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SEC Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

<b>Ms. Catherine L. Ong</b>
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(Contact Person)

<b>8636-5411</b>
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(Company Telephone Number)

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*Month Day*

(Calendar Year)

**17-Q**

(Form Type)

**September 30, 2021**

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*Month Day*

(Annual Meeting)

<b>Broker</b>
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(Secondary License Type, If Applicable)

<b>CFD</b>
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Dept. Requiring this Doc.

<b>Not Applicable</b>
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Amended Articles  
Number/section

<b>34</b>
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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

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

1. For the quarterly period ended: **September 30, 2021**
2. Commission identification number **A199910065**
3. BIR Tax Identification No. **203-523-208-000**
4. Exact name of issuer as specified in its charter: **COL FINANCIAL GROUP, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **Pasig City, Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office: **2401-B East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City** Postal Code: **1605**
8. Issuer's telephone number, including area code: **(632) 8636-5411**
9. Former name, former address and former fiscal year, if changed since last report: **Not Applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common</b>	<b>4,760,000,000 shares</b>

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes [  ] No [  ]

12. Indicate by check mark whether the registrant:

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

Yes [  ] No [  ]

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes [  ] No [  ]

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements.

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

### Item 2. Management’s Discussion and Analysis (MD&A) of Financial Conditions and Results of Operations.

The following is a discussion and analysis of the financial performance of COL Financial Group, Inc. (“COL”, “COL Financial”, or “the Parent Company”) and its subsidiaries collectively referred to as “the Group”. The discussion aims to provide readers with an appreciation of its business model and the key factors underlying its financial results. The MD&A should be read in conjunction with the unaudited consolidated financial statements of the Group filed as part of this report.

#### Company Overview

COL Financial Group, Inc., a publicly listed company in the Philippine Stock Exchange (PSE), is the leading online financial services provider in the Philippines. Incorporated on August 16, 1999, COL aims to be the most trusted wealth-building partner of every Filipino that provides practical and ethical financial products through value-driven and innovative solutions to help them achieve their financial goals.

After completing and passing the rigid regulatory requirements, COL launched in January 2001 its proprietary online trading platform. Through [www.colfinancial.com](http://www.colfinancial.com), COL offers real-time market information and execution, superior investing tools and functionalities, and comprehensive stock market research and analysis to guide independent investors make well-informed investment decisions.

To provide investors with online access to the HK stock market, COL established its wholly-owned foreign subsidiary COL Securities (HK) Limited (the “HK Subsidiary” or “COLHK”) on June 20, 2001. COLHK customers’ access to the global markets was further expanded when COLHK entered into a non-disclosed broker account with Interactive Brokers (IB) in August 2014, which allowed its customers to gain access and electronically trade global equity markets including but not limited to Japan, USA, Singapore, Germany, and China (via Shanghai-Hong Kong Stock Connect).

As part of COL’s commitment to provide more useful products and services to help its customers build genuine wealth, COL launched in July 2015 COL Fund Source, the first and leading online mutual fund supermarket in the Philippines which provides investors access to a wide selection of mutual funds.

To diversify COL’s portfolio as a one-stop shop online platform for capital market products, it has set up in 2019 its own asset management firm, COL Investment Management, Inc. (CMI) to serve as the fund manager for COL Equity Index Unitized Mutual Fund, Inc. (CEIUMF) and COL Cash Management Unitized Mutual Fund, Inc. (CCMUF).

#### Business Model

COL Financial derives a significant proportion of its revenues from its stock brokerage business in the Philippines. Most of the revenues generated from its Philippine operations include: 1) commission generated from stock trades, 2) interest income from margin financing, and 3) interest income made from short-term placements.

COL also derives revenues from the trail fees arising from its fund distribution business and from commissions earned by its stock brokerage business in HK through its wholly-owned subsidiary COLHK.

With its solid foundation deeply rooted in its core values of passion, integrity, commitment, excellence and teamwork, COL is well-positioned to capitalize both on the anticipated development of the capital markets as well as the vast opportunities of increasing the retail investor base in the Philippines.

### **Industry and Economic Review**

Philippine stocks had a volatile performance during the first nine months of 2021.

After climbing to as high as 7,304.8, the Philippine Stock Exchange index (PSEi) fell to a low of 6,164.9 in May. Sentiment for stocks deteriorated after the inflation rate exceeded the 2.0% to 4.0% target range of the Bangko Sentral ng Pilipinas (BSP). Appetite for stocks was also negatively affected by the surge in the number of COVID-19 infections, forcing the government to reimpose the enhanced community quarantine (ECQ), which is the strictest form of lockdown, in the national capital region (NCR) and four neighboring provinces beginning the last week of March.

The index recovered to as high as 7,036.38 in June, only to succumb to another sell-off in July, as the number of COVID-19 infections once again surged due to the spread of the highly contagious delta variant. This forced the government to reimpose ECQ in most parts of the country beginning in August 6.

However, the PSEi began to recover in the middle of August. Although the number of infections in the country had not yet peaked, the market benefited from the growing interest in ASEAN stocks as foreign investors shifted away from Chinese stocks due to heightened regulatory concerns. Sentiment likewise improved as ASEAN countries were reopening their economies due to the falling number of COVID-19 cases brought about by the spread of the delta variant earlier during the year. The improving sentiment for Philippine stocks was sustained in September as the number of COVID-19 cases in the country also started falling towards the end of the month. The Philippines is also expected to be one of the major beneficiaries of the soon to be available anti-viral drugs to treat COVID-19.

As of end September, the PSEi index closed at 6,952.9, down by 2.6% compared to end December. Value turnover in the PSE increased by 32.3% year-on-year to ₱1,568.0 billion during the first nine months. However, local stock brokers benefited more from the increase in value turnover as local investors accounted for 70.0% of the PSE's total value turnover, up from around 53.0% historically. During the first nine months of the year, foreign investors' value turnover fell by 6.7%.

### **Business Review**

#### **Key Performance Indicators**

COL is committed to maximizing profitability through the efficient use of its resources with the ultimate objective of increasing shareholder value. Consequently, COL regularly monitors and reviews the effectiveness of its corporate activities and key performance indicators which are considered important in measuring the success of implemented financial and operating strategies and concomitant action plans. Set out below are some of its key performance indicators:

	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Number of Customer Accounts*	478,673	404,183
Customers' Net Equity (in millions)	₱111,474.6	₱78,453.1

	September 30, 2021	September 30, 2020
Revenues (in millions)	₱1,057.8	₱690.8
Annualized Return on Equity	40.0%	23.2%
Risk Based Capital Adequacy Ratio*	414%	346%
Liquid Capital** (in millions)	HKD33.65	HKD26.35

\* Parent Company only

\*\*HK Subsidiary

COL's client base continued to grow, with the **number of customer accounts** for its Philippine operations increasing by 18.4% year-on-year to 478,673 as of end September 2021. More retail investors opened accounts as they were encouraged by the strong performance of the stock market last year and the active trading of third line issues in early 2021. The lockdowns also gave them more time to trade and invest in the stock market. **Net equity** of retail customers likewise increased sharply by 42.1% year-on-year to ₱111.5 billion as of end September 2021, driven by the higher value of stocks compared to the same period last year and net new cash inflows from COL's growing number of clients. Note that the PSEi ended the first nine months of 2021 higher by 18.6% compared to end September 2020 while net new cash inflows reached ₱13.2 billion during the past twelve months.

Consolidated **revenues** during the first nine months increased by 53.1% to ₱1.1 billion due to the significant increase in commission revenues, higher trail fees and the booking of trading gains, partly offset by the sharp drop in interest income resulting from lower yields on cash placements.

The strong growth in revenues coupled with the single digit increase in fixed operating costs and lower effective tax rate led to the 97.8% jump in consolidated net income to ₱583.2 million. The significant improvement in profits allowed annualized **return on average equity (ROE)** to improve to 40.0% in the first nine months of 2021 from 23.2% during the same period in 2020.

During the first nine months of 2021, both the Parent Company and its HK subsidiary continued to meet the stringent rules of regulators in the Philippines and Hong Kong. As of end September 2021, the Parent Company's **Risk Based Capital Adequacy Ratio (RBCA)** reached 414%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD33.7 million of **liquid capital**. This is also well above the minimum requirement of HKD3.0 million or 5% of adjusted liabilities.

#### **Material Changes in Financial Condition (September 30, 2021 vs December 31, 2020)**

COL's asset base fell by 2.8% to ₱13.3 billion as of end September 2021 compared to its end 2020 level.

Cash and cash equivalents, cash in a segregated account and short-term time deposits composed mainly of cash in banks and special time deposits fell by 40.6% to ₱3.4 billion as of end September 2021. This was largely due to management's decision to place more funds in Treasury bills which earn higher yields compared to bank deposits. Consequently, investment securities at amortized cost increased by 32.4% to ₱8.6 billion from ₱6.5 billion as of end December, reflecting the higher exposure to Treasury bills.

Another factor that led to the drop in COL's cash position was the decline in client cash as reflected by the reduction in trade payables. Trade payables fell by 4.4% to ₱11.0 billion for the year-to-date period, largely due to the 6.1% reduction in client cash due to higher deployment of funds and increased participation in initial public offerings.

Total trade receivables fell by 18.7% to ₱918.9 million. This was largely due to the 69.4% drop in the value of receivables from the clearing house as there were fewer selling transactions as of end September compared to the last three trading days of 2020. This in turn was partly offset by the 3.2% increase in the value of margin loans for the year-to-date period to ₱720.6 million as of end September.

Other receivables also fell by 16.6% to ₱31.7 million. This was mainly due to the drop in the value of mutual fund redemptions, reducing the size of receivables from asset management companies by 48.4% to ₱9.0 million.

Prepayments more than doubled to ₱13.1 million because of higher local taxes paid in January, health and life insurance premiums paid in July, and advance payments made to procure COVID-19 vaccines for employees.

Property and equipment decreased by 18.4% to ₱93.7 million. The amount of capital expenditures made for the year-to-date period was much less than the size of depreciation expenses as most of the required capital expenditures were already completed in 2019.

As discussed earlier, trade payables fell by 4.4% to ₱10.9 billion for the year-to-date period, as 90.0% of the net cash inflows was deployed in trading transactions while around ₱2.1 billion was used in subscription to initial public offerings resulting to the 6.1% reduction in client cash. This was partly offset by the 515.4% increase in the amount payable to the clearing house because of the higher amount of gross buying transactions booked during the last two days in September 2021 as compared to the value traded towards the end of December 2020.

