<td>395</td>
<td>166</td>
<td>172%</td>
</tr>
</tbody>
</table>
Total Assets has a 163% year to date growth as of June 2018 with an ending balance of PHP 2.4B. This was mainly due to the increase in total Loan Bookings which have grown with a total of 171,072 contracts to customer as of June 2018. These accounts have a total outstanding principal of PHP 1.9 Bn which is a 151% compared to last year. On the other hand, there is a slight increase in the non-performing loan (NPL) balance from PHP 199 Mn in May 2018 to PHP 205 Mn in June 2018 representing 10.35% and 10.44% NPL ratio, respectively.

Liabilities also increased by 162% compared to June 2017. This was due to bank borrowings taken in order to accommodate the payment with merchant as this is being settled on the next working day when sales is recognized while collection with customers is amortized within 6 to 60 month period. The current bank facility mix is approximately 53% long-term and 47% short-term with an average interest rate of 3.97% and with utilization rate of 52%. Ultimately, the company accumulated an equity of PHP 395 Mn with a capital adequacy ratio of 15.50%.

MARKET CHALLENGES AND COMPETITION

In the last five years, the Company faced challenges in controlling impact of lending to high risk customer base with high risk products while coping up with the evolving market practice, such as relaxation of credit verification and risk taking thru the use of data and technology resulting to quick and easy loan approval.

The Company has also recognized that there has been an increasing competition in providing Hire Purchase Loan due to aggressive sales activities of major its competitor and the new entrants such as Radiowealth and Flexifinance. Furthermore, demand and spending for home appliance in the Philippines is only 3.6% of Total Filipino Household Consumption & Expenditure based on Philippine Statistics Authority data as of August 2018. This implies that home appliance is considered a luxury product by Filipinos and is therefore not a priority to majority of the population as compared to Food and Non-alcoholic beverage (41.4%), Housing, Water and Utilities (12.2%) and Transportation expense (12.2%). Though this may be a challenging factor for the industry, this can also be viewed as a motivation to make purchases of home appliance more affordable which ÆON Credit and the like are offering to Filipinos.

### ÆON Credit vs. Major Competitor

<table>
<thead>
<tr>
<th>EXPENDITURE GROUP</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOUSEHOLD FINAL CONSUMPTION EXPENDITURE</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>1. Food and Non-alcoholic beverages</td>
<td>39.4</td>
<td>41.7</td>
<td>45.0</td>
<td>39.7</td>
<td>41.5</td>
<td>44.7</td>
</tr>
<tr>
<td>2. Alcoholic beverages, Tobacco</td>
<td>1.2</td>
<td>1.4</td>
<td>1.4</td>
<td>1.5</td>
<td>1.2</td>
<td>1.5</td>
</tr>
<tr>
<td>3. Clothing and Footwear</td>
<td>1.1</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>4. Housing, water, electricity, gas and other fuels</td>
<td>11.7</td>
<td>12.0</td>
<td>10.5</td>
<td>11.6</td>
<td>12.1</td>
<td>11.1</td>
</tr>
<tr>
<td>5. Furnishings, household equipment and routine household maintenance</td>
<td>4.0</td>
<td>3.6</td>
<td>3.3</td>
<td>3.9</td>
<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td>6. Health</td>
<td>2.8</td>
<td>3.5</td>
<td>3.6</td>
<td>2.8</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>7. Transport</td>
<td>12.9</td>
<td>11.9</td>
<td>12.2</td>
<td>9.5</td>
<td>13.0</td>
<td>12.0</td>
</tr>
<tr>
<td>8. Communication</td>
<td>3.3</td>
<td>3.5</td>
<td>2.8</td>
<td>3.1</td>
<td>2.5</td>
<td>2.8</td>
</tr>
<tr>
<td>9. Recreation and culture</td>
<td>2.0</td>
<td>1.9</td>
<td>1.5</td>
<td>1.9</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td>10. Education</td>
<td>4.1</td>
<td>4.5</td>
<td>4.3</td>
<td>4.2</td>
<td>4.0</td>
<td>4.7</td>
</tr>
<tr>
<td>11. Restaurants and hotels</td>
<td>4.4</td>
<td>3.6</td>
<td>4.2</td>
<td>4.4</td>
<td>3.8</td>
<td>4.3</td>
</tr>
<tr>
<td>12. Miscellaneous goods and services</td>
<td>13.9</td>
<td>12.5</td>
<td>11.8</td>
<td>13.7</td>
<td>13.1</td>
<td>12.3</td>
</tr>
</tbody>
</table>

### ÆON Credit vs. Major Competitor

<table>
<thead>
<tr>
<th>(in PHP Mn)</th>
<th>ÆON Credit</th>
<th>Audited 2017</th>
<th>Major Competitor</th>
<th>Revenue %</th>
<th>Revenue %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>939</td>
<td>4,680</td>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Non-Operating Income 2 0.2% 220 4.7%
Bad Debt Expense 415 44.2% 1,036 22.1%
Operating Cost* 363 38.7% 3,553 75.9%
Income (Loss) Before Tax 121 12.8% (194) (4.1%)
Net Income 117 12.4% 94 2.0%

*See computation in the table below

Overall, ÆON Credit showed better and sustainable profitability compared to its major competitor in 2017 posting a 12.4% profit margin vs 2.0%. ÆON Credit and the major competitor reported 2017 net income of PHP 117 Mn and PHP 94 Mn, respectively. The discrepancy in income between the two is even greater when taxes are taken out of the computation. ÆON Credit

In terms of revenue, major competitor reported PHP 4,680 Mn, an amount that is five times that of ÆON Credit’s in 2017 which was PHP 939 Mn. major competitor’s revenue increase was driven mainly by the growth in their loan portfolio from PHP 4 Bn to PHP 12 Bn. This was a result of major competitor’s increase in branches from 12 to 19 as well as its growth in cash loans and Hire Purchase. However, the increase in revenues also came with increase in major competitor’s operating costs which included a 190% rise in its manpower expense which amounts to PHP 2 Bn.

For purposes of discussion, computation of Operating Cost is shown in the table below:

<table>
<thead>
<tr>
<th>Items (in PhP Mn)</th>
<th>ÆON Credit</th>
<th>Major Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>144</td>
<td>1,842</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Direct Cost</td>
<td>625</td>
<td>2,747</td>
</tr>
<tr>
<td>Less: Doubtful Account Expense*</td>
<td>(414)</td>
<td>(1,036)</td>
</tr>
</tbody>
</table>

| Operating Cost                     | 363        | 3,553            |

Note that in the above computation, Doubtful Account Expense (DAE) was subtracted since there is a timing difference in recognizing this expense account between the two companies. While ÆON Credit recognizes 100% of its receivables that are at least 90-days past due as Bad Debts expense, the major competitor, on the other hand, reports between 50% to 100% of loan receivables that are over 180-days past due. For consistency purposes, DAE was eliminated from the computation of operating cost. And if both revenue and operating costs (as computed above) were taken into consideration, ÆON Credit will appear to be more operationally efficient than its competitor as it has a 38.7% cost to revenue vs major competitor’s 75.9%.

The major competitor reported a significantly higher non-operating profit of PHP 220 Mn compared to ÆON Credit’s PHP 2 Bn. This represents a gain from intercompany sales of receivables which will eventually be eliminated in the consolidated financial statements and should does not form part of the real operating profit of the company.
Takayuki Araki
Mr. Takayuki Araki, was appointed as a President/CEO of ÆON Credit Service (Philippines) Inc. on 01 July 2016. He obtained a Bachelor’s Degree in Economics from Kwansei Gakuin University, Japan in 1987. He began his career in 1987 in Crédit Lyonnais, Osaka Branch, Japan. Subsequently, he served as manager in Corporate Business Department in Crédit Lyonnais, Tokyo Branch from 1997, as Vice President in Corporate Banking Department in Calyon (formerly known as Crédit Lyonnais) Tokyo Branch from 2004 and as Senior Vice President of Corporate Coverage Department of Credit Agricole Corporate & Investment Bank (formerly known as Calyon) Tokyo Branch from 2006. Thereafter, he participated in a restaurant business in Shanghai, China from 2011. In 2013, he joined ÆON Financial Service Co., Ltd., Japan (formerly known as ÆON Credit Service Co., Ltd.) as General Manager, prior to his transfer to the Company in Philippines as President/CEO in July 2016. He is currently the Chairman of the Board of Director and a member of the Nomination and Remuneration Committees. He does not hold any directorship in any other public or public listed company.

Kosei Yahiro
Mr. Kosei Yahiro, was appointed as Executive Vice President of the Business Management Group at ÆON Credit Service (Philippines) Inc. on 25 October 2016. He is obtained his Bachelor’s Degree in Law from Kinki University (presently known as Kindai University), Japan in 2003. In 2008 he was appointed as Assistant Manager of the Business Management at ÆON Credit Service Co. Ltd. In 2009, he was appointed as Manager of the Sales Development at ÆON Credit Service India Private Ltd. He is currently the member of the Board of Director. He does not hold any directorship in any other public or public listed company.

