

AG FINANCE, INCORPORATED

**NOTICE OF ANNUAL
STOCKHOLDERS' MEETING**

AND

**PRELIMINARY
INFORMATION STATEMENT
(SEC FORM 20-IS)**

**June 27, 2014
at 3:00 pm
Ace Hotel, Pasig City**



AG FINANCE, INCORPORATED
UNIT 2205A EAST, PSE CENTRE, EXCHANGE ROAD
ORTIGAS CENTER, PASIG CITY

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO OUR STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of **AG FINANCE, INCORPORATED** will be held at Summer Hall, Ace Hotel & Suites, United corner Brixton Sts., near Pioneer St., Pasig City 1605, on June 27, 2014, at 3:00 p.m. with the following agenda:

1. Call to order;
2. Proof of notice and due calling of meeting;
3. Determination of a quorum;
4. Approval of the Minutes of the annual meeting of stockholders held on June 18, 2013;
5. Report of the President;
6. Presentation and approval of the Financial Statements as of December 31, 2013;
7. Ratification of acts of the Board of Directors and Officers;
8. Election of the members of the Board of Directors;
9. Appointment of external auditors;
10. Other matters; and
11. Adjournment.

Minutes of the Regular Meeting of the Stockholders held on June 18, 2013 will be available for examination during office hours at the Office of the Corporate Secretary.

The Board has fixed the close of business hours on May 16, 2014 as the record date for the determination of stockholders entitled to notice of meeting and to vote at the specified election date.

In accordance with Section 7 of Article II of the Company's By-Laws and for purposes of election of the Board of Directors, any and all nominations shall be submitted to and received at the principal office of the Company on or before the date of the meeting, addressed to the attention of the Corporate Secretary.

Registration starts at 2:00 p.m. Please bring this notice and any form of identification such as driver's license, passport, TIN card, etc. to facilitate registration.

Pasig City, May 5, 2014.


CHRISTINE P. BASE
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

**Information Statement of
AG Finance Incorporated (the "Company," or "AG Finance")
Pursuant to Section 20 of the Securities Regulation Code**

- | | |
|---|---|
| 1. Check the appropriate box: | <input checked="" type="checkbox"/> Preliminary Information Statement
<input type="checkbox"/> Definitive Information Statement |
| 2. Name of Registrant as specified in its charter: | AG FINANCE, INCORPORATED |
| 3. Country of incorporation: | REPUBLIC OF THE PHILIPPINES |
| 4. SEC Identification Number: | A200115151 |
| 5. BIR Tax Identification Code: | 219-045-668 |
| 6. Address of principal office: | Unit 2205A East PSE Centre, Exchange Road,
Ortigas Center, Pasig City 1605 |
| 7. Registrant's Telephone Number: | (632) 886-5511 |
| 8. Date, time and place of stockholders' meeting: | Date: June 27, 2014
Time: 3:00 pm
Place: Summer Hall, Ace Hotel & Suites, United
corner Brixton Sts., near Pioneer St.,
Pasig City 1605 |
| 9. Approximate date on which Information Statement is first to be sent or given to security holders: | June 4, 2014 |
| 10. In case of Proxy Solicitation: | Name of Person Filing the Statement/Solicitor:
Address and Telephone No.: Not applicable |
| 11. Securities registered pursuant to Section 8 and 12 of the Code or Section 4 and 8 of the RSA Title of each class: | Common Shares Only |
| Number of Shares of Common Stock Outstanding as of March 31, 2014: | 261,824,002 shares |
| Issued and Subscribed | 261,824,002 shares |
| 12. Are any registrant's securities listed in the Philippine Stock Exchange? | Yes |
| <u>Philippine Stock Exchange</u>
Name of Stock Exchange | <u>All Common Stock</u>
Class of Securities |

**AG FINANCE INCORPORATED
INFORMATION SHEET**

A. GENERAL INFORMATION

Item 1. Date, Time & Place of Meeting of Security Holders

Date: June 27, 2014

Time: 3:00 pm

Place: Summer Hall, Ace Hotel & Suites, United corner Brixton Sts., near Pioneer St., Pasig City 1605

Principal Office: U2205A East, PSE Centre, Exchange Rd. Ortigas Pasig

Approximate date on which the Information Statement is first to be sent or given to security holders:

June 4, 2014

Statement that proxies are not solicited:

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT
TO SEND US A PROXY.**

Item 2. Dissenters' Right of Appraisal

There are no matters to be acted upon at the meeting involving instances set forth in the Corporation Code of the Philippines for which a stockholder may exercise the right of appraisal.

Pursuant to Section 81 Title X, Appraisal Right, Corporation Code of the Philippines, any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances: (1) in case of any amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class, or extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets, and (c) in case of merger.

Section 82 of the Corporation Code also provides that, this appraisal right may be exercised by any stockholder who shall have voted against the proposed action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made. No payment

shall be made to the dissenting stockholder unless the bank has unrestricted retained earnings in its book to cover such payment. Upon payment by the Corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Corporation.

From the time of demand for payment of the fair value of a stockholder's shares until either the abandonment of the corporate action involved or the purchase of the said shares by the corporation, all rights accruing to such shares, including voting and dividend right, shall be suspended, except the right of such stockholder to receive payment of the fair value thereof: Provided, that if the dissenting stockholder is not paid the value of his shares within 30 days after the award, his voting right and dividend rights shall immediately be restored (Section 83 of the Corporation Code).

Within ten (10) days after demanding payment of his shares, a dissenting stockholder shall submit the certificate(s) of stock representing his shares to the Corporation for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of the Corporation, terminate his appraisal right. (Section 86, Corporation Code). No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless the Corporation consents thereto (Section 84, Corporation Code).

The appraisal right shall be exercised in accordance with Title X of the Corporation Code.

Item 3. Interest of Certain Persons in or Opposition to Matters to be acted upon

Other than the election to office, there is no matter to be acted upon during the Annual Stockholders' Meeting to which a beneficial owner, director or officer has any substantial interest.

No director has informed the Company in writing of his intentions to oppose any action to be taken by the Company during the Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of March 31, 2014, there are 261,824,002 subscribed, issued and outstanding common shares entitled to vote at the meeting, with each share entitled to one vote.

All stockholders of record at the close of business hours on May 16, 2014 shall be entitled to cumulative voting rights with respect to the election of directors. A stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company as of May 16, 2014 multiplied by the whole number of directors to be elected.

Security Ownership of Certain Record & Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

There were no delinquent stocks, and the direct and indirect record and beneficial owners of more than five percent (5%) of the Company's voting securities as of March 31, 2014 are as follows:

Title of Class	Name and Address of Record Owner (and relationship with Issuer)	Name of Beneficial Owner (and relationship with record owner)	Citizenship	No. of Shares subscribed and outstanding	Percentage Held per Class	Percentage Held Out of the Total Outstanding Shares
Common	Tony O. King 3917 Sociego St., Sta. Mesa Manila (Chairman)	Tony O. King	Filipino	93,005,408	35.52%	35.52%
Common	Sharone O. King 3917 Sociego St., Sta. Mesa Manila (Treasurer and Director)	Sharone O. King	Filipino	50,300,418	19.21%	19.21%
Common	Charmainne O. King 3917 Sociego St., Sta. Mesa Manila (Director)	Charmainne O. King	Filipino	50,377,930	19.24%	19.24%

(2) Security Ownership of Management

The following is a summary of the aggregate shareholdings of the Company's directors and executive officers in the Company and the percentage of their shareholdings as of March 31, 2014

Title of Class	Name of Beneficial Owner	Citizenship	Amount and Nature of Beneficial Ownership	Percentage per Class of Shares	Percentage Held Out of the Total Outstanding Shares
Common	Tony O. King (Chairman)	Filipino	93,005,408	35.52%	35.52%
Common	Sharone O. King (Treasurer and Director)	Filipino	50,300,418	19.21%	19.21%
Common	Charmainne O. King (Director)	Filipino	50,377,930	19.24%	19.24%
Common	Joselyn C. Tiu (Director)	Filipino	18,747	0.01%	0.01%
Common	Leila E. Jorge (President and Director)	Filipino	144,786	0.06%	0.06%
Common	Peter Kho (Director)	Filipino	2	0.00%	0.00%
Common	Daleson Uy (Director)	Filipino	2	0.00%	0.00%
Total			193,847,293	74.04%	74.04%

Note: There are no additional shares which the listed beneficial or record owner has the right to acquire within thirty (30) days, from options, warrants, rights, conversion privilege or similar obligations, or otherwise.