Other current liabilities were down by 62.8% to ₱75.2 million due to the lower amount of sales tax due for remittance after the cut-off period, unposted customer deposits and mutual fund redemption payables as at end of reporting period. Moreover, the management bonus accrued as at end of 2020 was released in January 2021.

Income tax payable decreased by 55.9% to ₱22.0 million due to the settlement of the Parent Company's 2020 tax dues in April, and the lower amount of income taxes booked during the period in review.

Stockholders' equity was up by 15.5% to ₱2.1 billion due to the booking of ₱583.2 million in net income during the first nine months of 2021, less the payment of ₱309.4 million in cash dividends.

### **Material Changes in the Results of Operations (September 30, 2021 vs September 30, 2020)**

COL's consolidated revenues during the first nine months of 2021 increased by 53.1% to ₱1.1 billion from ₱690.8 million. Except for interest income, all revenue items improved. Cost of services increased by 25.5% to ₱169.2 million, largely driven by higher commission charges, trading charges, central depository fees and communication costs. Meanwhile, operating expenses which are largely fixed in nature, rose by 7.8% to ₱169.1 million. Given the slower increase in cost of services and operating expenses, operating profits jumped 80.3% to ₱719.5 million from ₱399.0 million. Provision for income taxes increased by a slower pace of 31.9% to ₱134.4 million, mainly due to the passage of the CREATE Law which resulted to a drop in the effective tax rate. Because of the foregoing movements, net income almost doubled by 97.8% to ₱583.2 million in the first nine months of 2021.

COL's revenues increased largely due to the higher trading activity of retail investors in the local stock market. Commission revenues jumped by 78.6% from ₱457.9 million to ₱817.9 million in the first nine months of 2021 as average daily value turnover in the PSE increased by 30.1% during the period in review. COL's revenues grew by a much faster pace as its market share improved from 7.0% to 9.9% on a year-on-year basis during the first nine months of the year.

COL also benefited from the 28.0% increase in trail fees brought about by the higher value of mutual fund assets under administration (AUA), and the booking of ₱52.4 million in trading gains.

On the other hand, interest income fell sharply by 37.6% to ₱128.3 million largely due to the

steep drop in yields on cash placements. Note that yields on placements fell significantly due to the BSP's move to cut rates and banks' reserve requirement ratio (RRR) last year in response to the COVID-19 crisis. Banks also reduced deposit rates because of ample liquidity in the market and weak loan demand. Lower interest income from placements was partly offset by the 46.7% increase in interest income from margin loans due to the ₱254.6 million increase in margin utilization during the twelve-month period.

Cost of services increased by 25.5% to ₱169.2 million due to the higher trading activity of customers. Stock exchange dues and fees, and trading charges to complete customers' transactions rose by 9.4% and 184.8% to ₱19.5 million and ₱42.5 million, respectively. Most of the other expenses that are part of cost of services also increased. Commission expenses rose by 30.3% to ₱23.9 million, central depository fees climbed by 63.7% to ₱7.4 million, while other cost of services was higher by 19.4% to ₱32.7 million, led by higher communication costs.

Research cost was flat at ₱1.8 million, while personnel costs were lower by 17.3% to ₱41.3 million. However, the drop in personnel cost was largely due to the reallocation of some personnel costs from cost of services to operating expenses. Personnel costs booked under operating expenses increased by 31.0% to ₱54.4 million.

Meanwhile, professional fees which are booked under operating expenses increased by 5.4% to ₱35.0 million due to the engagement of an additional consultant in 2021 for the Parent Company's IT projects in the pipeline.

Marketing and promotional expenses fell sharply by 42.7% to ₱2.4 million as the Parent Company no longer organized large scale investor seminars because of the COVID-19 pandemic. The Parent Company instead made a pivotal refocus on online marketing and promotional efforts to generate a sustained stream of consumer interest and market guidance.

Membership fees and dues increased significantly by 119.6% to ₱2.1 million in the first nine months of 2021. This was largely due to the booking of the substitutional listing fee amounting to ₱428,400 after the Parent Company finalized its 10-for-1 stock split in January 2021. The Parent Company's annual listing fee also increased because of its higher market capitalization in 2020 compared to 2019 which was the basis for the computation of fees paid in 2021.

Communications expense booked under operating expense rose by 16.6% ₱1.1 million. Combined with communications expenses booked under cost of services, total communications expense rose by 21.3% to ₱31.9 million. Communications expense increased as the Parent Company availed of additional DDoS protection service and domestic leased lines in 2021.

Total expenses comprised of cost of services and operating expenses increased by 16.0% to ₱338.3 million. Since revenues grew faster than expenses, income before income tax jumped by 80.9% from ₱396.8 million to ₱717.6 million.

Net profits increased by an even faster pace of 97.8% to ₱583.2 million from ₱294.9 million as the effective tax rate dropped sharply from 25.7% to 18.7% during the nine-month period. The Parent Company also booked a tax adjustment of ₱9.9 million pertaining to 2020 taxable income due to the adoption of the lower tax rate under CREATE Act in April 2021.

## **Other Matters**

- a. COL is not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group has not defaulted in paying its obligations, which arise mostly from withdrawals made by customers. In addition, obligations of the Parent Company are fully funded in compliance with the Securities Regulation Code (SRC) Rule 49.2 while COLHK Subsidiary maintains a fund for the exclusive benefit of its customers in compliance with the regulations of the

Securities and Futures Commission of Hong Kong.

- b. COL is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
- c. COL is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with other persons created during the reporting period.
- d. COL is not aware of any material commitments for capital expenditures.
- e. COL is not aware of any known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations of the Group.
- f. COL is not aware of any significant elements of income or loss that did not arise from the Group's continuing operations.
- g. COL is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

## **PART II – OTHER INFORMATION**

Not applicable. There are no material disclosures that have not been reported under SEC Form 17-C covered by this period.



**SIGNATURES**

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

Registrant: **COL FINANCIAL GROUP, INC.**

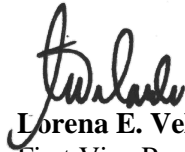
By:



**Conrado F. Bate**  
President and Chief Executive Officer  
November 18, 2021



**Catherine L. Ong**  
Senior Vice President and Treasurer  
November 18, 2021



**Lorena E. Velarde**  
First Vice President and Chief Financial Officer  
November 18, 2021

**COL FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	September 30, 2021 (Unaudited)			December 31, 2020 (Audited)		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents (Note 4)	<b>₱3,332,272,689</b>			₱5,449,130,303		
Cash in a segregated account (Note 5)	<b>101,726,456</b>			133,246,671		
Short-term time deposit (Note 4)	-			200,000,000		
Financial assets at fair value through profit or loss (Note 6)	<b>153,207,075</b>	<b>₱1,521,517</b>		35,524,329		₱5,573,619
Investment securities at amortized cost (Note 8)	<b>8,254,734,679</b>			6,163,007,003		
Trade receivables (Notes 7 and 20)	<b>918,928,776</b>	<b>6,914,730,121</b>		1,129,929,615		5,871,374,410
Other receivables (Notes 7 and 20)	<b>31,698,876</b>			38,028,477		
Prepayments	<b>13,086,059</b>			6,396,907		
Other current assets (Note 12)	<b>479,210</b>			309,925		
<b>Total Current Assets</b>	<b>12,806,133,820</b>			<b>13,155,573,230</b>		
<b>Noncurrent Assets</b>						
Investment securities at amortized cost (Note 8)	<b>300,200,000</b>			300,200,000		
Property and equipment (Note 9)	<b>93,658,683</b>			114,808,220		
Investment property (Note 10)	<b>14,226,660</b>			14,883,275		
Intangibles (Note 11)	<b>12,713,510</b>			15,566,291		
Deferred tax assets (Note 19)	<b>15,071,106</b>			24,989,839		
Other noncurrent assets (Note 12)	<b>73,107,389</b>			69,043,026		
<b>Total Noncurrent Assets</b>	<b>508,977,348</b>			<b>539,490,651</b>		
<b>TOTAL ASSETS</b>	<b>₱13,315,111,168</b>			<b>₱13,695,063,881</b>		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited					<b>₱101,504,653,625</b>	<b>₱97,069,338,829</b>

(Forward)

	September 30, 2021 (Unaudited)			December 31, 2020 (Audited)		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables (Notes 13 and 20)	₱10,993,936,846	₱94,588,401,987		₱11,500,888,504	₱91,192,390,800	
Lease liabilities - current portion (Note 21)	20,888,324			18,737,554		
Income tax payable	22,043,556			50,007,310		
Other current liabilities (Note 14)	75,163,866			202,223,864		
<b>Total Current Liabilities</b>	<b>11,112,032,592</b>			<b>11,771,857,232</b>		
<b>Noncurrent Liabilities</b>						
Lease liabilities – net of current portion (Note 21)	21,944,013			25,391,876		
Retirement obligation (Notes 18 and 20)	69,075,170			69,075,170		
<b>Total Noncurrent Liabilities</b>	<b>91,019,183</b>			<b>94,467,046</b>		
<b>Total Liabilities</b>	<b>11,203,051,775</b>			<b>11,866,324,278</b>		
<b>Equity</b>						
Capital stock (Note 15)	476,000,000			476,000,000		
Capital in excess of par value	53,219,024			53,219,024		
Accumulated translation adjustment	15,890,034			4,340,450		
Loss on remeasurement of retirement obligation (Note 18)	(30,407,567)			(28,380,396)		
Retained earnings: (Note 15)						
Appropriated	424,800,068			380,579,722		
Unappropriated	1,153,770,611			922,983,187		
<b>Equity Attributable to the Equity Holders of the Parent Company</b>	<b>2,093,272,170</b>			<b>1,808,741,987</b>		
<b>Non-controlling Interest</b> (Note 15)	<b>18,787,223</b>			<b>19,997,616</b>		
<b>Total Equity</b>	<b>2,112,059,393</b>			<b>1,828,739,603</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱13,315,111,168</b>	<b>₱101,504,653,625</b>	<b>₱101,504,653,625</b>	<b>₱13,695,063,881</b>	<b>₱97,069,338,829</b>	<b>₱97,069,338,829</b>

See accompanying Notes to Consolidated Financial Statements.