Dennis Siapno
Atty. Dennis Siapno, was appointed as Executive Vice President of the Control Management Group at ÆON Credit Service (Philippines) Inc. on 01 July 2016. Atty. Dennis Siapno obtained his Bachelor of Laws degree from the University of Santo Tomas in 2006 and was admitted to the Philippine Bar in 2007. He graduated from the Saint Louis University in 2001, with a degree in Bachelor of Arts in Communication.
From 2007 to 2010 he worked as Associate Lawyer from various Law Firms. He was appointed as a Commissioner at the Integrated Bar of the Philippines – Commission on Bar Discipline from 2009 to 2011. Thereafter, he joined the corporate field as Director and Legal Counsel of Manpower Outsourcing Services Inc. in 2011. In 2013, he joined ÆON Credit Service (Philippines) Inc. as Senior Manager of Human Resource and General Affairs Department. In 2015, he was appointed as Assistant Vice President at ÆON Credit Service (Philippines) Inc. He is currently the Compliance Officer, Data Protection Officer, and a member of the Board of Director. He does not hold any directorship in any other public or public listed company.

Rachel P. Follosco
Atty. Rachel Follosco, was appointed as Corporate Secretary of ÆON Credit Service (Philippines) Inc. on 01 July 2016. Atty. Follosco received her Bachelor of Laws degree from the University of the Philippines in 1993, graduating third in her class, and was admitted to the Philippine Bar in 1994. She graduated Magna Cum Laude from the University of the Philippines in 1988, with a degree in Bachelor of Science in Business Administration and Accountancy.

From 1993 to 1996, she worked with the Philippine firm associated with Baker & McKenzie, where she specialized in the Tax, Commercial, and Corporate practice areas of the firm. She has extensive exposure in international taxation, tax structuring, and tax planning in relation to property acquisition, financing, and capital investment transactions. She is a tax consultant for various USAID-funded projects for the Bureau of Internal Revenue, particularly the taxation of the telecommunications industry and projects focused on improving business competitiveness in the Philippines. In addition, she was a senior lecturer in Taxation Law, Banking and Finance, and Legal Accounting at the University of the Philippines from 1994 to 2000 and in 2009.

In the corporate field, she has extensive experience in assisting foreign investors in the registration of their Philippine business entities, structuring of their Philippine investments, and addressing their other common legal concerns concerning their business operations, including all regulatory compliance. She authored/co-authored and updated the Philippine section of the International Tax and Investment Service (published by Tolley Lexis Nexis), International Joint Ventures (published by Kluwer Law International), International Secured Transactions (published by Thomson Reuters) and International Banking Law and Regulation (published by Thomson Reuters). Since 1997, she has conducted several labor law seminars and workshops and has been engaged to render extensive HR consultancy work to include compensation and benefits package planning and review, drafting of employment-related contracts, and preparation of HR policies manuals, company rules and regulations, and labor law manuals.

As she remains eager to acquire new competencies, she has recently obtained training as a Data Privacy Officer and completed the training course for Certified International Privacy Manager (CIPM) with the International Association of Privacy Professionals, of which the Firm is a silver member. She has paved the way for the Firm to be the service partner of Straits Interactive Pte Ltd., a regional leader in privacy and operational compliance and leading provider of interactive platform for privacy management.

Glenn Yves C. Berdan
Mr. Glenn Berdan, was appointed as Corporate Treasurer of ÆON Credit Service (Philippines) Inc. on 24 February 2017. He obtained his Professional License as Certified Public Accountant in 2009. He graduated from the University of Rizal System in 2009, with a degree in Bachelor of Science in Accountancy. He began his career in 2009 as Senior Associate at SGV & Co. (ERNST & YOUNG Philippines). In 2011, he served Robinsons Retail Holdings Inc. as Accounting and Risk Manager. In 2013, he is the Head of Group Internal Audit at State Investment Trust Inc. In 2016, He joined ÆON Credit Service (Philippines) Inc. as Senior Manager of Finance and Accounting Department. He is currently the Head of Internal Control Division which composed of Accounting, Finance, Control, Risk and Strategy department.
INFORMATION ON THE GUARANTOR

Overview

Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (“CGIF”) was established by 10 members of the Association of Southeast Asian Nations (“ASEAN”), together with the People’s Republic of China (“PRC”), Japan (Japan Bank for International Cooperation (“JBIC”)), Republic of Korea (together with the ASEAN, PRC and JBIC “ASEAN+3”), and the Asian Development Bank (“ADB”) in 2010. The 10 members of ASEAN consist of Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic (“Lao PDR”), Malaysia, Republic of the Union of Myanmar, Philippines, Singapore, Thailand and Vietnam.

CGIF was part of the Asian Bond Markets Initiative to develop and strengthen local currency and regional bond markets. CGIF provides credit guarantees for local currency denominated bonds issued by creditworthy ASEAN+3 domiciled corporations.

As a credit guarantor, CGIF will unconditionally and irrevocably assume the liability of its guaranteed-bond issuers should these issuers default on obligations to their guaranteed bond investors. It aims to help guaranteed companies secure long-term financing, reduce their dependency on short-term foreign currency borrowing, and address currency and maturity mismatches.

By promoting deep and liquid local currency and regional bond markets, CGIF helps foster economic development, build the resilience of the financial markets, and prevent disruptions to the international financial order. By facilitating the access of creditworthy entities to local currency and regional markets, and by pushing the issuance of debt securities with longer-term maturities that match the gestation of investment projects, efficient allocation of savings within the Asia and Pacific region are achieved.

The ADB is the trustee of CGIF and as such, and in line with the provisions of the Articles of Agreement (“AoA”), it holds in trust and manages all CGIF funds and other properties. In accordance with Article 10.3.2 of the AoA, ADB, as the trustee of CGIF, has also delegated the trustee’s powers to the Meeting of Contributors, except for certain limited powers specified therein. The Meeting of Contributors, in turn, has delegated such powers to the Board of Directors.

According to a report by the Organisation for Economic Co-operation and Development (“OECD”), in the period between 2012 and 2015, CGIF ranked third in private finance mobilization by multilateral guarantees after the World Bank and African Development Bank.

Shareholding Structure

CGIF’s guarantees are backed by USD 859,200,000 of paid-in capital from its sovereign government contributors and ADB. Neither the ADB nor the other contributors are liable for the obligations of CGIF.

CGIF Shareholding as at 05 November 2018

<table>
<thead>
<tr>
<th>Contributor</th>
<th>Contribution (USD)</th>
<th>Shareholding Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>People’s Republic of China</td>
<td>200,000,000</td>
<td>23.28%</td>
</tr>
<tr>
<td>Japan (Japan Bank for International Cooperation)</td>
<td>342,800,000</td>
<td>39.90%</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>100,000,000</td>
<td>11.64%</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
<td>5,600,000</td>
<td>0.65%</td>
</tr>
<tr>
<td>Country</td>
<td>Shareholders</td>
<td>%</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>--------------</td>
<td>----</td>
</tr>
<tr>
<td>Cambodia</td>
<td>200,000</td>
<td>0.02%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>12,600,000</td>
<td>1.47%</td>
</tr>
<tr>
<td>Lao People’s Democratic Republic</td>
<td>100,000</td>
<td>0.01%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>12,600,000</td>
<td>1.47%</td>
</tr>
<tr>
<td>Republic of the Union of Myanmar</td>
<td>100,000</td>
<td>0.01%</td>
</tr>
<tr>
<td>Philippines</td>
<td>19,900,000</td>
<td>2.32%</td>
</tr>
<tr>
<td>Singapore</td>
<td>21,600,000</td>
<td>2.51%</td>
</tr>
<tr>
<td>Thailand</td>
<td>12,600,000</td>
<td>1.47%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1,100,000</td>
<td>0.13%</td>
</tr>
<tr>
<td>Asian Development Bank</td>
<td>130,000,000</td>
<td>15.13%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>859,200,000</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

**Governance Structure**

CGIF has a governance structure comprising of oversight by the: (i) Meeting of Contributors; (ii) Board of Directors; and (iii) Board Committees (Internal Control and Risk Management, Nomination and Remuneration, and Audit).

The Board of Directors is comprised of eight Contributor-appointed members, including the Chief Executive Officer. Each of the PRC and Japan are entitled to nominate two Directors. Korea is entitled to nominate one Director. One nomination each is entitled for the Asian Development Bank, and the ASEAN countries representing Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

The Board of Directors is accountable and reports to the contributors of CGIF (the “Contributors”) on the operations and performance of management and of CGIF.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Yuchuan Feng (Chairman)</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>Ms. Hongxia Li</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>Mr. Kenichi Aso</td>
<td>Japan (Japan Bank for International Cooperation)</td>
</tr>
<tr>
<td>Mr. Mitsutoshi Kajikawa</td>
<td>Japan (Japan Bank for International Cooperation)</td>
</tr>
<tr>
<td>Mr. Sun-joon Jun</td>
<td>Korea</td>
</tr>
<tr>
<td>Mdm. Azah Hanim Ahmad</td>
<td>ASEAN - Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam</td>
</tr>
<tr>
<td>Mr. Stefan Hruschka</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>Mr. Kiyoshi Nishimura</td>
<td>CGIF Management</td>
</tr>
</tbody>
</table>

CGIF is led by an internationally recruited management team with experience in development banking, risk management, and credit assessment through senior positions in European Bank for Reconstruction and Development (“EBRD”), JBIC, International Monetary Fund, Export-Import Bank of Japan, Bank of the Philippines Islands, Danajamin Nasional Berhad, Hong Leong Bank Berhad, Standard Chartered Bank and Citibank.