(3) Voting Trust Holders of 5% or More

There is no voting trust or similar arrangement executed among holders of five percent (5%) or more of the issued and outstanding shares of common stock of the Company.

(4) Changes in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its fiscal year.

Item 5. Directors & Executive Officers

Except in cases where a higher vote is required under the Corporation Code, the approval of any corporate action shall require the majority vote of all the stockholders present in the meeting, if constituting a quorum.

Except in cases where voting by ballot is applicable, voting and counting shall be viva voce. If by ballot, the counting shall be supervised by the external auditors and transfer agent of the Company.

In the election of directors, each common shareholders of record as of May 16, 2014 is entitled to as many votes as there are directors to be elected. A stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

At all meeting if the stockholders, a stockholder may vote in person or by proxy. Unless otherwise provided, the proxy shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary at least ten (10) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting or by their personal presence at the meeting. (Section 7, By-Laws).

(1) Board of Directors and Executive Officers

The incumbent Directors, including independent directors and executive officers of the Company are as follows:

Name	Office	Age	Citizenship	Year of Assumption of Office	No. of Years
Tony O. King	Chairman	63	Filipino	2008	4
Leila E. Jorge	President	44	Filipino	2009	5
Sharone O. King	Director, Treasurer, Finance Head	34	Filipino	2001	13
Joselyn C. Tiu	Independent Director	51	Filipino	2003	11
Charmaine O. King	Director	30	Filipino	2012	2
Peter Kho	Independent Director	39	Filipino	2012	2

Daleson Uy	Independent Director	31	Filipino	2012	2
Atty. Christine P. Base	Corporate Secretary	43	Filipino	2001	7

** Independent director – the Company has complied with the Guidelines set forth by SRC Rule 38, as amended, regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

The Company has adopted SRC Rule 38 and SEC Circular No. 16, Series of 2002 on the Guidelines on Nomination and Election of Independent Directors as stated in the By-laws and Manual on Corporate Governance of the Corporation. The following are the procedures for the nomination and election of independent directors of the Company:

A. All nominations for directors to be elected by the Stockholders of the Corporation shall be entitled in writing to the Corporate Secretary of the Corporation at the principal office of the Corporation not earlier than forty (40) days nor later than twenty (20) days prior to the date of the regular or special meeting of stockholders for the election of directors. Nominations which are not submitted within such nomination period shall not be valid. Only stockholder of record entitled to notice and vote at the regular or special meeting of the stockholders for the election of the directors shall be qualified to be nominated and elected a director of the Corporation. (Section 9, By Laws).

B. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees (SRC Rule 38). After the nomination, the Nomination Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors. The list shall be made available to the Securities and Exchange Commission and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports the Corporation is required to submit to the Commission. The name of the person or group of person who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

C. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as an Independent Director. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

D. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing an independent director. He shall ensure that an independent director is elected during the stockholders meeting.

E. The specific slot for independent director shall not be filled-up by the unqualified nominees.

F. The decision of the Nomination Committee, once confirmed by the Board of Directors, shall be final and binding upon the shareholders and may no longer be raised during the stockholder's meeting (Section 10, By-Laws).

G. In case of failure of election for the independent director, the Chairman of the Meeting shall call a separate election during the same meeting to fill-up the vacancy.

The nominees for independent directors of the Company are its incumbent directors, Joselyn Tiu, Peter Kho, Daleson Uy. They are nominated by Mr. Tony O. King, a Director and shareholder of the Company and to the Company's knowledge, there is no relationship between nominees for independent directors and Mr. Tony O. King.

The members of the Nomination Committee are as follows:

1. Tony King – Chairman
2. Leila Jorge – Member
3. Sharone King – Member
4. Emiliana Mauricio - Member
5. Daleson Uy – Independent Member

DIRECTORS AND EXECUTIVE OFFICERS

The following are the business experiences and positions held by the Directors and Executive Officers for the past five (5) years:

Tony O. King, Filipino, 63 years old, is the Chairman of the Board of Directors of AG Finance, Incorporated. Mr. King was first engaged in business at the age of 24, trading textile and garments locally and in some countries in the Southeast Asian region like Singapore and Indonesia. Mr. King is also the current Chairman and CEO of Armstrong Pacific Co., Incorporated.

Leila E. Jorge, Filipino, 44 years old, is the President of AG Finance, Incorporated. Ms. Jorge holds a Bachelor of Science degree in Commerce majoring in Economics from St. Scholastica's College. Prior to joining the Company, she served as a Senior Assistant Vice President of Security Bank Corporation's Branch Banking Group. She also held various positions in Marketing and Research with BDO, Planters Development Bank, and Philippine Savings Bank.

Sharone O. King, Filipino, 34 years old, is the Treasurer and Finance Head of AG Finance, Incorporated. She holds a Bachelor of Commerce degree, majoring in General Business Management from the University of British Columbia. Prior to working for AG Finance, Ms. King worked for Scotiabank in Toronto, Canada. She also worked as a Corporate Finance Associate with Amalgamated Investment Bancorporation and e-Lab Ventures, Inc. as a Business Development Officer.

Charmaine O. King, Filipino, 30 years old, is the Director of AG Finance, Incorporated. Ms. King obtained her Bachelor of Design from York University and her Masters in Business Administration from the Schulich School of Business, York University.

Joselyn C. Tiu, Filipino, 51 years old, is an Independent Director of AG Finance, Incorporated. Ms. Tiu is a Certified Public Accountant and obtained her Bachelor of Science Degree in Commerce major in Accounting from the University of Santo Tomas. Prior to joining the Company, she worked as an Auditor for Sycip, Gorres, Velayo & Co. She currently serves as a Vice President for Armstrong Pacific and as Treasurer and Director for Golden Maple Holdings, Inc.

Atty. Peter O. Kho, Filipino, 39 years old, is an Independent Director of AG Finance, Incorporated. He is currently serving as the President and Chief Executive Officer of Discovery Mall Corporation and as the Company Treasurer for Anchor Land Holdings, Inc. Mr. Kho obtained his Bachelor of Laws and Bachelor of Economics and Development Studies from the Ateneo de Manila University.

Daleson G. Uy, Filipino, 31 years old, is an Independent Director of AG Finance, Incorporated. Mr. Uy holds a Bachelor of Science degree in Industrial Engineering from the University of Santo Tomas. Apart from his current position in the Company, Mr. Uy also serves as an Operations Manager for U.G.T. International Trading.

Atty. Christine P. Base, Filipino, 43 years old, is the Corporate Secretary of AG Finance, Incorporated. Ms. Base is currently a Corporate and Tax Lawyer at Pacis and Reyes,

Attorneys and the Managing Director of Legisforum, Inc. She is the Corporate Secretary of Anchor Land Holdings, Inc., Araneta Properties, Inc., Asiasec Equities, Inc. and Ever-Gotesco Resources and Holdings, Inc. She is the Compliance Officer of Bloomberry Resorts Corporation. She is a director and/or corporate secretary of several private corporations. She was an Auditor and then Tax Lawyer of Sycip, Gorres, Velayo & Co. She is a graduate of Ateneo De Manila University School of Law with a degree of Juris Doctor. She passed the Bar Examination in 1997. Ms. Base is also a Certified Public Accountant. She graduated from De La Salle University with a degree of Bachelor of Science in Commerce major in Accounting.

(2) Independent Director

Three (3) incumbent directors of the Company, namely Joselyn Tiu, Daleson Uy, and Peter Kho are the independent directors for the year 2013-2014. They are not the employees of the Company and do not have relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibility of a director.

The following are nominated for election to the Board of Directors during this year's Annual Stockholders' Meeting:

- | | | |
|----|---------------------|----------|
| 1. | Tony King | Director |
| 2. | Sharone King | Director |
| 3. | Leila Jorge | Director |
| 4. | Marjorie Villanueva | Director |
| 5. | Joselyn Tiu | Director |
| 6. | Daleson Uy | Director |
| 7. | Peter Kho | Director |

The nominees for independent directors for this year's Annual Stockholders' meeting of the Company are its incumbent independent directors, namely Joselyn Tiu, Daleson Uy, and Peter Kho. They were nominated by Mr. Tony O. King, a shareholder of the Corporation and to the Company's knowledge, there is no relationship between nominees for independent directors and Mr. Tony O. King.