**COL FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2021	2020	2021	2020
<b>REVENUES</b> (Note 16)				
Commissions	<b>₱817,921,884</b>	₱457,902,310	<b>₱178,033,525</b>	₱157,629,420
Others:				
Interest income (Notes 4, 5, 6, 7, 8 and 20)	<b>128,260,252</b>	205,385,597	<b>44,079,488</b>	50,084,338
Trading gains (losses) - net (Note 6)	<b>52,393,485</b>	(457,345)	<b>169,022</b>	902,139
Trail fees	<b>15,664,520</b>	12,240,567	<b>5,431,154</b>	4,342,982
Others (Notes 6 and 9)	<b>43,590,077</b>	15,708,628	<b>9,229,523</b>	5,259,833
	<b>1,057,830,218</b>	690,779,757	<b>236,942,712</b>	218,218,712
<b>COST OF SERVICES</b>				
Stock exchange dues and fees (Note 16)	<b>61,983,450</b>	32,742,559	<b>13,073,076</b>	15,571,063
Personnel costs (Notes 17, 18 and 20)	<b>41,305,481</b>	49,936,619	<b>12,178,536</b>	13,742,193
Commission expense (Note 20)	<b>23,912,032</b>	18,356,150	<b>8,850,337</b>	5,452,632
Central depository fees	<b>7,449,330</b>	4,550,239	<b>2,470,482</b>	1,610,611
Research	<b>1,848,556</b>	1,850,498	<b>633,914</b>	615,319
Others:				
Communications	<b>30,790,307</b>	25,346,060	<b>10,522,060</b>	8,234,967
Others	<b>1,933,349</b>	2,066,790	<b>580,615</b>	786,798
	<b>169,222,505</b>	134,848,915	<b>48,309,020</b>	46,013,583
<b>GROSS PROFIT</b>	<b>888,607,713</b>	555,930,842	<b>188,633,692</b>	172,205,129
<b>OPERATING EXPENSES</b>				
Administrative expenses:				
Personnel costs (Notes 17, 18 and 20)	<b>54,395,570</b>	41,537,976	<b>16,625,369</b>	11,747,172
Professional fees (Note 20)	<b>34,995,889</b>	33,208,436	<b>10,939,556</b>	10,582,247
Taxes and licenses	<b>4,936,606</b>	5,840,217	<b>1,641,608</b>	1,179,312
Insurance and bonds	<b>3,821,149</b>	3,938,621	<b>1,462,771</b>	1,459,565
Repairs and maintenance	<b>3,527,152</b>	3,596,713	<b>1,361,524</b>	1,162,957
Condominium dues	<b>3,072,048</b>	3,311,640	<b>999,861</b>	1,107,789
Security and messengerial services	<b>2,988,780</b>	3,689,406	<b>1,027,960</b>	1,032,735
Power, light and water	<b>2,736,274</b>	2,928,316	<b>1,017,670</b>	986,296
Advertising and marketing	<b>2,420,371</b>	4,224,487	<b>708,508</b>	1,546,815
Membership fees and dues	<b>2,063,668</b>	939,656	<b>543,317</b>	346,993
Periodicals and other subscriptions	<b>1,530,946</b>	385,077	<b>611,520</b>	207,400
Directors' fees (Note 20)	<b>1,265,000</b>	775,000	<b>400,000</b>	200,000
Office supplies	<b>1,117,408</b>	1,523,405	<b>202,174</b>	479,476
Communications	<b>1,099,412</b>	943,292	<b>282,680</b>	324,472
Rentals (Note 21)	<b>262,800</b>	433,537	<b>163,152</b>	271,874
Trainings, seminars and meetings	<b>149,718</b>	538,765	<b>51,263</b>	70,257
Others	<b>1,733,170</b>	1,438,424	<b>558,707</b>	270,030
	<b>122,115,961</b>	109,252,968	<b>38,597,640</b>	32,975,390
Depreciation and amortization (Notes 9, 10, 11 and 21)	<b>46,600,174</b>	47,557,599	<b>15,079,627</b>	15,642,083
Provision for (recovery from) credit losses (Notes 7)	<b>407,558</b>	90,947	<b>324,782</b>	(97,625)
	<b>169,123,693</b>	156,901,514	<b>54,002,049</b>	48,519,848
<b>OTHER INCOME (LOSSES)</b>				
Interest expense (Note 21)	<b>(1,790,965)</b>	(2,314,354)	<b>(551,288)</b>	(721,872)
Foreign exchange gains (losses) – net	<b>(111,256)</b>	72,364	<b>47,646</b>	152,476
Gain on disposal of property and equipment (Note 9)	<b>14,459</b>	–	<b>8,498</b>	–
	<b>(1,887,762)</b>	(2,241,990)	<b>(495,144)</b>	(569,396)
<b>INCOME BEFORE INCOME TAX</b>	<b>717,596,258</b>	396,787,338	<b>134,136,499</b>	123,115,885
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 16)				
Current				
Regular corporate income tax	<b>111,150,071</b>	67,162,729	<b>24,251,394</b>	22,276,829
Final income tax	<b>18,800,040</b>	35,764,781	<b>6,163,522</b>	8,213,233
Deferred	<b>4,448,770</b>	(1,005,184)	<b>(12,991)</b>	63,814
	<b>134,398,881</b>	101,922,326	<b>30,401,925</b>	30,553,876
<b>NET INCOME</b>	<b>₱583,197,377</b>	₱294,865,012	<b>₱103,734,574</b>	₱92,562,009
Attributable to:				
Equity holders of the Parent Company	<b>₱584,407,770</b>	₱296,075,689	<b>₱104,042,736</b>	₱93,023,932
Non-controlling interest (Note 15)	<b>(1,210,393)</b>	(1,210,677)	<b>(308,162)</b>	(461,923)
	<b>₱583,197,377</b>	₱294,865,012	<b>₱103,734,574</b>	₱92,562,009
<b>Earnings Per Share</b> (Note 25)				
Basic and diluted	<b>₱0.12</b>	₱0.06*	<b>₱0.02</b>	₱0.02*

\* Restated to show the retroactive effect of the ten-for-one stock split reflected in 2021  
See accompanying Notes to Consolidated Financial Statements.

**COL FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2021	2020	2021	2020
<b>NET INCOME</b>	<b>₱583,197,377</b>	₱294,865,012	<b>₱103,734,574</b>	₱92,562,009
<b>OTHER COMPREHENSIVE INCOME (LOSSES)</b>				
Items that may be reclassified subsequently to consolidated statements of income:				
Translation adjustments - net of tax	<b>11,549,584</b>	(8,356,128)	<b>9,309,280</b>	(5,696,530)
Loss on remeasurement of retirement obligation	<b>(2,027,171)</b>	—	—	—
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱592,719,790</b>	₱286,508,884	<b>₱113,043,854</b>	₱86,865,479
Attributable to:				
Equity holders of the Parent Company	<b>₱593,930,183</b>	₱287,719,561	<b>₱113,352,016</b>	₱87,327,402
Non-controlling interest (Note 15)	<b>(1,210,393)</b>	(1,210,677)	<b>(308,162)</b>	(461,923)
	<b>₱592,719,790</b>	₱286,508,884	<b>₱113,043,854</b>	₱86,865,479

*See accompanying Notes to Consolidated Financial Statements.*

**COL FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

**(With Comparative Figures for the Nine Months Ended September 30, 2020)**

**Equity Attributable to the Equity Holders of the Parent Company**

	Capital Stock (Note 15)	Capital In Excess of Par Value	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation (Note 18)	Retained Earnings		Total	Non-controlling Interest (Note 15)	Total Equity
					Appropriated (Note 15)	Unappropriated (Note 15)			
Balances at January 1, 2021	<b>₱476,000,000</b>	<b>₱53,219,024</b>	<b>₱4,340,450</b>	<b>(₱28,380,396)</b>	<b>₱380,579,722</b>	<b>₱922,983,187</b>	<b>₱1,808,741,987</b>	<b>₱19,997,616</b>	<b>₱1,828,739,603</b>
Total comprehensive income (loss)	–	–	11,549,584	(2,027,171)	–	584,407,770	593,930,183	(1,210,393)	592,719,790
Appropriation of retained earnings (Note 15)	–	–	–	–	44,220,346	(44,220,346)	–	–	–
Declaration of cash dividends (Note 15)	–	–	–	–	–	(309,400,000)	(309,400,000)	–	(309,400,000)
<b>Balances at September 30, 2021</b>	<b>₱476,000,000</b>	<b>₱53,219,024</b>	<b>₱15,890,034</b>	<b>(₱30,407,567)</b>	<b>₱424,800,068</b>	<b>₱1,153,770,611</b>	<b>₱2,093,272,170</b>	<b>₱18,787,223</b>	<b>₱2,112,059,393</b>
Balances at January 1, 2020	₱476,000,000	₱53,219,024	₱14,516,424	(₱32,236,855)	₱332,507,131	₱879,945,260	₱1,723,950,984	₱22,098,617	₱1,746,049,601
Total comprehensive income (loss)	–	–	(8,356,128)	–	–	296,075,689	287,719,561	(1,210,677)	286,508,884
Appropriation of retained earnings (Note 15)	–	–	–	–	48,072,592	(48,072,592)	–	–	–
Declaration of cash dividends (Note 15)	–	–	–	–	–	(333,200,000)	(333,200,000)	–	(333,200,000)
Balances at September 30, 2020	₱476,000,000	₱53,219,024	₱6,160,296	(₱32,236,855)	₱380,579,723	₱794,748,357	₱1,678,470,545	₱20,887,940	₱1,699,358,485

*See accompanying Notes to Consolidated Financial Statements.*

**COL FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱717,596,258</b>	₱396,787,338
Adjustments for:		
Interest income (Notes 4, 5, 7, 8, 16, and 20)	<b>(128,260,252)</b>	(205,385,597)
Depreciation and amortization (Notes 9, 10, 11 and 21)	<b>46,755,551</b>	47,660,587
Interest expense (Note 21)	<b>1,790,965</b>	2,314,354
Unrealized trading (gains) losses (Note 6)	<b>(686,271)</b>	730,362
Provision for credit losses (Note 7)	<b>407,558</b>	90,947
Other income from rent concessions (Note 21)	<b>(57,570)</b>	–
Loss on lease modification (Note 21)	<b>49,638</b>	–
Dividend income (Note 6)	<b>(31,684)</b>	(35,095)
Gain on disposal of property and equipment (Note 9)	<b>(14,459)</b>	–
Contribution to the retirement fund	<b>–</b>	(19,155,236)
Operating income before working capital changes	<b>637,549,734</b>	223,007,660
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Cash in a segregated account	<b>31,520,215</b>	23,519,673
Short-term time deposit	<b>200,000,000</b>	200,000,000
Financial assets at FVTPL	<b>(116,996,475)</b>	(1,780,409)
Trade receivables	<b>233,861,814</b>	170,314,179
Other receivables	<b>27,921,281</b>	36,186,310
Prepayments	<b>(6,683,542)</b>	(3,864,115)
Other current assets	<b>(8,941,248)</b>	(4,990,095)
Increase (decrease) in:		
Trade payables	<b>(514,550,257)</b>	895,475,693
Other current liabilities	<b>(127,912,096)</b>	(7,039,075)
Net cash generated from operations	<b>355,769,426</b>	1,530,829,821
Interest received	<b>106,668,572</b>	195,852,002
Dividends received	<b>31,684</b>	35,095
Income taxes paid	<b>(153,009,079)</b>	(85,344,599)
Net cash flows provided by operating activities	<b>309,460,603</b>	1,641,372,319
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to investments at amortized cost (Note 8)	<b>(23,744,520,166)</b>	(4,032,968,259)
Proceeds from maturity of investments at amortized cost (Note 8)	<b>21,652,792,491</b>	–
Acquisitions of:		
Property and equipment (Notes 9)	<b>(4,940,968)</b>	(4,179,083)
Software and licenses (Note 11)	<b>(176,163)</b>	(278,290)
Proceeds from disposal of property and equipment (Note 9)	<b>87,329</b>	–
Net cash flows used in investing activities	<b>(2,096,757,477)</b>	(4,037,425,632)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash dividends declared and paid (Note 15)	<b>(309,400,000)</b>	(333,200,000)
Payment of principal portion of lease liabilities (Note 21)	<b>(20,160,740)</b>	(19,552,197)
Net cash flows used in financing activities	<b>(329,560,740)</b>	(352,752,197)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,116,857,614)</b>	(2,748,805,510)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>5,449,130,303</b>	8,226,032,009
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)</b>	<b>₱3,332,272,689</b>	₱5,477,226,499