The executive decision-making powers of CGIF, and the day-to-day management of CGIF, are mandated and vested in the Chief Executive Officer. The Chief Executive Officer is recommended by the Board of Directors and approved by the Meeting of Contributors. He is the legal representative of CGIF. The Chief Executive Officer heads the management team currently comprising the Chief Risk Officer, Vice President
Operations, Chief Financial Officer, General Counsel and Board Secretary, Corporate Planner and Head of Budget, Planning, Personnel and Management Systems and Internal Auditor.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Kiyoshi Nishimura</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Mr. Aarne Dimanlig</td>
<td>Chief Risk Officer</td>
</tr>
<tr>
<td>Mr. Boo Hock Khoo</td>
<td>Vice President Operations</td>
</tr>
<tr>
<td>Mr. Dong Woo Rhee</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Mr. Gene Soon Park</td>
<td>General Counsel and Board Secretary</td>
</tr>
<tr>
<td>Mr. Hou Hock Lim</td>
<td>Corporate Planner and Head of Budget, Planning, Personnel and Management Systems</td>
</tr>
<tr>
<td>Ms. Jackie Jeong-Ae Bang</td>
<td>Internal Auditor</td>
</tr>
</tbody>
</table>

**Credit Strength**

CGIF is rated by the following international and domestic credit rating agencies:

<table>
<thead>
<tr>
<th>Credit Rating Agency</th>
<th>Scale</th>
<th>Rating</th>
<th>Outlook</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Poor’s (“S&amp;P”)</td>
<td>Global Long-Term/Short Term</td>
<td>AA/A-1+</td>
<td>Stable</td>
<td>June 22, 2018</td>
</tr>
<tr>
<td>RAM Ratings (Malaysia)</td>
<td>Global/ASEAN/National</td>
<td>gAAA/seaAAA/AAA</td>
<td>Stable</td>
<td>Dec. 18, 2017</td>
</tr>
<tr>
<td>MARC (Malaysian Rating Corporation Berhad)</td>
<td>National</td>
<td>AAA</td>
<td>Stable</td>
<td>Jan. 18, 2018</td>
</tr>
<tr>
<td>TRIS Ratings (Thailand)</td>
<td>National</td>
<td>AAA</td>
<td>Stable</td>
<td>Nov. 6, 2017</td>
</tr>
<tr>
<td>Fitch Ratings (Indonesia)</td>
<td>National</td>
<td>AAA</td>
<td>Stable</td>
<td>Sept. 14, 2017</td>
</tr>
</tbody>
</table>

**Guarantee Portfolio**

Since its establishment in 2010, the CGIF has issued twenty-one (21) guarantees, totaling to USD 1.7 Bn, to fifteen (15) companies in five (5) local currency bond markets from eight (8) ASEAN+3 countries. The table below provides a summary of CGIF’s guarantee portfolio as of December 31, 2017, excluding matured and redeemed issuances.

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Issuer</th>
<th>Country of Origin</th>
<th>Country of Issuance</th>
<th>Issue Size (LCY)</th>
<th>Issue Size (USD)</th>
<th>% Guarantee</th>
<th>Tenor</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2018</td>
<td>Hoan My Medical Corporation</td>
<td>Vietnam</td>
<td>Vietnam</td>
<td>1.4 Tn</td>
<td>~60 Mn</td>
<td>100%</td>
<td>7Y</td>
</tr>
<tr>
<td>Date</td>
<td>Company/Entity</td>
<td>Country 1</td>
<td>Country 2</td>
<td>Value 1</td>
<td>Value 2</td>
<td>Ownership</td>
<td>Duration</td>
</tr>
<tr>
<td>------------</td>
<td>---------------------------------------</td>
<td>--------------------</td>
<td>--------------------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td>----------</td>
</tr>
<tr>
<td>October 2018</td>
<td>Hoan My Medical Corporation</td>
<td>Vietnam</td>
<td>Vietnam</td>
<td>930 Bn</td>
<td>~40 Mn</td>
<td>100%</td>
<td>5Y</td>
</tr>
<tr>
<td>September 2018</td>
<td>The PAN Group Joint Stock Company</td>
<td>Vietnam</td>
<td>Vietnam</td>
<td>1.135 Tn</td>
<td>~43 Mn</td>
<td>100%</td>
<td>5Y</td>
</tr>
<tr>
<td>Feb 2018</td>
<td>Siamgas and Petrochemicals Public Company Limited</td>
<td>Thailand</td>
<td>Thailand</td>
<td>2 Bn</td>
<td>~64 Mn</td>
<td>85%</td>
<td>5Y</td>
</tr>
<tr>
<td>Jan 2018</td>
<td>ASA Philippines Foundation, Inc.</td>
<td>Philippines</td>
<td>Philippines</td>
<td>500 Mn</td>
<td>10 Mn</td>
<td>75%</td>
<td>5Y</td>
</tr>
<tr>
<td>Nov 2017</td>
<td>Mobile World Investment</td>
<td>Vietnam</td>
<td>Vietnam</td>
<td>1,135 Bn</td>
<td>50 Mn</td>
<td>100%</td>
<td>5Y</td>
</tr>
<tr>
<td>June 2017</td>
<td>ASA Philippines Foundation, Inc.</td>
<td>Philippines</td>
<td>Philippines</td>
<td>500 Mn</td>
<td>10 Mn</td>
<td>75%</td>
<td>5Y</td>
</tr>
<tr>
<td>Feb 2017</td>
<td>ASA Philippines Foundation, Inc.</td>
<td>Philippines</td>
<td>Philippines</td>
<td>1.0 Bn</td>
<td>20 Mn</td>
<td>75%</td>
<td>5Y</td>
</tr>
<tr>
<td>Nov 2016</td>
<td>KNM Group Berhad</td>
<td>Malaysia</td>
<td>Thailand</td>
<td>2.78 Bn</td>
<td>78 Mn</td>
<td>100%</td>
<td>5Y</td>
</tr>
<tr>
<td>July 2016</td>
<td>Fullerton Healthcare</td>
<td>Singapore</td>
<td>Singapore</td>
<td>50 Mn</td>
<td>37 Mn</td>
<td>100%</td>
<td>5Y</td>
</tr>
<tr>
<td>July 2016</td>
<td>Fullerton Healthcare</td>
<td>Singapore</td>
<td>Singapore</td>
<td>50 Mn</td>
<td>37 Mn</td>
<td>100%</td>
<td>7Y</td>
</tr>
<tr>
<td>April 2016</td>
<td>PT Mitra Pinasthika Mustika</td>
<td>Indonesia</td>
<td>Indonesia</td>
<td>160 Bn</td>
<td>12 Mn</td>
<td>100%</td>
<td>3Y</td>
</tr>
<tr>
<td>Mar 2016</td>
<td>PT Mitra Pinasthika Mustika</td>
<td>Indonesia</td>
<td>Indonesia</td>
<td>140 Bn</td>
<td>11 Mn</td>
<td>100%</td>
<td>3Y</td>
</tr>
</tbody>
</table>
In the Philippines, CGIF guaranteed PHP-denominated debt facilities issued by ASA Philippines Foundation Inc. (“ASA Philippines”) in three tranches in 2017 and 2018, and by AP Renewables, Inc. (“AP Renewables”) in 2016.

The issuances by ASA Philippines and AP Renewables are each considered significant milestones by CGIF as the first guarantee given to a local currency microfinance bond in the ASEAN capital market, and the first guarantee transaction in the Philippines, respectively.