The term of office of all directors, including independent directors shall be one (1) year until their successors are duly elected and qualified.

(3) Key Officers

The members of the management team aside from those mentioned above are as follows:

Name	Position	Age	Citizenship	Year of Assumption of Office	No. of Years/ Month
Leila E. Jorge	President	44	Filipino	2009	5
Sharone O. King	Treasurer and Finance Head	34	Filipino	2001	13
Emiliana G. Mauricio	Accounting Manager and Assistant Corporate Secretary	59	Filipino	2009	4
Marjorie D.R. Villanueva	Operations Manager	41	Filipino	2008	5

Nellie C. Sy	Marketing Manager	43	Filipino	2009	4
Desiree I. Ong	Investor Relations Officer and Compliance Officer	30	Filipino	2013	1

Emiliana G. Mauricio, Filipino, 59 years old, is the Company's Accounting Manager and Assistant Corporate Secretary. Ms. Mauricio is a Certified Public Accountant and obtained her Bachelor of Science degrees in Accounting and Management from the Polytechnic University of the Philippines. Prior to her current position in the Company, she served as the Accounting Manager for Italian Thai Development Public Company Ltd. and Head of Accounting for MCRP Construction Corporation. She was also previously connected with Joaquin Cunanan & Co. (Pricewater House) as a Consultant for the Tax Department and the Philippine Board of Investments as a Senior Investment Specialist. Apart from her responsibilities with AG Finance, Ms. Mauricio also serves as a Vice President for Armstrong Pacific and Golden Maple Holdings, Inc.

Marjorie D.R. Villanueva, Filipino, 41 years old, is the Company's Operations Manager. Ms. Villanueva holds a Bachelor of Arts degree in Communication from Miriam College. Prior to joining AG Finance, Ms. Villanueva served as an Assistant Manager and as a Customer Service Specialist for Security Bank. Ms. Villanueva also served as an Executive Assistant at Ivory Records

Nellie C. Sy, Filipino, 43 years old, is the Company's Marketing Manager. Ms. Sy holds a Bachelor of Science degree in Hotel Restaurant Management from Sienna College. Prior to joining AG Finance, Ms. Sy served as a branch manager for Equi-Asia Placement Inc.

Desiree I. Ong, Filipino, 30 years old, is the Company's Investor Relations Officer and Compliance Officer. Ms. Ong holds a Bachelor of Science in Accountancy from Chiang Kai Shek College. Prior to joining AG Finance, Ms. Ong worked as Senior Auditor in Punongbayan & Araullo, an Assistant Manager of Citibank N.A. Philippines, and a Senior Auditor of S.K. Lai LLP Singapore. Ms. Ong is also a Certified Public Accountant.

(4) Family Relationships

Ms. Sharone O. King and Ms. Charmaine O. King, directors of the Company, are daughters of Mr. Tony O. King, Chairman of the Board. Other than the foregoing, no other family relationships exist among the directors and members of senior management.

(5) Involvement in Certain Legal Proceedings

To the knowledge of the Company, there has been no occurrence of any of the following events during the past four (4) years up to the present which are material to an evaluation of the ability and integrity of any director, any person nominated to become director, executive officer or control person of the Company:

1. Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer whether at the time of insolvency or within two (2) years prior to that time;

2. Any conviction by final judgment in a criminal proceeding, domestic or foreign, in any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any final and executory order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily, enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities, commodities or banking activities; and

4. Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the SEC, or comparable foreign body, or domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

There are no legal proceedings to which the Company or its subsidiary or any of their properties is involved in or subject to any legal proceedings which would have material effect adverse effect on the business or financial position of the Company or its subsidiary.

(6) Significant Employees

No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the success of the Company.

(7) Certain Relationships and Related Transactions

The Company, in the normal course of business, enters into transaction with related parties consisting primarily of non-interest bearing advances for working capital requirements. The Company does not have any transactions in 2013, 2012 and 2011 except for the settlement of outstanding balance of P12.0 million as at December 31, 2010.

No transaction was entered by the Company with parties who are not considered related parties but with whom the Company or its related parties have a relationship that enables the parties to negotiate terms of material transactions.

There were no transactions with promoters in the past five years.

ITEM 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

(1) Compensation Table

Information as to the aggregate compensation during the last three (3) fiscal years paid to the Company's officers and other most highly compensated executive officers as a group is as follows: Information as to the aggregate compensation during the last three (3) fiscal years paid to the Company's officers and three (3) other most highly compensated executive offices all other offices and directors as a group are as follows:

	Year	Salary	Bonuses	Other Benefits	Total
Aggregate compensation paid to CEO and the most four highly compensated officers named	2014 (estimate)	3,558,472	282,418	193,418	4,034,309
	2013	3,389,021	-	184,208	3,573,229
	2012	3,418,347	-	180,773	3,599,120

above	2011	3,310,210	-	170,906	3,481,116
Aggregate compensation paid to all directors and officers as a group	2014 (estimate)	5,637,916	447,454	253,075	6,338,445
	2013	5,369,444	-	241,024	5,610,468
	2012	4,431,954	-	203,788	4,635,742
	2011	3,856,234	-	193,483	4,049,717

(2) Compensation of Directors

The directors have no compensation.

Information as to the aggregate compensation paid or accrued during the last three (3) calendar years and to be paid in the ensuing calendar year to the Company's Chief Executive Officer and all officers and directors as a group is as follows:

- * The Company does not give per diem of directors for each board meeting. All directors do not receive regular annual salaries from the Company except if they are formally employed by the Company.
- * There are no actions to be taken with regard to election, any bonus, profit sharing, pension/retirement plan granting of any extension of any option, warrant or right to purchase any securities.

The total annual compensation of the Board of Directors is nil.

Compensation of key management personnel pertaining to directors' fees and allowances amounted to nil in 2013, 2012 and 2011.

There are no other arrangements for compensation either by way of payments for committee participation or special assignments. There are also no outstanding warrants or options held by the Company's Chief Executive Officer and other officers and/or directors.

There are no other arrangements for compensation either by way of payments for committee participation or special assignments. There are also no outstanding warrants or options held by the Company's Chief Executive Officer and other officers and/or directors.

(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no other special contracts of employment between the Company and the named directors and executive officers, as well as special compensatory plans or arrangements, including payments to be received from the Company with respect to any named directors or executive. Employment contracts of all Supervisors and Rank are all hired as long-term employment period until regularization or termination of any cause.

ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of Punongbayan & Araullo (P&A) served as the Company's external auditors for the last fiscal year. They will be recommended again to security holders for re-appointment as external auditor for the current year.

Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

As of December 31, 2013, P&A has been the Company's external auditors for the last 5 years. Changes were made in the assignment of P&A's engagement partner for the company in compliance with the requirement of SRC Rule 68 (Qualification and Reports of Independent Auditors) on 5-year rotation of external auditors. Pursuant to the said rule, the Company engaged Benjamin P. Valdez of P&A starting year 2009 and Mr. Christopher M. Ferarezza of P&A starting year 2013.

The Company paid P&A the aggregate amount of ₱ 1,119,350 for the last two (2) fiscal years ending December 31, 2013 and 2012. The Company also engaged the services of P&A in performing agreed-upon procedures regarding the use of proceeds of IPO.

Under the existing regulation of the Securities and Exchange Commission, the registrant shall change its external auditor or rotate the engagement partner every five years. This is in compliance with the rotation requirement of its external auditor's certifying partner as required under SRC Rule 68 Paragraph 3(B)(ix).

The Audit Committee recommends to the Board of Directors the appointment of the external auditor and the negotiation of audit fees. The BOD and the stockholders approve the Audit Committee's recommendation.

The following persons were elected members of the Audit Committee:

Joselyn Tiu	Chairman (independent director)
Leila Jorge	Member
Sharone King.....	Member
Emiliana Mauricio....	Member
Desiree Ong.....	Member

ITEM 8. COMPENSATION PLANS

No action with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed for the year shall be discussed during the meeting.

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

There are no matters or actions to be taken up in the meeting with respect to authorization or issuance securities.

ITEM 10. MODIFICATION OR EXCHANGE OF SECURITIES

There are no matters or actions to be taken up in the meeting with respect to the modification of any class of the Company's securities or the issuance of authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

ITEM 11. FINANCIAL AND OTHER INFORMATION

The audited financial statements as of December 31, 2013, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto.