*See accompanying Notes to Consolidated Financial Statements.*

# **COL FINANCIAL GROUP, INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

COL Financial Group, Inc. (the Parent Company or COL Financial) was registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 1999, primarily to engage in the business of broker of securities and to provide stockbrokerage services through innovative internet technology. The registered address of the Parent Company is Unit 2401-B East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City, Philippines.

COL Financial and its subsidiaries are collectively referred hereinto as the “Group”. The Group is engaged in offering stock brokerage and fund distribution services. The Group is also engaged in providing financial advice, in the gathering and distribution of financial and investment information and statistics and in acting as financial, commercial or business representative.

The Parent Company is a public company listed in the Philippine Stock Exchange (PSE).

On August 15, 2006, the Board of Directors (BOD) of the Parent Company approved the acquisition of the exchange trading right of Mark Securities Corporation for the purpose of making the Parent Company a PSE Trading Participant. On December 13, 2006, the BOD of PSE approved the application of the Parent Company as a Corporate Trading Participant in PSE through the transfer of the exchange trading right registered in the name of Mark Securities Corporation and the designation of Mr. Conrado F. Bate as its Nominee Trading Participant (Note 11).

The Parent Company became a clearing member of the Securities Clearing Corporation of the Philippines (SCCP) and started operating its own seat in the PSE on February 16, 2009.

In 2015, the Parent Company was registered and authorized by the SEC to distribute various mutual funds issued by the top six (6) fund providers in the Philippines.

In 2019, the Parent Company has set up its own asset management firm to diversify its portfolio as a one-stop shop online platform for capital market products. The Parent Company also plans to create unitized funds, a type of fund structure that uses pooled funds to invest with individually reported unit values for investors, which are different from the equity-laced mutual funds that it now distributes through its platform.

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### **2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Principles**

#### **Basis of Preparation**

The accompanying consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) which have been measured at fair value. The Group’s consolidated financial statements are presented in Philippine peso (PHP), which is the presentation currency under PFRS. Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be Philippine peso, except for COL Securities (HK) Limited (COLHK) whose functional currency has been determined to be HK dollar (HK\$). All values are rounded to the nearest peso, except when otherwise indicated.



### Basis of Consolidation

The consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as at September 30, 2021, after eliminating significant intercompany balances and transactions. The following are the wholly and majority-owned foreign and domestic subsidiaries of COL Financial:

Name of Subsidiaries	Principal Place of Business and Country of Incorporation	Effective Percentage of Ownership	Functional Currency
COLHK	Hong Kong	100%	HK\$
COL Investment Management, Inc. (CMI)	Philippines	70%	PHP
COL Equity Index Unitized Mutual Fund, Inc. (CEIUMF)	Philippines	100%	PHP
COL Cash Management Unitized Mutual Fund, Inc. (CCMUMF)	Philippines	100%	PHP

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

### Non-Controlling Interest

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income, and within equity in the consolidated statements of financial position, separately from equity attributable to the Parent Company.

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

#### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

#### *Deferred effectivity*

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

### Summary of Significant Accounting Policies

#### Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the prevailing functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the closing functional currency rate of exchange at the reporting period. All differences are taken to the consolidated statement of income.

On consolidation, the assets and liabilities of the consolidated foreign subsidiary are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statement of income is translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation are recognized in equity (under 'Accumulated translation adjustment'). Upon disposal of the foreign subsidiary, the component of OCI relating to the foreign subsidiary is recognized in the consolidated statement of income.

#### Current versus Non-current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in a normal operating cycle;

- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as non-current.

Net deferred tax assets (liabilities) are classified as non-current.

#### Cash and Cash Equivalents, Short-term Time Deposits and Long-term Time Deposit

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of acquisition and that are subject to insignificant risk of changes in value. Bank placements and investments with original maturities of more than three (3) months but less than one year are classified as short-term time deposit while investments with original maturities of more than one year are classified as long-term time deposit.

#### Cash in a Segregated Account

Cash in a segregated account represents clients' monies maintained by COLHK with a licensed bank arising from its normal course of business.

The asset is recognized to the extent that COLHK bears the risks and rewards related to the clients' monies deposited in the bank. Similarly, the accompanying liability is recognized to the extent that COLHK has the obligation to deliver cash to its customers upon withdrawal and is liable for any loss or misappropriation of clients' monies.

#### Financial Instruments - Initial Recognition and Subsequent Measurement

##### *Date of Recognition*

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

##### *Financial Instruments at FVTPL*

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in 'Trading gains (losses) - net' in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other revenues according to the terms of the contract, or when the right of the payment has been established.

##### *Initial Recognition and Classification of Financial Instruments*

Financial assets are measured at FVTPL unless these are measured at fair value through other comprehensive income (FVOCI) or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a

change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

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

#### *Investment securities at FVOCI*

Investment securities at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the consolidated statement of comprehensive income as 'Change in net unrealized loss on investment securities at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, is reported in the consolidated statement of income. Interest earned on holding debt securities at debt securities at FVOCI are reported as 'Interest income' using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as 'Trading and securities gain (loss) - net' in the consolidated statement of income. The expected credit losses (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit losses' in the consolidated statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the consolidated statement of income as 'Dividends' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gains or losses previously recognized in the consolidated statement of comprehensive income is reclassified to 'Surplus' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

The Group had no investment securities at FVOCI as at September 30, 2021 and December 31, 2020.

#### *Financial assets at amortized cost*

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy mainly relates to the consolidated statement of financial position captions 'Cash and cash equivalents', 'Cash in a segregated account', 'Short-term time deposit', 'Trade receivables', 'Other receivables', 'Investment securities at amortized cost' and deposit and refundable contributions to Clearing and Trade Guarantee Fund (CTGF) and refundable deposits under 'Other noncurrent assets', which arise primarily from service revenues and other types of receivables.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income. Gains and losses

are recognized in consolidated statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the consolidated statement of income under 'Provision for credit losses'. The effects of revaluation on foreign currency-denominated investments are recognized in the consolidated statement of income.

#### Fair Value Measurement

The Group measures financial instruments, such as financial assets at FVTPL, at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 24.

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

The fair value of equity financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### Trade Receivables and Payables

Trade receivables from customers, which include margin accounts, and payable to clearing house and other brokers arise from securities purchased (in a regular way transaction) that have been contracted for but not yet delivered and settled at the end of the reporting period. Payable to customers and receivable from clearing house and other brokers arise from securities sold (in a regular way transaction) that have been contracted for but not yet delivered and settled at the end of the reporting period. Refer to the accounting policy for 'Financial assets' and 'Financial liabilities' for recognition and measurement. The related security valuation shows all positions as of clearance date.

### Derecognition of Financial Instruments

#### *Financial Assets*

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

### Impairment of Financial Assets

The Group recognizes an ECL for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group calculates ECL either on an individual or a collective basis. The Group performs collective impairment by grouping exposures into smaller homogeneous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit

rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculation provisions based on the ECL models.

The Group assesses on a forward-looking basis the ECL associated with its debt instrument asset carried at amortized cost and the exposure arising from unutilized margin trading facility.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A broad range of forward-looking factors are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and Philippine Stock Exchange Composite Index (PSEi) statistical indicators.

For cash and cash equivalents, cash in a segregated account, short-term time deposits and long-term time deposit, the Group applies the low credit risk simplification.

Generally, the Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Treasury exposures are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on an agreed settlement date, or request for moratorium.

#### Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### Prepayments and Other Assets

The Group's prepayments are composed of prepaid insurance, prepaid taxes, prepaid rent and other prepayments. Other current assets are composed of creditable withholding tax (CWT) and input value-added tax (VAT). Other noncurrent assets are composed of deposit and refundable contributions to CTGF, refundable deposits, receivable from Bureau of Internal Revenue (BIR), deferred input VAT and intangible assets under development. These assets are classified as current when it is probable to be realized within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

#### Property and Equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any accumulated impairment losses, if any.

Such cost includes the cost of replacing part of such property and equipment, if the recognition criteria are met.

The initial cost of property and equipment comprises its purchase price, including import duties, non-refundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged against income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item

of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization is computed on the straight-line basis over the following estimated useful lives of the assets:

<u>Category</u>	<u>Number of Years</u>
Online trading equipment and facilities	3-10
Furniture, fixtures and equipment	3-10
Leasehold improvements	5 or term of lease, whichever is shorter

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized. The asset's residual values, if any, useful lives and methods are reviewed and adjusted if appropriate, at each end of the reporting period.

The Group adopted a policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded in the consolidated statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life of five (5) years and lease term. Right-of-use assets are subject to impairment.

#### Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and impairment in value.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year in which the costs are incurred. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties based on appraisal reports but not to exceed 50 years for buildings and condominium units.



Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

### Intangibles

#### *Exchange Trading Rights*

Exchange trading rights are carried at cost less any allowance for impairment losses and are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The exchange trading rights are deemed to have indefinite useful lives as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The assessment of indefinite life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Parent Company does not intend to sell its exchange trading right in the near future while COLHK's exchange trading right is a nontransferable right.

#### *Software Costs and Licenses*

Costs related to software purchased by the Group for use in operations are amortized on a straight-line basis over the estimated life of three (3) to ten (10) years.