**Financial Highlights (Auditor: Deloitte)**

<table>
<thead>
<tr>
<th>Mar 2016</th>
<th>AP Renewables, Inc.</th>
<th>Philippines</th>
<th>Philippines</th>
<th>10.7 Bn</th>
<th>100 Mn</th>
<th>Up to PHP 4.7 Bn Risk Sharing with ADB</th>
<th>10Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 2016</td>
<td>Vingroup Joint Stock Company</td>
<td>Vietnam</td>
<td>Vietnam</td>
<td>1,950 Bn</td>
<td>87 Mn</td>
<td>100%</td>
<td>5Y</td>
</tr>
<tr>
<td>Feb 2016</td>
<td>Vingroup Joint Stock Company</td>
<td>Vietnam</td>
<td>Vietnam</td>
<td>1,050 Bn</td>
<td>47 Mn</td>
<td>100%</td>
<td>10Y</td>
</tr>
<tr>
<td>Oct 2015</td>
<td>IVL Singapore PTD Ltd.</td>
<td>Thailand</td>
<td>Singapore</td>
<td>195 Mn</td>
<td>137 Mn</td>
<td>100%</td>
<td>10Y</td>
</tr>
<tr>
<td>Dec 2014</td>
<td>Masan Consumer Holdings</td>
<td>Vietnam</td>
<td>Vietnam</td>
<td>2,100 Tn</td>
<td>98 Bn</td>
<td>100%</td>
<td>10Y</td>
</tr>
<tr>
<td>Nov 2014</td>
<td>Protelindo Finance BV</td>
<td>Indonesia</td>
<td>Singapore</td>
<td>180 Mn</td>
<td>138 Mn</td>
<td>100%</td>
<td>10Y</td>
</tr>
</tbody>
</table>

*LCD: Local Currency Denomination*
In 2017, CGIF generated a net income of USD 10.8 Mn, which is USD 0.8 Mn or 7.5% higher than the previous year. This increase was realized through the USD 2.8 Mn increase in total revenues but was partly offset by the USD 2.0 Mn increase in total expenses. Of the total revenue of USD 21.2 Mn, USD 11.8 Mn was contributed from the investment income, which had an 11.7% increase from USD 10.6 Mn in 2016, and USD 9.1 Mn from the guarantee income, which also showed a 13.5% increase or an increase of USD 1.1 Mn from 2016. The total expenses ended at USD 10.4 Mn, 23.7% higher than previous year due to reinsurance expenses and the write-off of withholding taxes on guarantee fees paid by clients, which were deemed un-reimbursable from the tax authority.

Outstanding guarantee issued as of the end of 2017 decreased to USD 1,096.3 Mn or by 2.2% from USD 1,120.5 Mn in 2016 due to the completion of three accounts during the year. Recognized guarantee fee receivables and guarantee liability recorded USD 34.5 Mn and USD 37.3 Mn, which mark decreases of 10.5% and 10.8% from 2016, respectively.

Total Member’s Equity increased to USD 739.2 Mn in 2017, a 2.4% increase from last year’s USD 727.5 Mn. Retained Earnings for 2017 was USD 10.8 Mn. CGIF’s Reserve, which is the accumulation of allocated retained earnings since its establishment, stood at USD 34.8 Mn.
Annex A: ASEAN+3 MULTI-CURRENCY BOND ISSUANCE FRAMEWORK

The CGIF-Guaranteed Fixed Rate Corporate Notes issued by AEON CREDIT SERVICE (PHILIPPINES), INC. are proposed to be issued under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF).

AMBIF is a policy initiative under the Asian Bond Markets Initiative (ABMI) to create a nexus among domestic professional local currency bond markets in the region to help facilitate intraregional transactions through standardized bond and note issuance and investment processes.

AMBIF facilitates intraregional bond and note issuance and investment by creating common market practices; utilizing a common document for submission, the Single Submission Form (SSF); and highlighting transparent issuance procedures as documented in the Implementation Guidelines for each participating market, including the Philippines.

AMBIF is expected to expand opportunities for issuers and investors: issuers can raise funds in local currencies in multiple locations in the region more easily, and investors can invest in local currency bonds more easily.

To be recognized as a bond or note issued under AMBIF (AMBIF Bond or Note), certain requirements need to be satisfied. These so-called AMBIF Elements are summarized in the table below. Integral to AMBIF is the use of the SSF.

<table>
<thead>
<tr>
<th>AMBIF Elements</th>
<th>Brief Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Settlement</td>
<td>Bonds/notes are settled at a national central securities depository in ASEAN+3</td>
</tr>
<tr>
<td>Harmonized Submission Documents (Single Submission Form)</td>
<td>Common approach of submitting information as input for regulatory process(es) where approval or consent is required. Appropriate disclosure information needs to be included.</td>
</tr>
<tr>
<td>Registration or profile listing at ASEAN+3 (Place of continuous disclosure)</td>
<td>Information on bonds/notes and issuer needs to be disclosed continuously in ASEAN+3. Registration or listing authority function is required to ensure continuous and quality disclosure.</td>
</tr>
<tr>
<td>Currency</td>
<td>Bonds/notes are denominated in currencies normally issued in domestic bond markets of ASEAN+3</td>
</tr>
<tr>
<td>Scope of Issuer</td>
<td>Resident of ASEAN+3</td>
</tr>
<tr>
<td>Scope of Investors</td>
<td>Professional investors defined in accordance with applicable laws and regulations or market practice in each market in ASEAN+3</td>
</tr>
</tbody>
</table>

At this stage, the SSF, in conjunction with the AMBIF Implementation Guidelines, is accepted in six jurisdictions in ASEAN+3: Hong Kong, China; Japan; Malaysia; the Philippines; Singapore; and Thailand. The region’s other markets are expected to join as soon as they are ready.

The SSF, as the single and comprehensive issuance and disclosure document, has been modelled on the information memorandum used in international bond markets and its contents complies with the information and disclosure requirements of all participating markets, including those of the Philippines. The SSF has been recognized by the Securities and Exchange Commission of the Philippines (SEC) to serve as issuance documentation for bonds and notes issued as exempt transactions under Section 10 of the Securities Regulation Code (SRC) and its Implementation Rules and Regulations (IRR) – the issuance of the CGIF-Guaranteed Fixed Rate Corporate Notes would be such exempt transaction under 10.1 (L) of the
SRC, the offer and issuance of which are made solely to Qualified Buyers which are juridical persons under Section 10.1 (L) of the SRC and Rules 10.1.3.1. to 10.1.3.6 of the SRC Rules - and as supporting document for the filing of a Notice of Exempt Transaction with the SEC which is required by the issuer under the SRC and IRR to avail themselves of exempt transaction status.

The SSF is a public document and was created and is maintained by the ASEAN+3 Bond Market Forum (ABMF), a public sector-private sector forum under the guidance of the Asian Development Bank, in conjunction with the AMBIF Documentation Recommendation Board (ADRB), a group of bond market participating institutions and professionals in ASEAN+3 that support and represent best market practices. The template for the SSF is available for download from the ADB website.
VI. Attachments

Please see the attached Issuer’s Consolidated Financial Statements.
COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number
C S 2 0 1 3 0 0 7 8 9

Company Name
AEON CREDIT SERVICE (PHILIPPINES INC.

Principal Office (No./Street/Barangay/City/Town/Province)
3RD FLOOR HANSTON SQUARE 17
SAN MIGUEL AVE. ORTIGAS CENTER
PASIG CITY

Form Type
FS 11

Department requiring the report
CRMD

Secondary License Type, If Applicable
NA

COMPANY INFORMATION

Company's Email Address
customer@aeonphilippines.com.ph

Company's Telephone Number(s)
(+632) 631-1399

Mobile Number
09178081078

Annual Meeting
Month/Day
06/02

No. of Stockholders
10

Fiscal Year
Month/Day
12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person
TAKAYUKI ARAKI

Email Address
araki@aeonphilippines.com.ph

Telephone Number(s)
(+632) 631-1399

Mobile Number
09175626547

Contact Person's Address
Unit 24M, 8 Forbestown Condominium, Bonifacio Global City, Taguig Metro Manila

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof. Information and complete contact details of the new contact person designated.

Note 2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Failure, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its defaults.

[Signature]
SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

To the Board of Directors and Shareholders
AEON CREDIT SERVICE (PHILIPPINES) INC.
3rd Floor, Hanston Square, 17 San Miguel Avenue
Ortigas Center, Pasig City

We have examined the financial statements of AEON Credit Service (Philippines) Inc. as at and for the year ended December 31, 2017 on which we have rendered the attached report dated March 23, 2018.

In compliance with SRC Rule 68, we are stating that the said Company has five (5) shareholders owning one hundred (100) or more shares each.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:

Nina S. Felismino
Nina Cecilia S. Felismino
Partner
CPA License No. 0103737
SEC A.N. 1645-A, issued on June 15, 2017; effective until June 14, 2020, Group A
TIN 218720328
BJR A.N. 08-002552-46-2016, issued on November 22, 2016; effective until November 22, 2019
PTR No. A-3745356, issued on January 5, 2018, Taguig City

Taguig City, Philippines
March 23, 2018
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.
### AEON CREDIT SERVICE (PHILIPPINES) INC.