ITEM 12. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS

There are no matters or actions to be taken up in the meeting with respect to merger, consolidation, acquisition by, sale or liquidation of the Company.

ITEM 13. ACQUISITION OR DISPOSITION OF PROPERTY

In 2013, AG Finance has the following properties.

Unit Type	Unit Number	Area (square meter)
Office space	E 2205 A	227
Office space	E 2204 C	110
Office space	E 2204 D	111
Parking space	P-343	12.5
Parking space	P-344	12.5
Parking space	P-345	12.5
Parking space	P-346	12.5
Parking space	P-3283	12.5
Total		510.50

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property by the Company.

ITEM 14. RESTATEMENT OF ACCOUNTS

The Company is not taking any action, which involves the restatement of any of its assets, capital, or surplus account.

D. OTHER MATTERS

ITEM 15. ACTION WITH RESPECT TO REPORTS

The approval of the following will be considered and acted upon at the meeting:

1. Annual Report of the Company for the year ended December 31, 2013;
2. Minutes of the 2013 Annual Stockholders' Meeting with the following items;
 - a. Approval of the Minutes of the Annual Stockholders' Meeting held on June 18, 2013;

- b. Approval of Annual Report;
 - c. Ratification of the acts of the Board of Directors since the June 18, 2013 Annual Stockholders' Meeting;
 - d. Election of the Board of Directors; and
 - e. Appointment of External Auditors.
3. Ratification of all acts of the Board of Directors and Officers such as:
- a. Approval of investments and divestments;
 - b. Opening and maintaining deposit accounts and/or trust accounts with various banking institutions;
 - c. Appointment of Officers
 - d. Obtaining loans/credit accommodations and trust receipt agreements with various banks; and
 - e. Approval of signing authorities and limits.

ITEM 16. MATTERS NOT REQUIRED TO BE SUBMITTED

Other than election to office, there is no matter to be acted upon during the Annual Stockholders Meeting to which a beneficial owner, director or officer has any substantial interest.

No director has informed in writing of his intentions to oppose any action to be taken during the proposed Annual Stockholder's meeting.

ITEM 17. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS

There are no other proposed amendments of charter, by-laws or other documents to be taken up in the meeting.

ITEM 18. OTHER PROPOSED ACTIONS

There are no other proposed actions to be taken up in the meeting.

ITEM 19. VOTING PROCEDURES

Except in cases where a higher vote is required under the Corporation Code, the approval of any corporate action shall require the majority vote of all the stockholders present in the meeting, if constituting a quorum.

Except in cases where voting by ballot is applicable, voting and counting shall be viva voce. If by ballot, the counting shall be supervised by the external auditors and transfer agent of the Company.

In the election of directors, each common shareholders of record as of May 16, 2014 is entitled to as many votes as there are directors to be elected. A stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

All proxies must be in the hands of the Secretary at least ten (10) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting or their personal attendance at the meeting. (Section 7, By-Laws).

Item 20. Market Price and Dividends of Registrant’s Common Stock

The Company’s common shares have been *publicly* traded through the Philippine Stock Exchange (PSE). The Company has not sold any unregistered securities within the last three (3) years.

The Company’s high and low closing prices for each quarter of the last 2 fiscal years are as follows:

Quarter	2013		2012	
	High	Low	High	Low
1st	N/A	N/A	N/A	N/A
2nd	N/A	N/A	N/A	N/A
3rd	3.57	2.17	N/A	N/A
4th	3.74	2.60	N/A	N/A

The closing price of the Company as of March 31, 2014 is at 3.35 per share.

The number of stockholders of record as of March 31, 2014 was 5. Common shares issued and outstanding as of March 31, 2014 were 261,824,002 shares.

The top 20 stockholders as of March 31, 2014 are as follows:

Rank	Name of Stockholder	Total No. of Shares	% to O/S
1	Tony O. King	36,000,000	13.750%
2	Charmaine O. King	19,500,000	7.448%
3	Sharone O. King	19,469,997	7.436%
4	PCD Nominee Corp. (Fil)	186,786,005	71.340%
5	PCD Nominee Corp. (Non-Fil)	68,000	0.026%

There are no recent sales of unregistered or exempt securities. The Company has no registered debt securities. There are no registered securities subject to redemption or call.

Dividends

Not applicable.

Stock Rights Offering

Not applicable.

Item 21. Discussion of Compliance with Leading Practice on Corporate Governance

The Company, its directors, officers and employees complied with all the leading practices and principles on good governance as embodied in the Company’s Corporate Governance Manual. There are no deviations from the Company’s Manual of Corporate Governance. There are no existing plans to amend the Company’s Manual of Corporate Governance.

**UNDERTAKING TO PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'
ANNUAL REPORT**

**A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WILL BE
PROVIDED WITHOUT CHARGE TO EACH PERSON UPON WRITTEN REQUEST OF
ANY SUCH PERSON ADDRESSED TO:**

**THE OFFICE OF THE CORPORATE SECRETARY
AG FINANCE, INCORPORATED
8th Floor, Chatham House,
116 Valero cor. V.A. Rufino St., Makati City**

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on April 30, 2014.

AG FINANCE, INCORPORATED

By:


CHRISTINE P. BASE
Corporate Secretary

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**FINANCIAL POSITION
2013 vs. 2012**

	Dec. 2013	Dec. 2012	% Change
Cash	251,338,578	90,428,846	177.94%
Loans Receivables - Net	175,843,636	240,309,956	-26.83%
Property and Equipment - Net	14,885,287	14,213,086	4.73%
Deferred Tax Assets	7,811,968	4,598,414	69.88%
Other Assets	1,186,045	1,399,818	-15.27%
Total Assets	451,065,514	350,950,120	28.53%
Loans Payable	-	100,000,000	-100%
Accrued Expenses and Other Payables	7,168,775	6,598,010	8.65%
Income Tax Payable	4,096,110	7,347,087	-44.25%
Total Liabilities	11,264,885	113,945,097	-90.11%
Capital Stock	261,824,002	75,000,000	249.10%
Additional Paid-in Capital	74,277,248	-	100%
Deposits for Future Stock Subscription	-	53,150,000	-100%
Stock Dividends Distributable	-	65,600,002	-100%
Revaluation Reserve	151,964	-	100%
Retained Earnings	103,547,416	43,255,021	139.39%
Total Stockholders' Equity	439,800,629	237,005,023	85.57%

Cash

Cash increased by 177.94% to ₱251.34 million as of December 31, 2013 from ₱90.43 million as of December 31, 2012. This increase was mainly due to proceeds from issuance of capital stock and pre-termination of OFW loans in the first nine months.

Loans receivable

Loans receivable decreased by 26.83% to ₱175.84 million as of December 31, 2013 from ₱240.31 million as of December 31, 2012. This was primarily due to pre-termination of loans during the third and fourth quarter of 2013.

Property and equipment

Property and equipment increased by 4.73% to ₱14.89 million as of December 31, 2013 from ₱14.21 million as of December 31, 2012. This increase was primarily due to the Company's purchase of transportation, office equipment, furniture and fixture and condominium improvement, amounting to ₱2.48 million less depreciation for the year amounting to P1.8 million.

Deferred tax asset

Deferred tax asset increased by ₱7.8 million or 69.88% as of December 31, 2013 from ₱4.6 million as of December 31, 2012. This increase was mainly due to the tax impact of impairment losses recorded during the year.

Other assets

Other assets are mostly composed of advances to employees and clients, prepayments and other miscellaneous deposits.

Other assets decreased from ₱1.40 million in 2012 to ₱1.19 million in 2013 mainly due to liquidation of employees' cash advances before end of the year.

Loans payable

Loans payable decreased by ₱100 million or 100%, due to full settlement of outstanding loans with local banks.

Accrued expenses and other payables

Accrued expenses and other payables include unpaid utilities, professional fees, retirement benefit obligations, withholding taxes and interest and other expenses.

Accrued expenses and other payables slightly increased by 8.65% to ₱7.17 million as of December 31, 2013. The increase was due to (i) additional accrual for retirement of employees; and (ii) accrual for professional fees related to IPO.