### Impairment of Non-Financial Assets

The Group assesses at each end of the reporting period whether there is an indication that its prepayments, property and equipment, intangibles and other assets may be impaired. If any such indication exists or when the annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's value-in-use (VIU) or its fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset at an arm's length transaction, while VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognized by a charge against current operations for the excess of the carrying amount of an asset over its recoverable amount in the year in which it arises.

Intangibles with indefinite useful lives are tested for impairment annually at end of the reporting period either individually or at the cash generating unit level, as appropriate. Intangibles with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

### Leases

#### *Group as a lessee*

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for leases of low-value assets. The right-of-use assets for all leases were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments

that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *Leases of low-value assets*

The Group applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

#### Capital Stock and Capital Paid-in Excess of Par Value

The Parent Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of any related tax benefit, from the proceeds.

Where the Group purchases the Parent Company's capital stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Parent Company's stockholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity.

Amount of contribution in excess of par value is accounted for as a capital in excess of par value. Capital in excess of par value also arises from additional capital contribution from the stockholders.

#### Retained Earnings

Retained earnings are accumulated profits realized out of normal and continuous operations of the business after deducting therefrom distributions to stockholders and transfers to capital or other accounts. Cash and stock dividends are recognized as a liability and a deduction from equity when they are approved by the Group's BOD and stockholders, respectively. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

Retained earnings may also include retrospective effect of changes in accounting policy as may be required by the transitional provisions of the new or revised accounting policy.

Unappropriated retained earnings represent the accumulated profits and gains realized out of the normal and continuous operations of the Group after deducting therefrom distributions to stockholders and transfers to capital stocks or other accounts, and which is:

- Not appropriated by its BOD for corporate expansion projects or programs;
- Not covered by a restriction for dividend declaration under a loan agreement;
- Not required under special circumstances obtaining in the Group such as when there is a need for a special reserve for probable contingencies.

Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

#### Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is the principal in all of its revenue arrangements except for its brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized:

#### *Commissions*

Commissions are recognized as income upon confirmation of trade deals. These are computed for every trade transaction based on a flat rate or a percentage of the amount of trading transaction, whichever is higher.

#### *Trail Fees*

Trail fees are recognized as income as they are earned. These pertain to the revenue earned by the Parent Company from the distribution of mutual funds of various fund houses to its customers and are computed daily as a percentage of the total assets under administration for each fund.

#### Revenues outside the scope of PFRS 15

##### *Interest*

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as investment securities at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument, including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'.

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

##### *Trading gains (losses) - net*

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL and gains and losses from disposal of investment securities at FVTPL and debt securities at FVOCI.

Unrealized trading gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealized gains and losses for financial instruments which were realized in the reporting period. Realized gains and losses on disposals of financial instruments

classified as at FVTPL are calculated using the first-in, first-out (FIFO) method. They represent the difference between an instrument's initial carrying amount and disposal amount.

#### *Dividend*

Dividend income is recognized when the right to receive payment is established, which is the date of declaration.

#### *Other Income*

Revenue is recognized in the consolidated statement of income as they are earned.

#### Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost of services such as commissions, direct personnel costs, stock exchange dues and fees, central depository fees, research costs, and communication costs are recognized when the related revenue is earned or when the service is rendered. The majority of operating expenses incurred by the Group such as indirect personnel costs, professional fees, computer services, and other operating expenses are overhead in nature and are recognized with regularity as the Group continues its operations.

#### Retirement Costs

##### *Defined Benefit Plan*

The Parent Company has a noncontributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

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

Service costs which include current service cost, past service costs and gains or losses on non-routine settlements are recognized as 'Retirement costs' under 'Personnel costs'. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as 'Interest expense' in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods. Remeasurements recognized in OCI are retained in OCI which are presented as 'Gain (loss) on remeasurement of retirement obligation' under equity.

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

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### *Defined Contribution Plan*

The retirement plan of COLHK is a defined contribution retirement plan. Under a defined contribution retirement plan, the entity's legal and constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity to a post-employment benefit plan, together with investment returns arising from the contributions. Consequently, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be sufficient to meet expected benefits) fall on the employee.

The standard requires an entity to recognize short-term employee benefits when an employee has rendered service in exchange of those benefits.

#### Earnings per Share (EPS)

Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Outstanding share options plan (SOP) shares will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effect of the exercise of all outstanding options has anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Potential ordinary shares are weighted for the period they are outstanding. Potential ordinary shares that are converted into ordinary shares during the period are included in the calculation of diluted EPS from the beginning of the period to the date of conversion; from the date of conversion, the resulting ordinary shares are included in both basic and diluted EPS.

#### Taxes

##### *Current Income Tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

### *Deferred Income Tax*

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognized for all taxable temporary differences.

With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences including net loss carry-over to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor the taxable income or loss.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on income tax rates and income tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax relating to items recognized directly in equity is also recognized in equity. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

### Contingencies

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

### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 26.

### Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

### Coronavirus outbreak

In late 2019, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On December 31, 2019, China alerted the

World Health Organization (WHO) of the coronavirus disease 2019 (COVID-19) or coronavirus outbreak. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a ‘Public Health Emergency of International Concern’. Since then, the virus has spread worldwide. On March 11, 2020, the WHO announced that the coronavirus outbreak can be characterized as a pandemic.

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. As of September 30, 2021, different parts of the country remain to be under varying degree of community quarantine.

In order to comply with the government’s measures to monitor and mitigate the effects of COVID-19, the following were taken by the Group:

- provided safety and health measures for our employees, such as establishing a work-from-home set-up to majority of our employees to minimize personal contact;
- leased staff houses with close proximity to office premises for the use of employees personally reporting to work and prepared necessary social distancing measures; and
- made sure that all personnel have access to health insurance coverage.

The scale and duration of these developments remain uncertain as of the report date. However, the Group exhibited resilience due to the online nature of its business and operations. The Group has necessary business continuity processes in place that specifically address the disruptions and risks brought by the pandemic. There were no material changes in the Group’s accounting policies that was specifically attributable to the pandemic other than the amendments to PFRS 16, *COVID-19-related Rent Concessions*.

Considering the evolving nature of the pandemic, the Group will continue to monitor the situation and respond to new issues accordingly.

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### 3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

#### Estimates and Assumptions

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

#### *Impairment of the Intangibles*

Intangibles include exchange trading rights which are carried at cost less any allowance for impairment loss. Exchange trading rights are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The exchange trading

rights are deemed to have indefinite useful lives as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

The Management's impairment test for the exchange trading rights is based on the higher of fair value less costs to sell and VIU. The assumptions used in the calculation of the VIU are sensitive to estimates of future cash flows from the cash-generating unit, discount rate and revenue growth rate used to project the cash flows.

The key assumptions used to determine the recoverable amount of the Group's exchange trading rights are further explained in Note 11. The Parent Company does not intend to sell its exchange trading right in the near future. COLHK's right is nontransferable with an indefinite useful life. As at September 30, 2021 and December 31, 2020, the carrying values of intangibles are disclosed in Note 11.

#### *Estimating Recoverability of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets as at September 30, 2021 and December 31, 2020 are disclosed in Note 19.

#### *Determining Retirement Obligation*

The costs of defined retirement obligation as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligation are highly sensitive to changes in these assumptions.

All assumptions are reviewed at each end of the reporting period.

In determining the appropriate discount rate, Management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Further details about the assumptions used are provided in Note 18.

#### *Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities as at September 30, 2021 and December 31, 2020 are disclosed in Note 21.



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#### 4. Cash and Cash Equivalents and Short-term Time Deposits

##### *Cash and Cash Equivalents*

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand and in banks	<b>₱1,231,912,600</b>	₱1,490,850,873
Short-term cash investments	<b>2,100,360,089</b>	3,958,279,430
	<b>₱3,332,272,689</b>	₱5,449,130,303

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group's immediate cash requirements, and earn interest at 0.50% to 0.75% per annum during the nine-month period in 2021 and 1.25% to 4.00% per annum during the twelve-month period in 2020. The Parent Company has United States dollar (US\$)-denominated cash in banks amounting to US\$1,606 and US\$4,917 as at September 30, 2021 and December 31, 2020, respectively, while COLHK has US\$-denominated cash in banks amounting to US\$121,774 and US\$214,631 as at September 30, 2021 and December 31, 2020, respectively.

In compliance with Securities Regulation Code (SRC) Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve accounts for its customers amounting to ₱10,443,827,340 and ₱10,740,745,524 as at September 30, 2021 and December 31, 2020, respectively. The special reserve accounts consist of cash in banks and short-term cash investments which are recorded as 'Cash and cash equivalents,' and short-term government debt securities recorded as 'Investment securities at amortized cost' (Note 8). The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at September 30, 2021 and December 31, 2020, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

##### *Short-term Time Deposit*

This account pertains to the Parent Company's time deposits in local banks that have original maturities of more than three (3) months but less than a year. Short-term time deposits earned an annual interest rate of 4.00% per annum during the nine-month period in 2020. Proceeds from the maturity of outstanding short-term time deposits amounting to ₱200,000,000 in 2020 were collected on June 24, 2021.

Interest income of the Group from cash and cash equivalents, cash in segregated account and short-term time deposit amounted to ₱18,098,556 and ₱166,408,995 on September 30, 2021 and 2020, respectively (Note 16).

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#### 5. Cash in a Segregated Account

COLHK receives and holds money deposited by clients in the conduct of the regulated activities of its ordinary business. These clients' monies, which cannot be used to settle COLHK's own obligations, are maintained with a licensed bank. The Group has classified the clients' monies under current assets in the consolidated statements of financial position and recognized a corresponding payable to customers on grounds that it is liable for any loss or misappropriation of clients' monies (Note 13).

Interest income from cash in segregated account is included under 'Interest income - banks' (Notes 4 and 16).

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## 6. Financial Assets at FVTPL

This account consists of investments in:

	<b>September 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
Government debt securities	<b>₱125,953,175</b>	₱-
Corporate bond	<b>24,892,350</b>	29,950,710
Equities and mutual funds	<b>2,361,550</b>	5,573,619
	<b>₱153,207,075</b>	₱35,524,329

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The peso-denominated government debt securities pertain to investments in Treasury bills which bear a nominal annual interest rate of 1.34% to 1.69% per annum during the nine-month period in 2021.

Interest income earned from these investments amounted to ₱861,937 and nil as at September 30, 2021 and 2020, respectively (Note 16).

The Group also invested in a peso-denominated corporate bond which bears a nominal annual interest rate of 2.84% per annum during the nine-month period in 2021 and twelve-month period in 2020.