**STATEMENTS OF FINANCIAL POSITION**

#### ASSETS

<table>
<thead>
<tr>
<th>Category</th>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>6</td>
<td>7,636,859</td>
<td>6,837,139</td>
</tr>
<tr>
<td>Loans and other receivables - net</td>
<td>7</td>
<td>1,223,867,601</td>
<td>1,028,996,661</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>12</td>
<td>74,544,888</td>
<td>68,853,713</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>8</td>
<td>76,953,081</td>
<td>17,544,209</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td></td>
<td>1,283,002,329</td>
<td>1,122,231,922</td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans - net of current portion</td>
<td>7</td>
<td>689,850,920</td>
<td>93,149,014</td>
</tr>
<tr>
<td>Property and equipment - net</td>
<td>9</td>
<td>42,578,866</td>
<td>33,827,933</td>
</tr>
<tr>
<td>Computer software - net</td>
<td>10</td>
<td>12,925,176</td>
<td>11,022,167</td>
</tr>
<tr>
<td>Retirement benefit asset</td>
<td>14</td>
<td>6,227,711</td>
<td>12,674,287</td>
</tr>
<tr>
<td>Refundable deposits</td>
<td>22</td>
<td>3,924,387</td>
<td>3,629,527</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>24</td>
<td>50,149,267</td>
<td>12,900,000</td>
</tr>
<tr>
<td><strong>Total Non-current Assets</strong></td>
<td></td>
<td>805,656,327</td>
<td>141,624,641</td>
</tr>
</tbody>
</table>

#### LIABILITIES AND EQUITY

<table>
<thead>
<tr>
<th>Category</th>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>11</td>
<td>50,788,973</td>
<td>79,306,223</td>
</tr>
<tr>
<td>Due to related parties</td>
<td>12</td>
<td>13,490,803</td>
<td>38,255,029</td>
</tr>
<tr>
<td>Bank borrowings</td>
<td>13</td>
<td>1,108,000,000</td>
<td>709,000,000</td>
</tr>
<tr>
<td>Income tax payable</td>
<td></td>
<td>47,873,963</td>
<td>12,674,287</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td></td>
<td>1,220,153,739</td>
<td>826,561,252</td>
</tr>
<tr>
<td><strong>Non-current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued rent - net of current portion</td>
<td>22</td>
<td>559,270</td>
<td>804,861</td>
</tr>
<tr>
<td>Bank borrowings - net of current portion</td>
<td>13</td>
<td>658,000,000</td>
<td>243,000,000</td>
</tr>
<tr>
<td><strong>Total Non-current Liabilities</strong></td>
<td></td>
<td>658,559,270</td>
<td>243,804,861</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td>1,878,713,009</td>
<td>1,070,366,113</td>
</tr>
<tr>
<td>Share capital</td>
<td>15</td>
<td>300,000,000</td>
<td>300,000,000</td>
</tr>
<tr>
<td>Retained earnings (Deficit)</td>
<td></td>
<td>9,945,647</td>
<td>(106,509,550)</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td></td>
<td>309,945,647</td>
<td>193,490,450</td>
</tr>
</tbody>
</table>

**See Notes to Financial Statements.**
### AEON CREDIT SERVICE (PHILIPPINES) INC.

**STATEMENTS OF CHANGES IN EQUITY**

**For the Years Ended December 31**

<table>
<thead>
<tr>
<th></th>
<th>Share Capital</th>
<th>Retained Earnings (Deficit)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1, 2016</td>
<td>P300,000,000</td>
<td>(P142,383,705)</td>
<td>P157,616,295</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>35,794,155</td>
<td>35,794,155</td>
</tr>
<tr>
<td>Balance, December 31, 2016</td>
<td>300,000,000</td>
<td>(106,509,530)</td>
<td>193,490,470</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>116,455,197</td>
<td>116,455,197</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2017</strong></td>
<td><strong>P300,000,000</strong></td>
<td><strong>P 9,945,647</strong></td>
<td><strong>P309,945,647</strong></td>
</tr>
</tbody>
</table>

*See Notes to Financial Statements.*
1. CORPORATE INFORMATION

AEON Credit Service (Philippines) Inc. (hereinafter referred to as the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 14, 2013. The Company’s primary business purpose is to provide financing to individuals through its AEON Installment Plan ("AIP"). The Company's secondary purpose is to engage in credit card business.

The Company is 33.8% owned by AEON Financial Service Co., Ltd., 53.2% by AEON Credit Service (M) Berhad, 6.5% by Abenson Inc., 3.2% by Automatic Appliances Inc., and 3.2% by BOT Leaseholding Philippines, Inc.

The Company's ultimate parent is AEON Financial Service Co., Ltd. (the "Parent Company"), an entity registered in Japan and whose shares are listed in the Tokyo Stock Exchange.

The Company’s registered office address, which is also its principal place of business, is located at 3rd Floor, Hansbon Square, 17 San Miguel Avenue, Ortigas Center, Pasig City, Philippines.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION

Statement of Compliance

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

Basis of Preparation

The financial statements of the Company have been prepared on the historical cost basis, except for:

- certain financial instruments carried at amortized cost; and
- the retirement benefit asset recognized as the net total of the fair value of plan assets less the present value of the retirement benefit obligation.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except leasing transactions that are within the scope of PAS 17.
New Accounting Standards Effective after the Reporting Period Ended December 31, 2017

Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions

The amendments to PFRS 2 include:

a. Accounting for cash-settled share-based payment transactions that contain a performance condition. The amendment added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

b. Classification of share-based payment transactions with net settlement features. The amendment has introduced an exception into PFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

c. Accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendment has introduced the following clarifications:

  - On modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.
  - Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The Management does not anticipate that the application of the amendments in the future will have significant impact on the Company's financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangement with tax authorities in relation to share based payments.

Amendments to PFRS 4, Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts'

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:

  - an option that permits entities to reclassify, from profit or loss to other comprehensive income (OCI), some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and
  - an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the deferral approach for annual periods beginning on or after January 1, 2018.

The Management does not anticipate that the application of the amendments in the future will have significant impact on the Company's financial statements as the Company does not issue insurance contracts.
Based on Management's assessment, the Company, as a consumer financing provider, expects that substantially all of financial assets classified as loans and receivables under PAS 39 will continue to be measured at amortized cost under PFRS 9.

Given the nature of the Company's operations, it is expected that the new expected credit loss model under PFRS 9 will accelerate the recognition of impairment losses and lead to higher impairment allowances at the date of initial application.

PFRS 15, Revenue from Contracts with Customers

The standard combines, enhances, and replaces specific guidance on recognizing revenue with a single standard. An entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

It defines a new five-step model to recognize revenue from customer contracts.

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The Management does not anticipate that the application of the new accounting standard will have a significant impact on the Company's financial statements as the Company does not have complex revenue transactions.

Amendments to PFRS 15, Clarifications to PFRS 15

The amendments in the standard addresses three topics namely identifying performance obligations, principal versus agent considerations, and licensing and provide some transition relief for modified contracts and completed contracts.

- Added a clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.
- Clarification on how to assess control in determining whether a party providing goods or services is a principal or an agent
- Clarification on when an entity's activities significantly affect the intellectual property by amending the application guidance.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The Management does not anticipate that the application of the amendments will have a significant impact on the Company's financial statements as the Company does not have complex revenue transactions.
Amendments to PAS 28, *Investments in Associates and Joint Ventures*

The amendments clarify that the election to measure at FVTPL an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The Management does not anticipate that the application of the amendments in the future will have any impact on the Company's financial statements as the Company is neither a first time adopter of IFRS nor a venture capital organization. Furthermore, the Company does not have any associate or joint venture that is an investment entity.

Amendments to PAS 40, *Investment Property - Transfers of Investment Property*

The amendments in Transfers of Investment Property (Amendments to PAS 40) are:

- Stating that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

- The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The Management does not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements as the Company has no investment properties.

Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability.

The interpretation is effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The Management does not anticipate that the application of the interpretation in the future will have an impact on the Company's financial statements. This is because the Company already accounts for the transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the interpretation.
IFRIC 23, Uncertainty over Income Tax Treatments

This interpretation applies in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12, Income Taxes.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity has to reassess its judgements and estimates if facts and circumstances change.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Management is still evaluating the impact of the new interpretation on the Company’s determination of taxable profit/loss, unused tax losses, unused tax credit and tax rate.

4. SIGNIFICANT ACCOUNTING POLICIES

Financial Assets

Initial recognition

Financial assets are recognized in the Company’s financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company’s financial assets.

Classification and subsequent measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity (HTM) Investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Currently, all of the Company’s financial assets are classified under loans and receivables.
Financial assets carried at amortized cost

For financial assets carried at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition.

The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss with the exception of trade receivables, wherein the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, these are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risk and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current asset when the cost of services related to the prepayments are expected to be incurred within one year. Otherwise, prepayments are classified as non-current assets.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

At the end of each reporting period, items of property and equipment are measured at cost less any subsequent accumulated depreciation and impairment losses.
If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial Liabilities and Equity Instruments

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

Financial liabilities

Initial recognition
Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities.

Subsequent measurement
All financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company's financial liabilities consist of trade and other payables (excluding government payables, accrued rent and advances from customers), due to related parties and bank borrowings.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Derecognition
Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.
Post-employment benefits

Under defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in OCI in the period in which they occur. Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Company presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs. The retirement benefit asset (obligation) recognized in the statement of financial position represents the actual surplus (deficit) in the Company's defined benefit plan.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business.

Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Processing fee

Processing fee is recognized when services are rendered which coincide with the date of the release of financing. This relates mainly to transactions and service fees, which are recognized as the services are rendered.

Penalty fee

Penalty income is recognized when penalty is charged to a customer, taking into account its collectability.

Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Company and it can be measured reliably.
Taxation

Income tax expense represents the sum of the current tax expense and deferred tax.

Current tax

The current tax expense is based on taxable profit for the taxable period. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company’s current tax expense is calculated using 30% regular corporate income tax (RCIT) or minimum corporate income tax (MCIT) at the rate of 2% of gross income, whichever is higher.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Events After the Reporting Period

The Company identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect these events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
Estimating useful lives of assets

The useful lives of the Company's property and equipment and computer software with definite useful lives are estimated based on the period over which the assets are expected to be available for use or sale. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and computer software would increase the recognized direct costs and operating expenses and decrease non-current assets.

As at December 31, 2017 and 2016, the carrying amount of the Company's property and equipment amounted to P42,578,866 and P33,827,933, respectively, while the total accumulated depreciation as at December 31, 2017 and 2016 amounted to P43,753,413 and P26,268,247, respectively, as disclosed in Note 9.

As at December 31, 2017 and 2016, the carrying amount of the Company's computer software amounted to P12,925,176 and P11,022,167, respectively, while the total accumulated amortization as at December 31, 2017 and 2016 amounted to P31,488,459 and P22,950,958, respectively, as disclosed in Note 10.

Asset impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the recoverable amounts of property and equipment and computer software requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property and equipment and computer software are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

As at December 31, 2017 and 2016, Management believes that the recoverable amounts of the Company's property and equipment and computer software exceed their carrying amounts. Accordingly, no impairment loss was recognized in 2017 and 2016.

Deferred tax assets

The Company reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

In 2016, the Management believes that deferred tax assets may not be utilized as future taxable profits may not be available. Thus, the Company did not recognize deferred tax assets. Total unrecognized deferred tax assets as at December 31, 2016 amounted to P32,034,607, as disclosed in Note 24.

In 2017, the Management decided to recognize deferred tax assets as future taxable profits may be available to allow all or part of the deferred tax assets to be utilized. Total deferred tax assets recognized in the statements of financial position as at December 31, 2017 amounted to P50,149,267, as disclosed in Note 24.
In 2017, the Company started offering motorcycle loans and personal loans. Interest income earned from motorcycle loans amounted to P4,307,682 as disclosed in Note 16. Motorcycle loans bear interest rates ranging from 1.50% to 2.50% in 2017. Interest income earned from personal loans amounted to P334,569 as disclosed in Note 16. Personal loans bear interest at a fixed rate of 1.00% in 2017.

Borrowers may prepay the loan before its due date and waive the related future interest payments.

Receivable from third party collection partners refers to the unremit ted collection from the customers of the Company.

Processing fee receivable are claims from customers who choose to pay processing fee on the first installment due date, together with the monthly amortization payment.

Advances to officers and employees represent cash payment made by the Company for the business expenses that are anticipated to be incurred by the officer or employee on behalf of the Company; and the officer or employee is obligated to prove business expenses to the Company. Advances to officers and employees are noninterest bearing and are normally liquidated within one month.

Movements in the allowance for doubtful accounts as at December 31 are as follows:

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>P74,110,673</td>
<td>P20,502,435</td>
</tr>
<tr>
<td>Doubtful accounts expense</td>
<td>414,688,847</td>
<td>127,562,998</td>
</tr>
<tr>
<td>Amounts written off as uncollectible</td>
<td>(322,504,898)</td>
<td>(73,954,760)</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>P166,294,622</td>
<td>P74,110,673</td>
</tr>
</tbody>
</table>

As at December 31, 2017 and 2016, certain receivables amounting to P6,151,744 and P4,381,914, respectively, were directly written off by the Company, as disclosed in Note 20.

In determining the recoverability of loans receivables, the Company considers any change in the credit quality of the loans receivables from the date credit was initially granted up to the end of the reporting period. The Company has provided an allowance in full for all receivables over 90 days because historical experience shows that such receivables are not recoverable.

B. PREPAYMENTS AND OTHER CURRENT ASSETS

The Company's prepayments and other current assets consist of:

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances to suppliers and merchants</td>
<td>P30,228,070</td>
<td>P4,376,048</td>
</tr>
<tr>
<td>Prepaid card software development</td>
<td>29,688,960</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid taxes</td>
<td>5,097,214</td>
<td>7,399,568</td>
</tr>
<tr>
<td>Prepaid supplies and advertising</td>
<td>3,149,773</td>
<td>2,125,438</td>
</tr>
<tr>
<td>Prepaid employee benefits</td>
<td>1,733,959</td>
<td>1,938,962</td>
</tr>
<tr>
<td>Refundable deposits</td>
<td>1,487,018</td>
<td>1,236,951</td>
</tr>
<tr>
<td>Prepaid professional fees</td>
<td>273,470</td>
<td>212,857</td>
</tr>
<tr>
<td>Prepaid insurance</td>
<td>58,763</td>
<td>62,158</td>
</tr>
<tr>
<td>Others</td>
<td>5,235,854</td>
<td>192,227</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P76,953,081</strong></td>
<td><strong>P17,544,209</strong></td>
</tr>
</tbody>
</table>

Advances to suppliers and merchants consist of payments to collection agencies, telephone service providers.

Prepaid card software development pertains to advance payments on research and development of prepaid card system by a third party program developer.
10. COMPUTER SOFTWARE - net

Movements in the carrying amount of the Company’s computer software are as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, January 1</td>
<td>P33,973,125</td>
<td>P28,784,154</td>
</tr>
<tr>
<td>Additions</td>
<td>10,440,510</td>
<td>5,186,971</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>44,413,635</td>
<td>33,973,125</td>
</tr>
<tr>
<td>Accumulated Amortization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, January 1</td>
<td>22,950,958</td>
<td>16,197,114</td>
</tr>
<tr>
<td>Amortization</td>
<td>8,537,501</td>
<td>6,753,844</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>31,488,459</td>
<td>22,950,958</td>
</tr>
</tbody>
</table>

Carrying Amount, December 31 | P12,925,176 | P11,022,167 |

Amortization charged to direct costs and operating expenses are as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct costs</td>
<td>17</td>
<td>P7,654,401</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>19</td>
<td>883,100</td>
</tr>
</tbody>
</table>

P8,537,501 | P6,753,844 |

As at December 31, 2017 and 2016, Management believes that there is no indication that an impairment loss has occurred on the carrying value of its computer software.

11. TRADE AND OTHER PAYABLES

The Company’s trade and other payables consist of:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>P29,788,197</td>
<td>P58,742,436</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>7,558,437</td>
<td>12,446,333</td>
</tr>
<tr>
<td>Withholding and other taxes</td>
<td>5,047,562</td>
<td>3,517,324</td>
</tr>
<tr>
<td>Advances from customer</td>
<td>4,775,721</td>
<td>2,071,864</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>2,646,525</td>
<td>1,902,290</td>
</tr>
<tr>
<td>SSS, Philhealth and other contributions</td>
<td>972,531</td>
<td>623,976</td>
</tr>
<tr>
<td></td>
<td>P50,786,973</td>
<td>P79,306,223</td>
</tr>
</tbody>
</table>

The average credit period on purchases of certain goods and services from suppliers and merchants is 30 days. No interest is charged on the trade payables. The Company has financial risk management in place to ensure that all payables are paid within the credit timeframe.

Details of accrued expenses are shown below:

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>P 1,558,250</td>
<td>545,502</td>
</tr>
<tr>
<td>Professional fees</td>
<td>1,388,900</td>
<td>938,760</td>
</tr>
<tr>
<td>Communication</td>
<td>1,178,834</td>
<td>927,138</td>
</tr>
<tr>
<td>Advertising</td>
<td>794,111</td>
<td>1,658,763</td>
</tr>
<tr>
<td>Investigation fee</td>
<td>694,149</td>
<td>462,872</td>
</tr>
<tr>
<td>Contracted services</td>
<td>601,927</td>
<td>6,075,803</td>
</tr>
<tr>
<td>Rent</td>
<td>22</td>
<td>381,910</td>
</tr>
<tr>
<td>Director’s fee</td>
<td>307,800</td>
<td>262,600</td>
</tr>
<tr>
<td>Postage</td>
<td>35,527</td>
<td>336,332</td>
</tr>
<tr>
<td>Others</td>
<td>781,010</td>
<td>327,060</td>
</tr>
</tbody>
</table>

P7,558,437 | P12,446,333 |

Others pertain to accruals related to maintenance, printing and administrative expenses.
b. Reimbursements from fellow subsidiaries for expenses incurred that were initially paid by the Company.

c. In 2013, the Company purchased Hire Purchase System (HPS) from ACSS to support the Company's operations.

In February 2013, the Company entered into a "Master Service Agreement" (the "agreement") with ACSS. Under the agreement, ACSS shall provide computer software development, technical consultation, system implementation, system integration, maintenance and support services to the Company.