Income tax payable

Income tax payable decreased by 44.25% to ₱4.10 million as of December 31, 2013 from ₱7.3 million as of December 31, 2012. During the last quarter of 2013, interest income subject to tax decreased due to pre-termination of loans receivable. As a result, the Company had a lower income tax payable.

Capital stock

Capital stock increased by 249.10% due to additional subscription of shares through cash, distribution of stock dividend, and IPO. Issuance of capital stock amounted to ₱53.15 million, stock dividend amounted to ₱65.60 million and IPO amounted to ₱68.07 million.

Additional Paid-in Capital

Total proceeds received from the IPO amounted to ₱148.40 million of which ₱74.28 million is treated as Additional Paid-in Capital (APIC) being the amount paid in excess of the capital stock's par value. Total share issuance costs deducted from APIC amounted to ₱6.05 million, net of tax. Offer expenses from the IPO amounting to ₱6.5 million were presented as part of operating expenses in 2013.

Deposit for future stock subscription

On June 29, 2012, the Company's BOD and stockholders approved the proposed increase in its authorized capital stock from P75,000,000 divided into 75,000,000 shares of stock to P550,000,000 divided into 550,000,000 shares both with a par value of P1 per share. Out of the proposed increase in the authorized capital stock, 118,750,002 shares will be subscribed and of which subscription will be paid in the 29, 2012, the Company's BOD approved the declaration of stock dividends amounting to P65,600,002.

On November 29, 2012, the Company presented and filed its application for the increase in its authorized capital stock with the SEC. On December 11, 2012 and December 14, 2012, the stockholders initially subscribed to such proposed increase by paying cash amounting to P53,150,000, which is presented as Deposits for Future Stock Subscription in the 2012 statement of financial position pending approval by the SEC of the proposed increase in authorized capital stock. Such application was formally accepted by the SEC on January 11, 2013 on which necessary SEC fees amounting to P960,010 has been paid. On February 13, 2013, the said application for the increase in authorized capital stock was approved by the SEC. Correspondingly, the shares subscribed through cash deposits were issued upon application of such deposits for future stock subscription. This resulted to decrease in deposit for future stock subscription.

Stock dividend distributable

On June 29, 2012, the Company's BOD approved the declaration of stock dividend amounting to P65,600,002 divided into 65,600,002 shares at P1 par value. Portion of the application for the increase in authorized capital stock were subscribed and paid in the form of stock dividend. Stock dividend was set to be issued to the corresponding proportionate shares of stock to stockholders of record as of June 29, 2012. Upon approval of the application for the increase in authorized capital stock by SEC on February 13, 2013, the stock dividend distributable was transferred to capital stock and the corresponding shares were issued which resulted to reduction in stock dividend distributable.

Retained earnings

Retained earnings increased by 139.39% to ₱103.55 million as of December 31, 2013 from ₱43.26 million as of December 31, 2012. The increase came from the net profit of ₱ 60.29 million earned for the period ended December 31, 2013.

Financial Condition as at December 31, 2013 compared to as at December 31, 2012

RESULTS OF OPERATIONS 2013 vs. 2012

	Dec. 2013	Dec. 2012	% Change
OFW financing program	112,159,870	74,930,823	49.68%
Salary and emergency loan	8,198,039	7,455,004	9.97%
Cash in banks	465,704	68,125	583.60%
Total Interest Income	120,823,613	82,453,952	46.53%
Less: Interest expense	2,902,975	3,898,942	-25.54%
Net interest income	117,920,638	78,555,010	50.11%
Less: Impairment loss	10,441,260	5,318,512	96.32%
Net interest income after impairment loss	107,479,378	73,236,498	46.76%
Add : Other operating income	16,379,159	16,542,601	-0.99%
Other operating expenses:			
Salaries and employee benefits	10,143,096	8,223,669	23.34%
Taxes and licenses	9,569,789	6,498,911	47.25%
Professional fees	5,117,208	1,144,440	347.14%
Contractual services	1,915,382	1,705,460	12.31%
Depreciation	1,811,329	1,822,942	-0.64%
IPO offer expenses	1,705,979	-	100%
Transportation and travel	1,512,182	1,459,702	3.60%
Communication and utilities	1,347,229	1,206,572	11.66%
Office supplies	1,302,461	945,532	37.75%
Legal and bank charges	1,142,110	125,254	811.84%
Marketing and collection	1,136,673	1,427,377	-20.37%
Unrealized foreign currency losses	-	947,086	-100%
Representation	1,055,152	800,395	31.83%
Dues and subscriptions	560,496	598,149	-6.29%
Insurance	391,663	281,147	39.31%
Brokers' commission	265,006	-	100%
Miscellaneous	2,119,606	896,781	136.36%
Less: Total Operating expenses	41,095,361	28,083,417	46.33%
Profit before tax	82,763,176	61,695,682	34.15%
Tax expense	22,470,781	18,508,636	21.41%
Net profit	60,292,395	43,187,046	39.61%

Results of Operations for the year ended December 31, 2013 compared to the year ended December 31, 2012.

Interest Income

For the year ended December 31, 2013, the Company recorded interest income of ₱120.82 million, which was 46.53% higher than interest income of ₱82.45 million for the year ended December 31, 2012. The increase was mainly attributable to growth in loans, which is in line

with management's initiatives to aggressively expand its loan portfolio on a year-on-year basis.

Interest Income on OFW Loans

For the year ended December 31, 2013, the Company's OFW Loans recorded an Interest Income of ₱112.16 million, which was 49.68% higher than December 31, 2012. The increase was mainly attributable to an increase in loan releases to OFW borrowers.

Interest Income on Salary Loans

For the year ended December 31, 2013, the Company's Salary and Emergency Loans recorded an Interest Income of ₱8.20 million, which was 9.97% higher than the ₱7.46 million for the year ended December 31, 2012. The increase was attributable to increase in loan releases to local borrowers from 1,658 to 1,767.

Interest Income Cash in Banks

For the year ended December 31, 2013, the Company's interest income on bank deposits increased by 583.60%. The increase corresponds to the Company's increase in cash in banks which results to higher interest income. Significant collection of loans receivable also contributed to the increase in cash in banks.

Interest Expense

For the year ended December 31, 2013, the Company recorded an Interest Expense of ₱2.90 million, which was 25.54% lower than the Interest Expense of ₱3.90 million for the year ended December 31, 2012. This was mainly attributable to ₱100million loan repayment in 2013.

OTHER INCOME

Other income is composed of processing fees, penalties and rental income.

Other income slightly decreased by 0.99%. The decrease was primarily due to decline in processing fees of ₱3.13 million countered by increase in penalties of ₱2.07 million and unrealized foreign exchange gain of ₱0.96 million.

To encourage borrowings, the Company waived processing fees for some borrowers but charged penalties for their pre-termination or early loan repayment.

Operating Expenses

For the year ended December 31, 2013, operating expenses amounted to ₱41.10 million, which was 46.33% higher than prior year's operating expenses of ₱28.08 million.

□□ Salaries and employee benefits

For the year ended December 31, 2013, salaries and employee benefits amounted to ₱10.14 million, which is 23.34% higher than the previous year. This was attributable to additional hiring of employees supporting the Company's loans processes driven by an increase in loans releases.

□□ Taxes and Licenses

For the year ended December 31, 2013, taxes and licenses amounted to ₱9.57 million, which was 47.25% higher than 2012. This was attributable to the increase in gross receipts

tax driven by growth in interest income. During the year, the Company also incurred documentary stamp taxes due to issuance of new shares for the IPO.

□□ Professional fees

For the year ended December 31, 2013, professional fees increased to ₱5.12 million which is 347.14% higher than the ₱1.14 million in 2012. The increase was mainly due to the professional fees paid to underwriters, lawyers and auditors for the IPO.

□□ Contractual services

Contractual services increased from ₱1.71 million to ₱1.92 million mainly due to additional hiring of contractual employees to support the Company's operation.

□□ IPO offer expenses

IPO offer expenses pertain to cost incurred in listing the Company's common shares on the Main Board of the Philippine Stock Exchange last August 13, 2013. Costs include payments for the rental of the venue for the roadshow, projectors, food and other miscellaneous expenses.

□□ Communication and Utilities

Communication and utilities expenses increased by 11.66% due to increase in long distance communication.

□□ Office Supplies

For the year ended December 31, 2013, office supplies amounted to ₱1.30 million, which was 37.75% higher than the operating expenses of ₱0.95 million for the year ended December 31, 2012. This was attributable to the increase in purchases of office supplies and company uniforms during the year.