Interest income earned from this investment amounted to ₱579,543 and nil as at September 30, 2021 and 2020, respectively (Note 16).

The dividend income included under 'Other revenues' received from investments in shares of stocks of companies listed in the PSE amounted to ₱31,684 and ₱35,095 as at September 30, 2021 and 2020, respectively.

The Group's net trading gains (losses) follow:

	<b>September 30, 2021</b>	September 30, 2020
	<b>(Unaudited)</b>	(Unaudited)
Trading gains from sale	<b>₱51,707,214</b>	₱273,017
Unrealized trading gains (losses)	<b>686,271</b>	(730,362)
	<b>₱52,393,485</b>	(₱457,345)

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## 7. Trade Receivables and Other Receivables

### *Trade Receivables*

	<b>September 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
Customers (Note 20)	<b>₱795,598,327</b>	₱772,054,897
Clearing house	<b>96,193,458</b>	314,422,659
Other broker	<b>29,085,189</b>	45,006,711
Trail fee receivables	<b>1,856,815</b>	1,842,803
	<b>922,733,789</b>	1,133,327,070
Less allowance for credit losses on trade receivables from customers	<b>3,805,013</b>	3,397,455
	<b>₱918,928,776</b>	₱1,129,929,615

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The Group's trade receivables from customers and its security valuation follow:

	September 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Money Balance	Security Valuation	Money Balance	Security Valuation
Fully secured accounts:				
More than 250%	<b>₱463,407,300</b>	<b>₱6,290,250,366</b>	₱473,811,876	₱5,269,246,814
Between 200% and 250%	<b>176,406,295</b>	<b>395,363,543</b>	220,019,722	510,953,734
Between 150% and 200%	<b>82,564,749</b>	<b>154,741,142</b>	12,359,086	23,559,378
Between 100% and 150%	<b>59,321,662</b>	<b>60,586,060</b>	14,938,342	17,280,000
Less than 100%	<b>13,889,234</b>	<b>13,789,010</b>	50,925,765	50,334,484
Unsecured accounts	<b>9,087</b>	–	106	–
	<b>795,598,327</b>	<b>₱6,914,730,121</b>	772,054,897	<b>₱5,871,374,410</b>
Less allowance for credit losses on receivable from customers	<b>3,805,013</b>		3,397,455	
	<b>₱791,793,314</b>		<b>₱768,657,442</b>	

As at September 30, 2021 and December 31, 2020, the Parent Company offered a credit line facility amounting to ₱5,365,790,950 and ₱5,361,091,950, respectively, to its customers who qualified for margin account.

Interest income from customers amounted to ₱39,553,177 and ₱26,960,915 as at September 30, 2021 and 2020, respectively (Note 16).

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls below this level, customers may either deposit additional collateral or sell stock to cover the deficiency in their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at September 30, 2021 and December 31, 2020, ₱781,700,006 and ₱721,129,026, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at September 30, 2021 and December 31, 2020, were fully collected in October and January 2021, respectively. These are noninterest-bearing and are collected on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

Receivables from other broker pertains to clients' monies deposited to Interactive Brokers (IB) LLC through COLHK. In March 2014, COLHK opened an account with the said broker to enable its retail customers to trade in other foreign markets.

Trail fee receivables pertain to the amount due from the mutual fund managers representing the trail fee earned by the Parent Company for selling mutual funds to its customers. The fee is computed daily and collected on a monthly basis.

#### *Other Receivables*

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Accrued interest	<b>₱13,030,609</b>	₱10,238,969
Mutual fund redemption proceeds (Note 14)	<b>9,014,060</b>	17,484,152
Advances to officers and employees (Note 20)	<b>1,477,588</b>	1,011,936
Others	<b>8,176,619</b>	9,293,420
	<b>₱31,698,876</b>	<b>₱38,028,477</b>

*Allowance for Credit Losses on Trade Receivables from Customers*

	<b>September 30, 2021</b> <b>(Unaudited)</b>	December 31, 2020 <b>(Audited)</b>
Balances at beginning of year	<b>₱3,397,455</b>	₱2,092,947
Provision for credit losses	<b>407,558</b>	1,304,508
Balances at end of year	<b>₱3,805,013</b>	₱3,397,455

**8. Investment Securities at Amortized Cost**

This account consists of:

	<b>September 30, 2021</b> <b>(Unaudited)</b>	December 31, 2020 <b>(Audited)</b>
Current:		
Government debt securities	<b>₱8,254,734,679</b>	₱6,163,007,003
Non-current		
Government debt securities	<b>200,200,000</b>	200,200,000
Corporate bond	<b>100,000,000</b>	100,000,000
	<b>300,200,000</b>	300,200,000
	<b>₱8,554,934,679</b>	₱6,463,207,003

The peso-denominated government debt securities bear a nominal annual interest rate of 0.80% to 4.38% per annum during the nine-month period in 2021 and 1.01% to 4.38% per annum during the twelve-month period in 2020, with an EIR of 0.70% to 4.38% during the nine-month period in 2021 and 0.53% to 4.38% during the twelve-month period in 2020. The peso-denominated investment in corporate bond bears a nominal annual interest rate of 4.41% per annum.

The Group's investment in government and corporate debt securities are considered of low credit risk since these are rated as Baa2 by Moody's Investors Service, Inc. and BBB- by Fitch Ratings, Inc., respectively. These credit ratings are still considered as 'Investment Grade.'

The outstanding investments in short-term government Treasury bills amounting to ₱7.40 billion and ₱5.69 billion are included in the Parent Company's special reserve accounts in compliance with SRC Rule 49.2 (Note 4) as at September 30, 2021 and December 31, 2020, respectively.

Interest income earned from the investment amounted to ₱69,166,232 and ₱12,015,687 as at September 30, 2021 and 2020, respectively (Note 16).

**9. Property and Equipment**

	<b>September 30, 2021 (Unaudited)</b>				
	<b>Online Trading Equipment and Facilities</b>	<b>Furniture, Fixtures and Equipment</b>	<b>Leasehold Improvements</b>	<b>Right-of-use Assets – Office Premises</b>	<b>Total</b>
<b>Cost</b>					
At beginning of year	<b>₱174,398,682</b>	<b>₱38,067,227</b>	<b>₱70,535,398</b>	<b>₱72,449,270</b>	<b>₱355,450,577</b>
Additions	4,795,273	145,695	–	17,272,635	22,213,603
Disposals	–	(172,931)	(158,898)	(12,110,839)	(12,442,668)
Lease modification	–	–	–	(276,482)	(276,482)
Translation adjustments	419,893	223,844	50,423	338,964	1,033,124
At end of period	<b>179,613,848</b>	<b>38,263,835</b>	<b>70,426,923</b>	<b>77,673,548</b>	<b>365,978,154</b>

	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets – Office Premises	Total
<b>Accumulated depreciation</b>					
At beginning of year	₱138,606,765	₱28,877,127	₱42,605,524	₱30,552,941	₱240,642,357
Depreciation	15,599,213	2,344,692	6,446,368	18,679,719	43,069,992
Disposals	–	(139,786)	(119,173)	(12,110,839)	(12,369,798)
Translation adjustments	419,893	179,032	50,423	327,572	976,920
At end of period	154,625,871	31,261,065	48,983,142	37,449,393	272,319,471
<b>Net book value</b>	<b>₱24,987,977</b>	<b>₱7,002,770</b>	<b>₱21,443,781</b>	<b>₱40,224,155</b>	<b>₱93,658,683</b>

December 31, 2020 (Audited)						
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Right-of-use Assets – Office Premises	Total
<b>Cost</b>						
At beginning of year	₱163,040,796	₱36,782,259	₱65,259,849	₱4,579,962	₱77,035,593	₱346,698,459
Additions	11,742,500	1,575,028	203,930	537,843	11,318,653	25,377,954
Reclassification	–	–	5,117,805	(5,117,805)	–	–
Disposals	–	(135,848)	–	–	(15,594,490)	(15,730,338)
Translation adjustments	(384,614)	(154,212)	(46,186)	–	(310,486)	(895,498)
At end of year	174,398,682	38,067,227	70,535,398	–	72,449,270	355,450,577
<b>Accumulated depreciation and amortization</b>						
At beginning of year	117,827,089	25,778,499	33,742,056	–	20,705,893	198,053,537
Depreciation and amortization (Note 21)	21,164,290	3,366,093	8,909,654	–	25,634,358	59,074,395
Disposals	–	(112,019)	–	–	(15,594,490)	(15,706,509)
Translation adjustments	(384,614)	(155,446)	(46,186)	–	(192,820)	(779,066)
At end of year	138,606,765	28,877,127	42,605,524	–	30,552,941	240,642,357
<b>Net book value</b>	<b>₱35,791,917</b>	<b>₱9,190,100</b>	<b>₱27,929,874</b>	<b>₱–</b>	<b>₱41,896,329</b>	<b>₱114,808,220</b>

As at September 30, 2021 and December 31, 2020, the cost of the Group's fully depreciated property and equipment still in use amounted to ₱157,327,744.18 and ₱128,451,770, respectively. Disposal of property and equipment resulted in gains amounting to ₱14,459 and nil during the nine-month period ended September 30, 2021 and 2020, respectively.

The depreciation and amortization during the reporting period were distributed as follows:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Cost of services	₱155,377	₱102,988
Operating expenses	46,600,174	47,557,599
	<b>₱46,755,551</b>	<b>₱47,660,587</b>

The above includes the depreciation of investment property (Note 10) and amortization of software costs and licenses (Note 11).

## 10. Investment Property

This account pertains to an office space purchased by the Parent Company. Movements in the account follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>Cost</b>		
At beginning of year	₱17,509,736	₱17,509,736
<b>Accumulated depreciation</b>		
At beginning of year	2,626,461	1,750,974
Depreciation (Note 9)	656,615	875,487
At end of period	3,283,076	2,626,461
<b>Net book value</b>	<b>₱14,226,660</b>	<b>₱14,883,275</b>

The office space is held for capital appreciation. As at September 30, 2021 and December 31, 2020, the fair value of investment property amounted to ₱39,567,000 and ₱35,610,300, respectively.

The depreciation of investment property recorded in 'Depreciation and amortization' in the consolidated statements of income amounted to ₱656,615 on September 30, 2021 and 2020.

#### Collaterals

As at September 30, 2021 and December 31, 2020, the Group's investment property is not pledged as collateral.