The scope of service under the Agreement includes technical support and maintenance of HPS and IT support services for the period of one year commencing on February 1, 2013, renewable annually. System maintenance charged to direct costs and operating expenses are as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct costs</td>
<td>17 P3,827,644</td>
<td>5,363,497</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>19 788,014</td>
<td>1,252,931</td>
</tr>
<tr>
<td></td>
<td>P4,615,658</td>
<td>P6,616,428</td>
</tr>
</tbody>
</table>

d. Expenses incurred by the Company that were initially paid by the Parent Company.

e. The management fee is based on the billing of the Parent Company. This pertains to the Business Advisory Service that the Company entered with the Parent Company. The scope covers a wide array of services including business planning, policy making, risk capital allocation, budgeting and key business decision making.

f. In May 2016, the company entered into a contract with ACSS for the implementation of its Online Submission of Application (OSA) system. The system is used to facilitate the processing of the Company's customer application process. In October 2017, the last phase of development was completed and OSA became fully operational.

Agreement with Shareholder

g. The Company entered into a "Merchant Agreement" with its shareholders Automatic Appliances, Inc. and Abenson Inc. (the "Merchants") wherein the Merchants agree to extend AIP to their customers. The Company, on behalf of the customer, pays the product purchased from the Merchants subject to the terms and conditions agreed by both parties.

Remuneration of Key Management Personnel

The short-term employee benefits of key management personnel of the Company amounted to P24,967,201 and P28,674,237 in 2017 and 2016, respectively.
Defined Benefit Plan

The Company has a funded, non-contributory defined benefit plan for qualifying employees. The defined benefit plan is administered by a separate Fund that is legally separated from the Company. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

Under the plan, an employee is entitled to retirement benefits equivalent to 100% of final salary upon the age of 60 or 20 years of service, whichever is earlier, provided he has rendered at least five years of continuous service subject to retirement benefit equal to one month’s salary for every year of service. The retirement plan is non-contributory which provides a retirement benefit equal to one month’s salary for every year of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

In accordance with the provisions of the Bureau of Internal Revenue Regulations No. 1-68 for formal, tax-qualified retirement plans, it is required, among others, that the retirement fund be administered by a trust (trusted); that forfeitures arising for any reason shall not be applied to increase the benefits under the plan but shall instead be retained in the retirement fund and be used as soon as possible to reduce the Company’s future contributions; and that the corpus or income of the retirement fund must at no time be used for, or diverted to, any purpose other than for the exclusive benefit of the employees.

The plans typically expose the Company to actuarial risks such as: Investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently, the plan’s investments are in the form of debt instruments of government security bonds, equity instruments and fixed income instruments. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in government security bonds.

Interest rate risk

A decrease in the government security bond interest rate will increase the retirement benefit plan obligation.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the retirement benefit obligation.

Salary risk

The present value of the defined benefit plan obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the retirement benefit obligation.

No other post-retirement benefits are provided to the employees.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out as at December 31, 2017 by an independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.
Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

<table>
<thead>
<tr>
<th>Change in Assumption</th>
<th>Increase (Decrease) on Retirement Benefit Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>+100 basis points (P482,338)</td>
</tr>
<tr>
<td></td>
<td>-100 basis points</td>
</tr>
<tr>
<td>Expected salary growth rate</td>
<td>+100 basis points</td>
</tr>
<tr>
<td>No attrition rates</td>
<td>-100 basis points</td>
</tr>
</tbody>
</table>

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

There has been no change in the process used by the Company to manage its risks from prior periods.

The asset allocation of the Plan is set and reviewed from time to time by the Plan trustee taking into account the membership profile, the liquidity requirements of the Plan and risk appetite of the Company. This also considers the expected benefit cash flows to be matched with asset duration.

The Company's demographic information of its qualified employees is as follows:

<table>
<thead>
<tr>
<th>2017</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average age</td>
<td>28.8 years</td>
</tr>
<tr>
<td>Average years of service</td>
<td>1.9 years</td>
</tr>
</tbody>
</table>

The Company, based on its best estimate, will make contributions to the fund for the next three (3) years amounting to P9,960,008.

15. SHARE CAPITAL

Components of share capital are as follows:

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Authorized</strong></td>
<td></td>
</tr>
<tr>
<td>Common shares:</td>
<td></td>
</tr>
<tr>
<td>Class A, 180,000 shares at P1,000 par value</td>
<td>P180,000,000</td>
</tr>
<tr>
<td>Class B, 20,000 shares at P100 par value</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Preferred shares, 218,000 shares at P1,000 par value</td>
<td>182,000,000</td>
</tr>
<tr>
<td>P400,000,000</td>
<td>P400,000,000</td>
</tr>
<tr>
<td><strong>Issued and fully paid and outstanding</strong></td>
<td></td>
</tr>
<tr>
<td>Common shares:</td>
<td></td>
</tr>
<tr>
<td>Class A, 90,000 shares at P1,000 par value</td>
<td>P 90,000,000</td>
</tr>
<tr>
<td>Class B, 10,000 shares at P100 par value</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Preferred shares, 209,000 shares at P1,000 par value</td>
<td>91,000,000</td>
</tr>
<tr>
<td>P300,000,000</td>
<td>P300,000,000</td>
</tr>
</tbody>
</table>
18. **OTHER INCOME**

The Company's other income consists of:

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Penalty and other charges</td>
<td>P65,353,878</td>
</tr>
<tr>
<td></td>
<td>Interest income from bank deposits</td>
<td>25,343</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>1,965,146</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>P67,344,367</strong></td>
</tr>
</tbody>
</table>

Penalty and other charges refer to collections arising from late payments of customers.

19. **OPERATING EXPENSES**

The Company's operating expenses consist of:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salaries and wages</td>
<td>P37,274,001</td>
</tr>
<tr>
<td></td>
<td>Percentage tax</td>
<td>36,764,123</td>
</tr>
<tr>
<td></td>
<td>Advertising</td>
<td>16,059,362</td>
</tr>
<tr>
<td></td>
<td>Taxes and licenses</td>
<td>10,570,720</td>
</tr>
<tr>
<td></td>
<td>Other employee benefits</td>
<td>8,331,137</td>
</tr>
<tr>
<td></td>
<td>Management fee</td>
<td>8,247,975</td>
</tr>
<tr>
<td></td>
<td>Outside services</td>
<td>6,589,465</td>
</tr>
<tr>
<td></td>
<td>Professional fee</td>
<td>5,160,808</td>
</tr>
<tr>
<td></td>
<td>Depreciation and amortization</td>
<td>4,969,092</td>
</tr>
<tr>
<td></td>
<td>Transportation and travel</td>
<td>1,872,471</td>
</tr>
<tr>
<td></td>
<td>Rent and association dues</td>
<td>1,685,435</td>
</tr>
<tr>
<td></td>
<td>Communication and investigation</td>
<td>1,608,763</td>
</tr>
<tr>
<td></td>
<td>Retirement expense</td>
<td>1,405,031</td>
</tr>
<tr>
<td></td>
<td>Supplies</td>
<td>1,599,120</td>
</tr>
<tr>
<td></td>
<td>System maintenance</td>
<td>788,014</td>
</tr>
<tr>
<td></td>
<td>Utilities</td>
<td>469,158</td>
</tr>
<tr>
<td></td>
<td>Entertainment and representation</td>
<td>245,433</td>
</tr>
<tr>
<td></td>
<td>Repairs and maintenance</td>
<td>128,188</td>
</tr>
<tr>
<td></td>
<td>Insurance</td>
<td>113,227</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>P143,881,523</strong></td>
</tr>
</tbody>
</table>

20. **OTHER EXPENSES**

The Company's other expenses consist of:

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Write off of receivables</td>
<td>P6,151,744</td>
</tr>
<tr>
<td></td>
<td>Bank charges</td>
<td>386,366</td>
</tr>
<tr>
<td></td>
<td>Realized foreign exchange loss - net</td>
<td>154,909</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>1,814,820</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>P8,507,839</strong></td>
</tr>
</tbody>
</table>

21. **EMPLOYEE BENEFITS**

Aggregate employee benefits expense in 2017 and 2016 is as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salaries and wages</td>
<td>P101,658,358</td>
</tr>
<tr>
<td></td>
<td>Other employee benefits</td>
<td>31,831,456</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>P133,489,814</strong></td>
</tr>
</tbody>
</table>


The future minimum lease commitments under operating lease are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>P 4,573,396</td>
<td>P 11,188,042</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>P 6,848,267</td>
<td>P 9,788,167</td>
</tr>
<tr>
<td></td>
<td>P 11,421,663</td>
<td>P 20,976,209</td>
</tr>
</tbody>
</table>

Collection agreements

a. ECPay payment acceptance agreement

In 2013, the Company entered into an agreement with Electronic Commerce Payments, Inc. (ECPay) wherein ECPay will act as the Company’s third party collection partner through its over-the-counter and on-line collection services through ECPay collection partners. The agreement is effective for a period of three years and renewable upon mutual agreement of both parties. The Company renewed its agreement in 2016 for a period of three (3) years.

b. CBCI payment collection service merchant agreement

In May 2013, the Company entered into a “Merchant Agreement” with CIS Bayad Center, Inc. (CBCI) wherein CBCI agreed to facilitate the collection of payments from the customers of the Company. The agreement is effective for a period of one (1) year and renewable for another year under the same terms and conditions. During the year, the agreement was renewed by the Company.