□□ Legal and bank charges

Legal and bank charges increased by ₱1.02 million or 811.84%. The increase was mainly due to the payment of SEC fees for the Company's application for increase in authorized capital stock amounting to ₱960,010.

□□ Marketing and collection fees

For the year ended December 31, 2013, operating expenses related to marketing and collection fees was ₱1.10 million, which was 20.37% lower than the operating expenses of ₱1.43 million for the year ended December 31, 2012. This was attributable to a decrease in marketing campaigns.

□□ Representation

Representation expense increased by 31.83% mainly due to increase in representation for clients.

□□ Dues and subscriptions

Dues and subscription slightly declined by 6.29% due to decrease in advertisements for job postings in newspapers.

□□ Insurance

Insurance expense increased by 29.31% due to increase in employees' health insurance

□□ Brokers' commission

During the year, the Company sold common shares through IPO. Stockbrokers were paid commission for selling the Company's shares.

□□ Miscellaneous

Miscellaneous expenses increased by 136.36% primarily due to SEC fees for listing application, donation and out-of-pocket expenses.

FINANCIAL POSITION 2012 vs. 2011

	Dec. 2012	Dec. 2011	% Change
Cash	90,428,846	5,933,575	1,424.02%
Loans Receivables - Net	240,309,956	149,995,293	60.21%
Property and Equipment - Net	14,213,086	15,457,460	-8.05%
Deferred Tax Assets	4,598,414	2,552,083	80.18%
Other Assets	1,399,818	4,306,541	-67.50%
Total Assets	350,950,120	178,244,952	96.89%
Loans Payable	100,000,000	25,000,000	300%
Accrued Expenses and Other Payables	6,598,010	5,790,772	13.94%
Income Tax Payable	7,347,087	6,786,203	8.27%
Total Liabilities	113,945,097	37,576,975	203.23%
Capital Stock	75,000,000	75,000,000	0%
Deposits for Future Stock Subscription	53,150,000	-	100%
Stock Dividends Distributable	65,600,002	-	100%
Retained Earnings	43,255,021	65,667,977	-34.13%
Total Stockholders' Equity	237,005,023	140,667,977	68.49%

Cash

Cash increased by 1,424.02% to ₱90.43 million as of December 31, 2012 from ₱5.93 million as of December 31, 2011. This increase was primarily due to receipt of cash from stockholders amounting to ₱53.15 million for the subscription of additional shares. Remaining increase in cash of ₱31.35 million pertains to the net effect of the cash obtained from avilment of loans of ₱75.00 million and cash used in operations and investments amounted to ₱43.65.

Loans receivable

Loans receivable increased by 60.21% to ₱240.31 million as of December 31, 2012 from ₱150.00 million as of December 31, 2011. This was primarily due to an increase in OFW Loans releases during the third and fourth quarter of 2012.

Property and equipment

Property and equipment decreased by 8.05% to ₱14.21 million as of December 31, 2012 from ₱15.46 million as of December 31, 2011. This decrease was primarily due to annual depreciation charges of ₱1.82 million notwithstanding the Company's purchase of office furniture, fixture and office equipment amounting to ₱578,568.

Deferred tax asset

Deferred tax asset increased by 80.18% to ₱4.60 million as of December 31, 2012 from ₱2.55 million as of December 31, 2011. This increase was mainly due to tax impact of impairment loss recorded during the year.

Other assets

Other assets are mostly composed of advances to employees and clients, prepayments and other miscellaneous deposits.

Other assets decreased by 67.50% from ₱4.36 million as of December 31, 2011 to ₱1.40 million as of December 31, 2012. This was attributable to the Company's discontinuance of advancing other deployment related expenses.

Loans payable

Loans payable increased by 300% to ₱100.00 million as of December 31, 2012 from ₱25.00 million as of December 31, 2011. This was due to the increase in loan availments to fund working capital.

Accrued expenses and other payables

Accrued expenses and other payables includes unpaid utilities, professional fees, retirement benefit obligations, withholding taxes and interest and among expenses.

Accrued expenses and other payables increased by 13.94% to ₱6.60 million as of December 31, 2012 from ₱5.79 million as of December 31, 2011. The increase was due to (i) accrual for retirement of employees; and (ii) accrual of gross receipts tax driven by substantial loan releases during the fourth quarter of 2012.

Income tax payable

Income tax payable increased by 8.27% to ₱7.35 million as of December 31, 2012 from ₱6.79 million as of December 31, 2011. This was primarily due to increase in net income driven by growth in the Company's loan portfolio.

Deposit for future stock subscription

On June 29, 2012, the Company's BOD and stockholders approved the application for increase in the Company's authorized capital stock from ₱75 million divided into 75 million shares of stock to ₱550 million divided into 550 million shares both with a par value of ₱1.00 per share. On the same day, the Company's BOD approved the declaration of stock dividends amounting to ₱65.60 million to be issued out of the increase in authorized capital stock. Out of the increase, ₱118.75 million worth of shares were subscribed and partly paid in the form of cash and partly issued as stock dividends. On December 11, 2012 and December 14, 2012, the stockholders subscribed to additional shares by paying cash amounting to ₱53.15 million.

Stock dividend distributable

On June 29, 2012, the Company's BOD approved the declaration of stock dividends amounting to ₱65.60 million or 65,600,002 shares at ₱1.00 par value. Stock dividends were issued out of a portion of the increase in authorized capital. On February 13, 2013, the application for increase was approved by the SEC.

Retained earnings

Retained earnings decreased by 34.13% to ₱43.26 million as of December 31, 2012 from ₱65.67 million as of December 31, 2011. This was due to the declaration of stock dividends amounting to ₱65.6 million offset by net income of ₱43.19 million.

Financial Condition as at December 31, 2012 compared to as at December 31, 2011

RESULTS OF OPERATIONS 2012 vs. 2011

	Dec. 2012	Dec. 2011	% Change
OFW financing program	74,930,823	69,023,622	8.56%
Salary and emergency loan	7,455,004	6,956,016	7.17%
Cash in banks	68,125	53,555	27.21%
Total Interest Income	82,453,952	76,033,193	8.44%
Less: Interest expense	3,898,942	5,548,369	-29.73%
Net interest income	78,555,010	70,484,824	11.45%
Less: Impairment loss	5,318,512	3,426,509	55.22%
Net interest income after impairment loss	73,236,498	67,058,315	9.21%
Add : Other operating income	16,542,601	12,904,907	28.19%
Other operating expenses:			
Salaries and employee benefits	8,223,669	6,991,143	17.63%
Taxes and licenses	6,498,911	5,432,072	19.64%
Professional fees	1,144,440	763,880	49.82%
Contractual services	1,705,460	1,508,085	13.09%
Depreciation	1,822,942	1,623,487	12.29%
Transportation and travel	1,459,702	388,195	276.02%
Communication and utilities	1,206,572	1,228,063	-1.75%
Office supplies	945,532	1,028,223	-8.04%
Legal and bank charges	125,254	118,751	5.48%
Marketing and collection	1,427,377	1,096,158	30.22%
Unrealized foreign currency losses	947,086	-	100.00%
Representation	800,395	416,807	92.03%
Dues and subscriptions	598,149	490,596	21.92%
Insurance	281,147	296,501	-5.18%
Miscellaneous	896,781	998,209	-10.16%
Less: Total Operating expenses	28,083,417	22,380,170	25.48%
Profit before tax	61,695,682	57,583,052	7.14%
Tax expense	18,508,636	17,318,722	6.87%
Net profit	43,187,046	40,264,330	7.26%

Results of Operations for the year ended December 31, 2012 compared to the year ended December 31, 2011.

Interest Income

For the year ended December 31, 2012, the Company recorded interest income of ₱82.45 million, which was 8.44% higher than interest income of ₱76.03 million for the year ended December 31, 2011. The increase was mainly attributable to growth in loans, which is in line with management's initiatives to aggressively expand its loan portfolio on a year-on-year basis.

Interest Income on OFW Loans

For the year ended December 31, 2012, the Company's OFW Loans recorded an Interest Income of ₱74.93 million, which was 8.56% higher than the OFW Loans Interest Income of ₱69.02 million for the year ended December 31, 2011. The increase was mainly attributable to an increase in loan releases to OFW borrowers.