## 11. Intangibles

### Stock Exchange Trading Rights

#### *Philippine Operations*

As at September 30, 2021 and December 31, 2020, the fair value less costs to sell of the exchange trading right amounted to ₱8,500,000, representing the transacted price of the exchange trading right of the most recent sale approved by the PSE on December 14, 2011. As at September 30, 2021 and December 31, 2020, the carrying value of the exchange trading right amounted to ₱5,000,000.

### Software Costs and Licenses

Movements in the software costs and licenses account follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>Cost</b>		
At beginning of year	<b>₱48,533,226</b>	₱48,242,112
Additions	<b>176,163</b>	291,114
At end of year	<b>48,709,389</b>	48,533,226
<b>Accumulated amortization</b>		
At beginning of year	<b>37,966,935</b>	33,719,399
Amortization (Note 9)	<b>3,028,944</b>	4,247,536
At end of year	<b>40,995,879</b>	37,966,935
<b>Net book value</b>	<b>₱7,713,510</b>	₱10,566,291

The amortization of software costs and licenses recorded in 'Depreciation and amortization' in the consolidated statements of income amounted to ₱3,028,944 and ₱3,184,501 on September 30, 2021 and 2020, respectively.

As of September 30, 2021 and December 31, 2020, the costs of the Group's fully amortized software still in use amounted to ₱21,363,255 and ₱22,119,652, respectively.

## 12. Other Assets

### Other Current Assets

This account pertains to input VAT of the subsidiaries amounting to ₱479,210 and ₱309,925 as at September 30, 2021 and December 31, 2020, respectively.

### Other Noncurrent Assets

This account consists of:

	<b>September 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
Deposit to CTGF	<b>₱49,288,924</b>	₱45,016,723
Intangible assets under development	<b>8,019,357</b>	6,533,571
Refundable deposits:		
Rental and utility deposits	<b>7,231,681</b>	7,624,383
Other refundable deposits	<b>4,023,431</b>	3,548,386
	<b>11,255,112</b>	11,172,769
Deferred input VAT	<b>4,543,996</b>	6,319,963
	<b>₱73,107,389</b>	₱69,043,026

#### *Deposit and refundable contributions to CTGF*

On October 20, 2008, the Parent Company made an initial contribution of ₱8,200,000 to the CTGF of the SCCP as a prerequisite to the Parent Company's accreditation as a clearing member of SCCP. On August 20, 2009, the Parent Company made an additional contribution amounting to ₱5,524,200 to top-up the deficiency in the initial contribution.

The Parent Company recognized such contributions to the CTGF as noncurrent asset on the basis that the BOD of SCCP approved on August 1, 2007 the amendment to the SCCP Clearinghouse Rule 5.2 granting the full refund of contributions to the CTGF upon cessation of the business of the clearing member and upon termination of its membership with the SCCP. Such amendment is subject to SEC approval.

In addition, the Parent Company, as a clearing member, is required to pay monthly contributions to the CTGF maintained by the SCCP equivalent to 1/500 of 1% of the Clearing Member's total monthly turnover value less block sales and cross transactions of the same flag.

On March 13, 2018, the SEC resolved to approve SCCP's proposed amendments to SCCP Rule 5.2, making the Clearing Members' contributions to the CTGF refundable upon cessation of their business and/or termination of their membership with SCCP, provided that all liabilities owing to SCCP at the time of termination, whether actual or contingent, shall have been satisfied or paid in full. Accordingly, the Parent Company recognized the total refundable contributions as of September 30, 2021 and December 31, 2020 as 'Other noncurrent assets' amounting to ₱49,288,924 and ₱45,016,723, respectively.

#### *Intangible assets under development*

On November 13, 2020, the BOD approved the write-off of the total costs incurred in the development of the Parent Company's mobile software applications booked under 'Intangible assets under development' amounting to ₱12,414,396. After being given several opportunities to apply extensive and various approaches to fix the errors and bugs in the applications over an extended period of time, the contracted developer still failed to deliver in a material way, the version of the applications that will meet the Parent Company's acceptance criteria and requirements. To avoid further delays and budget overruns, the Parent Company deemed it necessary to terminate the project and to look for other options that will effectively meet its business and product goals.

#### *Refundable deposits*

Other refundable deposits include statutory deposits made to HKEX, admission fees for HK's SFC and for HK Securities Clearing Company Ltd., and contributions to Central Clearing and Settlement System Guarantee Fund.

### 13. Trade Payables

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Customers (Note 20)	P10,767,103,387	P11,464,048,995
Clearing house	226,700,727	36,839,509
Dividends payable	132,732	–
	<b>P10,993,936,846</b>	<b>P11,500,888,504</b>

The Group's trade payables to customers and their security valuation follow:

	September 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	P10,767,103,387	P91,779,341,032	P11,464,048,995	P89,808,255,070
No money balances	–	2,809,060,955	–	1,384,135,730
	<b>P10,767,103,387</b>	<b>P94,588,401,987</b>	<b>P11,464,048,995</b>	<b>P91,192,390,800</b>

Generally, trade payables to customers are noninterest-bearing and have no specific credit terms.

Payable to customers with money balances amounting to P91,017,662 and P133,584,796 as at September 30, 2021 and December 31, 2020, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. These balances are payable on demand (Note 5).

Trade payables to clearing house as at September 30, 2021 and December 31, 2020 were fully paid subsequently in October 2021 and January 2021, respectively. These are noninterest-bearing and are settled on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

### 14. Other Current Liabilities

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Unposted customers' deposits	P26,633,042	P43,429,288
Due to BIR	22,155,890	62,396,446
Accrued expenses	10,345,561	36,695,381
Mutual fund redemption proceeds (Note 7)	9,275,297	17,994,037
Trading fees	4,009,829	7,125,700
Accrued management bonus	–	23,971,842
Others	2,744,247	10,611,170
	<b>P75,163,866</b>	<b>P202,223,864</b>

Accrued expenses and accrued management bonus pertain to accruals of operating expenses that were incurred but not yet paid and accruals made for the officers and employees' performance bonus.

Due to BIR consists of stock transaction, withholding and output taxes payable to the Philippine BIR.

Unposted customers' deposits represent additional funding, remittances and initial deposits made by customers that were either unconfirmed or were received beyond the cut-off time for the back-office processing of collections. Confirmed and verified deposits are credited to the customers' trading accounts on the next business day following the end of the reporting period while crediting of initial deposits are made simultaneously with the approval of the new accounts.



Trading fees pertain to transaction costs and clearing fees on the purchase and sale of stocks that are payable to the regulatory bodies.

‘Others’ consist mostly of withdrawal proceeds in the form of check, issued and released to the customers of the Parent Company which remained outstanding as at statement of financial position date.

## 15. Equity

### Capital Stock

The details and movements of the Parent Company’s capital stock (figures and amounts in thousands) follow:

	Shares	Amount
Common stock - ₱0.10 per share*		
Authorized	10,000,000	₱1,000,000
Issued and outstanding		
Balances at beginning and end of year*	4,760,000	₱476,000

\* Including the effect of the ten-for-one stock split reflected in 2021

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As at September 30, 2021 and December 31, 2020, there were 34 holders of the listed shares of the Parent Company, with a closing price of ₱4.32 and ₱3.00\* per share, respectively.

On February 7, 2020 and June 2, 2020, the BOD and the shareholders, respectively, approved the amendment of Article Seven of the Parent Company’s Articles of Incorporation to effect a ten-for-one stock split of the Parent Company’s common shares which will result to an increase in the number of authorized capital stock from 1 billion to 10 billion shares and a reduction in par value of the shares from ₱1.00 to ₱0.10 per share. The amount of authorized capital stock of ₱1.00 billion remained the same after the stock split. The Parent Company obtained the SEC approval of the amendment of Articles of Incorporation dated December 28, 2020 on January 4, 2021 while the effect of the stock split was reflected in the PSE on January 12, 2021.

The history of share issuance during the last five years follows:

Year	Issuance	Listing Date	Number of Shares Issued*
2016	Stock options exercise	July 4, 2016	1,000,000,000
2015	Stock options exercise	July 16, 2015	250,000,000
2015	Stock options exercise	April 14, 2015	200,000,000

\* Restated to show the retroactive effect of the ten-for-one stock split reflected in 2021.

### Retained Earnings

In compliance with SRC Rule 49.1 B, *Reserve Fund*, the Parent Company appropriates annually ten percent (10%) of its audited net income and transfers the same to appropriated retained earnings account. Minimum appropriation shall be 30.00%, 20.00% and 10.00% of profit after tax for broker dealers with unimpaired paid-up capital between ₱10.00 million to ₱30.00 million, between ₱30.00 million to ₱50.00 million and more than ₱50.00 million, respectively. It is intended that in the event that the Parent Company’s paid-up capital is impaired, the Parent Company will be required to transfer from the appropriated retained earnings to the capital account an amount equivalent to the impairment. Such amount so transferred out shall not be made available for payment of dividend.

On May 14, 2021, the BOD declared a regular and a special dividend amounting to ₱0.020 per share held or ₱95,200,000 (4,760,000,000 shares multiplied by ₱0.020 cash dividend per share) and ₱0.045 per share held or ₱214,200,000 (4,760,000,000 shares multiplied by ₱0.045 cash dividend per share), respectively, to stockholders as of record date of May 28, 2021. These dividends were paid on June 9, 2021.

On April 3, 2020, the BOD declared a regular and a special dividend amounting to ₱0.180 per share held or ₱85,680,000 (476,000,000 shares multiplied by ₱0.180 cash dividend per share) and ₱0.520 per share held or ₱247,520,000 (476,000,000 shares multiplied by ₱0.520 cash dividend per share), respectively, to stockholders as of record date of April 30, 2020. These dividends were paid on May 27, 2020.

As of September 30, 2021 and December 31, 2020, the consolidated retained earnings includes the retained earnings of COLHK amounting to ₱118,033,422 and ₱133,047,343, respectively, which are not available for dividend declaration.

#### Non-Controlling Interest

The Parent Company formed CMI in 2019 and as of September 30, 2021 and December 31, 2020, 30.00% of its equity interest is being held by non-controlling interest.

The summarized financial information of CMI is provided below. This information is based on amounts before inter-company eliminations.