A service fee per payment is passed on to the customers.

c. Cebuana Lhuiller bills payment service agreement

In 2016, the Company entered into an agreement with Cebuana Lhuiller wherein Cebuana Lhuiller agreed to facilitate the collection of payments from the customers of the Company. The agreement is effective for a period of one (1) year and renewable for another year under the same terms and conditions. During the year, the agreement was renewed by the Company.

A service fee per payment is passed on to the customers.

23. INCOME TAXES

Components of income tax expense charge to profit or loss are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax expense</td>
<td>P54,288,554</td>
<td>P -</td>
</tr>
<tr>
<td>Deferred tax benefit</td>
<td>24</td>
<td>(50,149,267)</td>
</tr>
<tr>
<td></td>
<td>P 4,139,287</td>
<td>P -</td>
</tr>
</tbody>
</table>

A reconciliation between income tax and the product of accounting profit multiplied by 30% in 2017 and 2016 follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting profit</td>
<td>P120,594,484</td>
<td>P35,794,155</td>
</tr>
<tr>
<td>Tax expense at 30%</td>
<td>P 36,178,345</td>
<td>P10,738,247</td>
</tr>
<tr>
<td>Tax effect of Interest income subjected to final tax</td>
<td>(7,603)</td>
<td>(11,117)</td>
</tr>
<tr>
<td>Tax effect of non-deductible interest expenses</td>
<td>3,152</td>
<td>4,632</td>
</tr>
<tr>
<td>Tax effect of deferred tax assets not recognized</td>
<td>-</td>
<td>(10,731,762)</td>
</tr>
<tr>
<td>Tax effect of deferred tax assets previously not recognized</td>
<td>(32,034,607)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>P 4,139,287</td>
<td>P -</td>
</tr>
</tbody>
</table>
As at December 31, the profile of the Company's interest bearing financial instruments is as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in banks</td>
<td>6</td>
<td>P 7,465,489</td>
</tr>
<tr>
<td>Loans</td>
<td>7</td>
<td>1,779,733,528</td>
</tr>
<tr>
<td>Bank borrowings</td>
<td>13</td>
<td>(1,766,000,000)</td>
</tr>
<tr>
<td>Net asset</td>
<td>P 21,199,017</td>
<td>P 119,395,608</td>
</tr>
</tbody>
</table>

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of each reporting period was outstanding for the whole year. A 0.5% sensitivity rate is used in reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher or lower, the Company's profit for the year ended December 31, 2017 and 2016 would decrease or increase by P105,995 and P596,978 respectively. While the Company's equity for the years then ended would decrease or increase by P74,197 and P417,885. This is mainly attributable to the Company's exposure to interest rates on its fixed rate borrowings.

Credit risk

Credit risk refers to the possibility that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing only with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The table below shows the Company's maximum exposure to credit risk:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in banks</td>
<td>P 7,465,489</td>
<td>P 6,669,484</td>
</tr>
<tr>
<td>Loans and other receivables - gross*</td>
<td>2,079,423,982</td>
<td>1,196,097,427</td>
</tr>
<tr>
<td>Due from related parties**</td>
<td>702,009</td>
<td>691,829</td>
</tr>
<tr>
<td>Refundable deposits</td>
<td>5,411,405</td>
<td>4,862,478</td>
</tr>
<tr>
<td>**P2,093,002,885</td>
<td>**P1,208,321,218</td>
<td></td>
</tr>
</tbody>
</table>

*Loans and other receivables-gross exclude advances to officers and employees as disclosed in Note 7.
**Due from related parties excludes advances for purchases as disclosed in Note 12.

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

As at December 31, the aging analysis of the Company's financial assets is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in banks</td>
<td>P 7,465,489</td>
<td>P 6,669,484</td>
</tr>
<tr>
<td>Loans and other receivables - gross*</td>
<td>1,583,503</td>
<td>119,777,81,868</td>
</tr>
<tr>
<td>Due from related parties**</td>
<td>702</td>
<td>691,829</td>
</tr>
<tr>
<td>Refundable deposits</td>
<td>5,411</td>
<td>4,862,478</td>
</tr>
<tr>
<td>P1,587,081</td>
<td>P119,777,81,868</td>
<td>P2,093,002,885</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in banks</td>
<td>P 6,669</td>
<td>P 6,669</td>
</tr>
<tr>
<td>Loans and other receivables - gross*</td>
<td>1,078,755</td>
<td>21,509</td>
</tr>
<tr>
<td>Due from related parties**</td>
<td>692</td>
<td>692</td>
</tr>
<tr>
<td>Refundable deposits</td>
<td>4,862</td>
<td>4,862</td>
</tr>
<tr>
<td>P1,099,978</td>
<td>P7,610,5,482</td>
<td>P2,088,320</td>
</tr>
</tbody>
</table>
Liquidity risk

Liquidity risk arises when the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company maintains adequate highly liquid assets in the form of cash to assure necessary liquidity.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities, which include trade and other payables, due to related parties and bank borrowings as at December 31, 2017 and 2016. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

<table>
<thead>
<tr>
<th>Weighted Average Rate</th>
<th>December 31, 2017</th>
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<td>Less than One Month</td>
<td>One Month to One Year</td>
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<td>Total</td>
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<tr>
<td>Trade and other payables</td>
<td>P37,127,805</td>
<td>P</td>
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<tr>
<td>Due to related parties</td>
<td>13,496,903</td>
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<tr>
<td>Bank borrowings</td>
<td>3.09%</td>
<td>34,329,311</td>
<td>1,116,389,777</td>
<td>673,133,231</td>
<td>1,123,852,319</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>P84,647,919</strong></td>
<td><strong>P1,116,389,777</strong></td>
<td><strong>P673,133,231</strong></td>
<td><strong>P1,184,947,027</strong></td>
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<td>One Month to One Year</td>
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<tr>
<td>Trade and other payables</td>
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<td>Due to related parties</td>
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<td>38,255,029</td>
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<td>Bank borrowings</td>
<td>2.84%</td>
<td>101,596,834</td>
<td>625,655,479</td>
<td>248,453,333</td>
<td>975,877,646</td>
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<td><strong>Total</strong></td>
<td><strong>P210,081,130</strong></td>
<td><strong>P625,855,479</strong></td>
<td><strong>P248,453,333</strong></td>
<td><strong>P210,081,130</strong></td>
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The difference between the carrying amount of trade and other payables disclosed in the statements of financial position pertains to government payables, accrued rent, accrued interest, and advances from customers that are not considered as financial liabilities and accrued interest which is added to bank borrowings.

The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

27. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2016.

The Board of Directors (BOD) has overall responsibility for monitoring working capital in proportion to risk. Financial analytical reviews are made and reported in the Company's financial reports for BOD review on a regular basis. In case financial reviews indicate that the working capital sourced from the Company's own operations may not support future operations or projected capital investments, the Company obtains financial support from its related parties.

As part of the requirements of SEC for financing companies in accordance with R. A. No. 8556 (The Financing Company Act of 1998), the Company's net worth exceeds the required minimum paid-up capital of P10 million.

The capital structure of the Company consists of debt, which includes trade and other payables net of government payables, due to related parties and bank borrowings, as disclosed in Notes 11, 12 and 13, respectively, as offset by cash and equity, comprising of issued capital and deficit as disclosed in Notes 6 and 15, respectively.
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

To the Board of Directors and Shareholders
AEON CREDIT SERVICE (PHILIPPINES) INC.
3rd Floor, Houstin Square, 17, San Miguel Avenue
Ortigas Center, Pasig City

We have audited the financial statements of AEON Credit Service (Philippines) Inc. as at December 31, 2017 and 2016 and for the years then ended in accordance with Philippine Standards on Auditing, on which we have rendered an unqualified opinion dated March 23, 2018.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the attached schedule showing the list of all effective accounting standards and interpretations, schedule of financial soundness indicators and other schedules for financing companies as at December 31, 2017, as required by the Philippine Securities and Exchange Commission under the SRC Rule 68, as Amended, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:

Nina Cecilia S. Fellsimino
Partner
CPA License No. 0103737
SEC A.N. 1645-A, issued on June 15, 2017; effective until June 14, 2020, Group A
TIN 218720328
BIR A.N. 08-002552-46-2016, issued on November 22, 2016; effective until November 22, 2019
PTR No. A-3745356, issued on January 5, 2018, Taguig City

Taguig City, Philippines
March 23, 2018
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<td>Total real estate investment to total assets</td>
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<td>Total Receivables to total assets</td>
<td>87.44%</td>
<td>88.79%</td>
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<td>Total DOSRI receivables to net worth</td>
<td>24%</td>
<td>36%</td>
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<td>Amount of receivables from a single corporation to total receivables</td>
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<td>PFRS 4</td>
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<td>PFRS 6</td>
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