Interest Income on Salary Loans

For the year ended December 31, 2012, the Company's Salary and Emergency Loans recorded an Interest Income of ₱7.46 million, which was 7.17% higher than the Salary and Emergency Loans Interest Income of ₱6.96 million for the year ended December 31, 2011. The increase was attributable to additional loan releases and an increase in Salary Loans borrowers to 1,658.

Interest Income Cash in Banks

For the year ended December 31, 2012, the Company recorded Interest Income on bank deposits of ₱68,125, which was 27.21% higher than the Interest Income on bank deposits of ₱53,555 for the year ended December 31, 2011. This was driven by capital cash infusion by shareholders and the increase in collection of receivables.

Interest Expense

For the year ended December 31, 2012, the Company recorded an Interest Expense of ₱3.90 million, which was 29.73% lower than the Interest Expense of ₱5.55 million for the year ended December 31, 2011. This was mainly attributable to (i) decrease in interest rates to 5.75% from 8.50%; and (ii) a loan repayment on August 9, 2012 amounting to ₱25 million.

OTHER INCOME

Other income is composed of processing fees, penalties and rental income.

Other income slightly increased by 28.19% mainly due to the increase in volume of OFW and Salary Loan borrowers and the amount borrowed.

Operating Expenses

For the year ended December 31, 2012, operating expenses was ₱28.08 million, which was 25.48% higher than the operating expenses of ₱22.38 million for the year ended December 31, 2011.

□□ Salaries and employee benefits

For the year ended December 31, 2012, operating expenses related to salaries and employee benefits was ₱8.22 million, which was 17.63% higher than the operating expenses

of ₱6.99 million for the year ended December 31, 2011. This was attributable to additional hiring of employees supporting the Company's loans processes driven by an increase in loans releases.

□□ **Taxes and Licenses**

For the year ended December 31, 2012, operating expenses related to taxes and licenses was ₱6.50 million, which was 19.64% higher than the operating expenses of ₱5.43 million for the year ended December 31, 2011. This was attributable to an increase in gross receipts tax driven by growth in interest income and increase in documentary stamp taxes due to additional bank loan availments.

□□ **Professional fees**

For the year ended December 31, 2012, operating expenses related to professional fees was ₱1.14 million, which was 49.82% higher than the operating expenses of ₱763,880 for the year ended December 31, 2011. This was primarily attributable to expenses preparatory to the initial public offering.

□□ **Contractual services**

For the year ended December 31, 2012, operating expenses related to contractual services was ₱1.71 million, which was 13.09% higher than the operating expenses of ₱1.51 million for the year ended December 31, 2011. This was attributable to additional hiring of contractual employees and increase in minimum wage.

□□ **Depreciation**

For the year ended December 31, 2012, operating expenses related to depreciation was ₱1.82 million, which was 12.29% higher than the operating expenses of ₱1.62 million for the year ended December 31, 2011. This was attributable to additional purchase of computers and servers.

□□ **Transportation and travel**

Transportation and travel increased by 276.02% from ₱0.39 million to ₱1.46 million mainly due to foreign travels to support the borrowers

□□ **Office Supplies**

For the year ended December 31, 2012, operating expenses related to office supplies was ₱0.95 million, which was 8.04% lower than the operating expenses of ₱1.10 million for the year ended December 31, 2011. This was attributable to a decrease in purchases of office supplies and company uniforms given sufficient inventory from the previous year.

□□ **Marketing and collection fees**

For the year ended December 31, 2012, operating expenses related to marketing and collection fees was ₱1.43 million, which was 30.22% higher than the operating expenses of ₱1.10 million for the year ended December 31, 2011. This was attributable to an increase in marketing campaigns and collection fees paid to client-companies. During 2012, the Companies collection from salary loans increased which subsequently resulted to higher collection fees.

□□ Dues and subscriptions

For the year ended December 31, 2012, operating expenses related to dues and subscriptions was ₱598,149, which was 21.92% higher than the December 31, 2011 amount of ₱490,596. This was attributable to full year association dues on the new office space bought by the Company. In addition, the Company increased its advertisements for job postings in newspapers driven by its demand to hire additional employees.

FINANCIAL POSITION 2011 vs. 2010

	Dec. 2011	Dec. 2010	% Change
Cash	5,933,575	10,101,968	-41.26%
Loans Receivables - Net	149,995,293	128,465,905	16.76%
Property and Equipment - Net	15,457,460	11,065,100	39.70%
Deferred Tax Assets	2,552,083	1,585,601	60.95%
Other Assets	4,306,541	1,045,291	311.99%
Total Assets	178,244,952	152,263,865	17.06%
Loans Payable	25,000,000	87,050,024	-71.28%
Accrued Expenses and Other Payables	5,790,772	6,550,669	-11.60%
Income Tax Payable	6,786,203	3,259,524	108.20%
Total Liabilities	37,576,975	96,860,217	-61.20%
Capital Stock	75,000,000	30,000,000	150.00%
Retained Earnings	65,667,977	25,403,648	158.50%
Total Stockholders' Equity	140,667,977	55,403,648	153.90%

Cash

Cash decreased by 41.26% to ₱5.93 million as of December 31, 2011 from ₱10.10 million as of December 31, 2010. This decrease was primarily due to repayment of bank loans and advances from officers and shareholders.

Loans receivable

Loans receivable increased by 16.76% to ₱150.0 million as of December 31, 2011 from ₱128.47 million as of December 31, 2010. This was primarily due to an increase in loan releases which occurred during the fourth quarter of 2011.

Property and equipment

Property and equipment increased by 39.70% to ₱15.46 million as of December 31, 2011 from ₱11.07 million as of December 31, 2010. This increase was due to the acquisition of a new condominium unit amounting to ₱5.55 million for business expansion. Total purchases are offset by normal depreciation of properties and equipment. No impairment loss was recognized in 2011.

Deferred tax asset

Deferred tax asset increased by 60.95% to ₱2.55 million as of December 31, 2011 from ₱1.59 million as of December 31, 2010. This increase was mainly due to tax impact of impairment loss recorded during the year.

Other assets

Other assets are mostly composed of advances to employees and clients, prepayments and other miscellaneous deposits.

Other assets increased by 311.99% from ₱1.05 million as of December 31, 2010 to ₱4.31 million as of December 31, 2011. The increase was mainly due to increase in advances made to borrowers.

Loans payable

Loans payable decreased by 71.28% to ₱25 million as of December 31, 2011 from ₱75 million as of December 31, 2010. This was due to repayment of bank loans on December 21, 2011 amounting to ₱50 million and full repayment of advances from officers and shareholders amounting to ₱12.06 million.

Accrued expenses and other payables

Accrued expenses and other payables includes unpaid utilities, professional fees, retirement benefit obligations, withholding taxes and interest and among expenses. Accrued expenses and other payables decreased by 11.60% to ₱5.79 million as of December 31, 2011 from ₱6.55 million as of December 31, 2010. The decrease was due to accrual of audit fees in 2010 for years 2008-2010.

Income tax payable

Income tax payable increased by 108.20% to ₱6.79 million as of December 31, 2011 from ₱3.26 million as of December 31, 2010. This was primarily due to an increase in net income driven by growth in the Company's loan portfolio.

Capital stock

The Company is authorized to issue 75 million common shares with a ₱1.00 par value. In 2011, the Company issued additional 45 million additional shares as additional investment of stockholders.

Retained earnings

Retained earnings increased by 158.50% to ₱65.67 million as of December 31, 2011 from ₱25.40 million as of December 31, 2010. This was due to an increase in net income to ₱40.26 million for the year ended December 31, 2011 from ₱15.19 million for the year ended December 31, 2010.

Financial Condition as at December 31, 2011 compared to as at December 31, 2010

RESULTS OF OPERATIONS 2011 vs. 2010

	Dec. 2011	Dec. 2010	% Change
OFW financing program	69,023,622	31,067,433	122.17%
Salary and emergency loan	6,956,016	6,697,434	3.86%
Cash in banks	53,555	33,116	61.72%
Total Interest Income	76,033,193	37,797,983	101.16%
Less: Interest expense	5,548,369	1,979,340	180.31%
Net interest income	70,484,824	35,818,643	96.78%
Less: Impairment loss	3,426,509	2,662,384	28.70%
Net interest income after impairment loss	67,058,315	33,156,259	102.25%
Add : Other operating income	12,904,907	6,605,085	95.38%
Other operating expenses:			
Salaries and employee benefits	6,991,143	6,739,438	3.73%
Taxes and licenses	5,432,072	2,824,887	92.29%
Professional fees	763,880	1,073,800	-28.86%
Contractual services	1,508,085	778,040	93.83%
Depreciation	1,623,487	1,315,433	23.42%
Communication and utilities	1,228,063	903,372	35.94%
Office supplies	1,028,223	534,535	92.36%
Marketing and collection	1,096,158	1,417,797	-22.69%
Unrealized foreign currency losses	-	695,367	-100%
Dues and subscriptions	490,596	379,062	29.42%
Insurance	296,501	387,866	-23.56%
Miscellaneous	1,921,962	1,000,915	92.02%
Less: Total Operating expenses	22,380,170	18,050,512	23.99%
Profit before tax	57,583,052	21,710,832	165.23%
Tax expense	17,318,722	6,517,498	165.73%
Net profit	40,264,330	15,193,334	165.01%

Results of Operations for the year ended December 31, 2011 compared to the year ended December 31, 2010.

Interest Income

For the year ended December 31, 2011, the Company recorded interest income of ₱76.03 million, which was 101.16% higher than interest income of ₱37.80 million for the year ended December 31, 2010. The increase was mainly attributable to growth in loans receivable.

Interest Income on OFW Loans

For the year ended December 31, 2011, the Company recorded interest income on OFW financing program of ₱69.02 million, which was 122.17% higher than interest income of ₱31.07 million for the year ended December 31, 2010. The increase was attributable to a growth in loan releases to OFWs amounting to ₱173.34 million in 2011 from ₱112.41 million in 2010.

Interest Income Cash in Banks

For the year ended December 31, 2011, the Company recorded interest income on bank deposits of ₱53,555, which was 61.72% higher than interest income of ₱33,116 for the year ended December 31, 2010. This increase was attributable to higher interest income on bank deposits resulting from greater average daily balance.

Interest Expense

For the year ended December 31, 2011, the Company recorded interest expense of ₱5.55 million, which was 180.31% higher than interest expense of ₱1.98 million for the year ended December 31, 2010. The increase was attributable to higher bank loan availments for the entire year.

OTHER INCOME

Other income is composed of processing fees, penalties and rental income.

Other income significantly increased by 95.38% mainly due to the processing fees and penalties charged to borrowers. The volume of OFW and Salary Loan borrowers and the amount borrowed caused the significant increase in other income.

Operating Expenses

For the year ended December 31, 2011, operating expenses was ₱22.38 million, which was 23.99% higher than the operating expenses of ₱18.05 million for the year ended December 31, 2010.

□□ Taxes and Licenses

For the year ended December 31, 2011, operating expenses related to taxes and licenses was ₱5.43 million, which was 92.29% higher than the operating expenses of ₱2.82 million for the year ended December 31, 2010. This was attributable to an increase in gross receipts tax driven by a growth in interest income and increase in documentary stamp taxes due to additional bank loan availments.

□□ Professional fees

For the year ended December 31, 2011, operating expenses related to professional fees was ₱763,880, which was 28.86% lower than the operating expenses of ₱1.07 million for the year ended December 31, 2010. This was primarily attributable to a decrease in audit fees for 2011 vis-à-vis the expanded three year audit service fees covering the years 2008-2010.

□□ Contractual services

For the year ended December 31, 2011, operating expenses related to contractual services was ₱1.51 million, which was 93.83% higher than the operating expenses of ₱778,040 for the year ended December 31, 2010. This was attributable to additional hiring of contractual employees.

□□ Depreciation

For the year ended December 31, 2011, operating expenses related to depreciation was ₱1.62 million, which was 23.42% higher than the operating expenses of ₱1.32 million for the year ended December 31, 2010. This was attributable to additional purchase of computer equipments, furniture and fixtures and leasehold improvement.

□□Communication and Utilities

For the year ended December 31, 2011, operating expenses related to communications and utilities was ₱1.23 million, which was 35.94% higher than the operating expenses of ₱903,372 for the year ended December 31, 2010. This was attributable to the half year utilities expense of the office space the Company bought.

□□Office Supplies

For the year ended December 31, 2011, operating expenses related to office supplies was ₱1.03 million, which was 92.36% higher than the operating expenses of ₱534,535 for the year ended December 31, 2010. This was primarily attributable to an increase in purchases of office supplies and company uniforms.

□□Marketing and collection fees

For the year ended December 31, 2011, operating expenses related to marketing and collection fees was ₱1.10 million, which was 22.69% lower than the operating expenses of ₱1.42 million for the year ended December 31, 2010. This was attributable to a decrease of orders in marketing materials.

□□Dues and subscriptions

For the year ended December 31, 2011, operating expenses related to dues and subscriptions was ₱490,596, which was 29.42% higher than the operating expenses of ₱379,062 for the year ended December 31, 2010. This was primarily attributable to increase in additional association dues from the office space the Company bought.

□□Insurance

For the year ended December 31, 2011, operating expenses related to insurance was ₱296,501, which was 23.56% lower than the operating expenses of ₱387,866 for the year ended December 31, 2010. This was attributable to lower annual membership premium for the Company's medical insurance.

□□Miscellaneous

For the year ended December 31, 2011, operating expenses related to miscellaneous was ₱1.92 million, which was 92.02% higher than the operating expenses of ₱1.00 million for the year ended December 31, 2010. This was attributed to an increase in out-of-pocket expenses relating to audit fees.

KEY PERFORMANCE INDICATORS:

Ratios	2013	2012	2011
Current ratio	29.21	2.86	4.25
Asset to equity ratio	1.03	1.48	1.27
Debt-to-equity ratio	0.03	0.48	0.27
Net debt-to-equity ratio	(0.55)	0.10	0.22
Return on assets	0.15	0.16	0.24
Return on equity	0.18	0.23	0.41
Interest rate coverage ratio	29.51	16.82	11.38

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of _____ on _____.

AG FINANCE INCORPORATED
Issuer

(Name)
Chief Finance Officer

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of AG Finance Incorporated is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

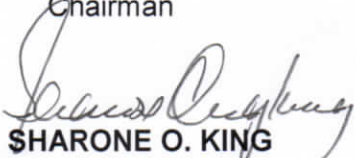
Punongbayan & Araullo, the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.



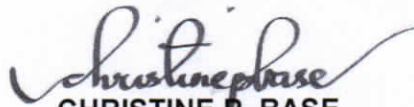
TONY O. KING
Chairman



LEILA E. JORGE
President



SHARONE O. KING
Treasurer




CHRISTINE P. BASE
Corporate Secretary

MAY 02 2014

SUBSCRIBED AND SWORN TO before me this _____ in the city of Makati City,
affiants exhibiting to me their Competent Evidence of Identity.

Names	TIN	Date of Issue	Place of Issue
Tony O. King	103-901-321		
Leila E. Jorge	107-062-107		
Sharone O. King	217-608-047		
Christine P. Base			DFA, Manila

Doc No: 57
Page No: 12
Book No: 1
Series of 2014.



JOSE FIDEL R. ACUÑA
Roll No. 42056, Commission No. M-589
Notary Public for Makati City until 31 December 2014
PTR No. 4233022, Makati City, 6 January 2014
IBP Lifetime Roll No. 011846 / April 18, 2013 / Pangasinan Chapter
Pacis & Reyes Law Office
8/F, Chatham House, 116 Valero cor. V.A. Rufino Sts.
Ortigues Village, Makati City, Philippines 1306

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

AG FINANCE INCORPORATED

**RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2013**

Unappropriated retained earnings, beginning	43,255,021
Adjustments:	
Prior year's outstanding reconciling items – deferred tax income	(4,314,288)
Appropriations for future development	-
Cumulative mark-to-market gains on investments held for trading	-
Cumulative equity in net loss of associate	-
Unappropriated retained earnings, as adjusted, beginning	38,940,733
Net income during the year closed to retained earnings	60,292,395
Less: Mark- to-market gain on investments held for trading	
Add: Equity in net loss of associate	-
Non-actual/unrealized income – deferred tax income	(3,784,370)
Stock dividends declared in 2013	-
Cash dividends declared in 2013	-
Appropriations for future development in 2013	-
Unappropriated retained earnings, as adjusted, ending	95,448,758