#### *Summarized statements of financial position as of September 30, 2021 (Unaudited) and December 31, 2020 (Audited)*

	2021	2020
Cash and cash equivalents (current)	<b>₱3,030,674</b>	₱53,995,047
Financial assets at FVTPL (current)	<b>56,467,327</b>	9,983,570
Other receivables (current)	<b>255,756</b>	40,380
Other assets (current)	<b>542,449</b>	304,408
Property and equipment (non-current)	<b>3,491,321</b>	4,491,506
Other assets (non-current)	<b>44,881</b>	86,860
Accrued expenses (current)	–	(439,894)
Other liabilities (current)	<b>(63,494)</b>	(173,463)
Lease liability (current)	<b>(705,128)</b>	(654,256)
Lease liability (non-current)	<b>(439,709)</b>	(975,437)
<b>Total equity</b>	<b>₱62,624,077</b>	₱66,658,721
Attributable to:		
Equity holders of the Parent Company	<b>₱43,836,854</b>	₱46,661,105
Non-controlling interest	<b>18,787,223</b>	19,997,616

#### *Summarized statements of income for the nine months ended September 30, 2021 and 2020 (Unaudited)*

	2021	2020
Interest income	<b>₱611,678</b>	₱1,147,518
Trading gains - net	<b>230,314</b>	–
Other losses	<b>(50,546)</b>	–
Pre-operating expenses	<b>(4,695,020)</b>	(4,953,603)
Loss before income tax	<b>(3,903,574)</b>	(3,806,085)
Provision for income tax	<b>131,071</b>	229,504
<b>Net loss</b>	<b>(₱4,034,645)</b>	(₱4,035,589)
Attributable to:		
Equity holders of the Parent Company	<b>(₱2,824,252)</b>	(₱2,824,912)
Non-controlling interest	<b>(1,210,393)</b>	(1,210,677)

#### *Summarized cash flow information for the nine months ended September 30, 2021 and 2020 (Unaudited)*

	2021	2020
Operating activities	<b>(₱50,282,056)</b>	(₱2,253,769)
Investing activities	<b>(146,915)</b>	–
Financing activities	<b>(535,402)</b>	–
<b>Net decrease in cash and cash equivalents</b>	<b>(₱50,964,373)</b>	(₱2,253,769)

## 16. Revenues

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Revenue from contracts with customers		
Commissions	<b>₱817,921,884</b>	₱457,902,310
Trail fees	<b>15,664,520</b>	12,240,567
Others	<b>43,558,393</b>	15,673,533
	<b>877,144,797</b>	485,816,410
Other revenues (losses)		
Interest income	<b>128,260,252</b>	205,385,597
Trading gains (losses) - net	<b>52,393,485</b>	(457,345)
Others	<b>31,684</b>	35,095
	<b>₱1,057,830,218</b>	₱690,779,757

‘Others’ consists of:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Other income from customers	<b>₱42,483,711</b>	₱14,916,852
Dividend income	<b>31,684</b>	35,095
Miscellaneous	<b>1,074,682</b>	756,681
	<b>₱43,590,077</b>	₱15,708,628

Other income from customers pertains to the regular transaction fees that are normally charged to customers upon execution and completion of trade orders. Since the Parent Company is primarily responsible to its counterparties for the settlement of trading fees charged to its customers, it has concluded that it is acting as a principal and is, therefore, required to book the fees collected from its customers as revenue and to treat the subsequent remittance as expense. Accordingly, these fees form part of the Group’s revenue from contracts with customers and are presented under ‘Others’ while the remittance of collection is booked as part of ‘Stock exchange dues and fees’ in the consolidated statements of income.

Stock exchange dues and fees consists of:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Stock trading costs charged to customers	<b>₱42,483,711</b>	₱14,916,852
Membership fees and dues	<b>18,655,145</b>	10,107,369
Dealer trades and other transaction costs	<b>140,858</b>	7,103,035
Miscellaneous	<b>703,736</b>	615,303
	<b>₱61,983,450</b>	₱32,742,559

Set out below is the disaggregation of the Group’s revenue from contracts with customers:

	September 30, 2021 (Unaudited)			
	Commissions	Trail fees	Other income	Total
Primary geographical markets				
Philippines	<b>₱812,404,297</b>	<b>₱15,664,520</b>	<b>₱43,027,787</b>	<b>₱871,096,604</b>
Hong Kong	<b>5,517,587</b>	–	<b>530,606</b>	<b>6,048,193</b>
	<b>₱817,921,884</b>	<b>₱15,664,520</b>	<b>₱43,558,393</b>	<b>₱877,144,797</b>

September 30, 2020 (Unaudited)				
	Commissions	Trail fees	Other income	Total
Primary geographical markets				
Philippines	₱447,565,520	₱12,240,567	₱15,366,729	₱475,172,816
Hong Kong	10,336,790	–	306,804	10,643,594
	<b>₱457,902,310</b>	<b>₱12,240,567</b>	<b>₱15,673,533</b>	<b>₱485,816,410</b>

#### *Interest income*

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Debt securities (Note 8)	<b>₱69,166,232</b>	₱12,015,687
Customers (Note 7)	<b>39,553,177</b>	26,960,915
Banks (Notes 4 and 5)	<b>18,098,556</b>	166,408,995
Financial assets at FVTPL (Note 6)	<b>1,441,480</b>	–
Others	<b>807</b>	–
	<b>₱128,260,252</b>	<b>₱205,385,597</b>

#### 17. Personnel Costs

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Salaries and wages	<b>₱85,364,027</b>	₱80,315,549
Other benefits	<b>10,337,024</b>	11,159,046
	<b>₱95,701,051</b>	<b>₱91,474,595</b>

Other benefits include monetized leave credits of employees and other regulatory benefits.

The above accounts were distributed as follows:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Cost of services	<b>₱41,305,481</b>	₱49,936,619
Operating expenses	<b>54,395,570</b>	41,537,976
	<b>₱95,701,051</b>	<b>₱91,474,595</b>

#### 18. Employee Benefits

##### Retirement Benefits

The Parent Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined retirement benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement as of September 30, 2021 and December 31, 2020.

Under the existing regulatory framework, RA 7641, The Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

COLHK makes monthly contribution to a fund under the mandatory provident fund schemes ordinance enacted by the Hong Kong Government. The plan is defined contribution. Under the plan COLHK should contribute 5% of the monthly relevant income of all its qualified employees. The contribution recognized as expense amounted to ₱232,223 and ₱238,134 on September 30, 2021 and 2020, respectively.

## 19. Income Taxes

### Current Income Taxes

The breakdown of provision for current income tax is as follows:

	<b>September 30, 2021</b>	September 30, 2020
	<b>(Unaudited)</b>	(Unaudited)
Regular corporate income tax	<b>₱111,150,071</b>	₱67,162,729
Final income tax	<b>18,800,040</b>	35,764,781
	<b>₱129,950,111</b>	₱102,927,510

### Deferred Income Taxes

The components of the Group's net deferred tax assets follow:

	<b>September 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
Retirement obligation	<b>₱17,268,792</b>	₱20,722,551
Accumulated translation adjustment	<b>(5,296,678)</b>	(1,860,193)
Unamortized past service cost	<b>3,384,939</b>	4,683,871
Unrealized trading gains	<b>(190,208)</b>	(221,926)
Property valuation	<b>(117,190)</b>	(110,882)
Leases under PFRS 16	<b>21,451</b>	750,949
Allowance for credit losses	–	1,019,237
Unrealized foreign exchange losses	–	6,232
	<b>₱15,071,106</b>	₱24,989,839

Realization of the future tax benefits related to the net deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income, within the carry-over period. The deferred tax asset on property valuation pertains to the temporary difference between the net book value and tax residual value of COLHK's property and equipment.

The Group did not recognize deferred tax assets on the following temporary differences since Management believes that it is not probable that the related benefits will be realized in the future:

	<b>September 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
Unused tax losses*	<b>₱252,000,901</b>	₱252,000,901
NOLCO*	<b>11,848,381</b>	11,848,381
Allowance for credit losses	<b>3,805,013</b>	–
Leases under PFRS 16	<b>2,514,214</b>	–
Unrealized trading losses	<b>(665,192)</b>	49,290
Unrealized foreign exchange losses	<b>14,841</b>	–
	<b>₱269,518,158</b>	₱263,898,572

\* To be quantified at year-end

The unused tax losses pertains to COLHK which can be carried forward indefinitely to offset future profits.

In 2021, the Parent Company used the optional standard deduction (OSD) method in calculating the allowed deductions for income tax purposes, while in 2020, the Parent Company availed of the itemized deduction method.

### Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect on April 11, 2021 or 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20.00%.
- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law was on March 26, 2021 and its effectivity will start on April 11, 2021. Accordingly, current and deferred taxes as of and for the nine months ended September 30, 2021 were computed and measured using the applicable income tax rates as of September 30, 2021 (i.e., 25.00% RCIT / 1.00% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Parent Company and subsidiaries located in the Philippines would have been subjected to lower regular corporate income tax rate effective July 1, 2020.

The financial effect of the CREATE Act on the Group as of and for the nine months ended September 30, 2021 are as follows:

- Lower provision for current income tax for the nine months ended September 30, 2021 and lower income tax payable as of September 30, 2021, as reflected in the Parent Company's 2021 first to third quarter income tax return but recognized for financial reporting purposes in its financial statements for the third quarter of 2021.
- Lower deferred tax assets and liabilities as of September 30, 2021 and provision for deferred tax. These reductions were recognized in the financial statements during the third quarter of 2021.

	Based on previous income tax rate (30%)	Based on CREATE Act (20%/25%)	Difference
Deferred tax asset (liability) on:			
Retirement obligation	₱20,722,551	₱17,268,792	₱3,453,759
Unamortized past service cost	4,061,925	3,384,939	676,986
Accumulated translation adjustment	(6,356,014)	(5,296,678)	(1,059,336)
Unrealized trading gains	(228,249)	(190,208)	(38,041)
Property valuation	(117,190)	(117,190)	–
Leases under PFRS 16	32,177	21,451	10,726
	<u>₱18,115,200</u>	<u>₱15,071,106</u>	<u>₱3,044,094</u>

## 20. Related Party Disclosures

a. The summary of significant transactions and account balances with related parties are as follows:

Category	Commission income	Interest income	Commission expense	Professional fees	Directors' fees	Capital expenditures	Condominium dues	Rental Payments	Other Expenses
<b>Key management personnel</b>									
<b>September 30, 2021 (Unaudited)</b>	<b>₱1,368,306</b>	<b>₱966,882</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>
September 30, 2020 (Unaudited)	1,001,001	379,571	-	-	-	-	-	-	-
<b>Companies with common officers, directors and stockholders</b>									
<b>September 30, 2021 (Unaudited)</b>	<b>5,290,133</b>	<b>1,728,179</b>	-	<b>2,687,240</b>	-	<b>17,857</b>	<b>330,750</b>	<b>2,494,800</b>	<b>16,714</b>
September 30, 2020 (Unaudited)	10,444,634	1,794,731	-	2,755,643	-	128,272	330,750	2,368,800	61,240
<b>Directors</b>									
<b>September 30, 2021 (Unaudited)</b>	<b>898,217</b>	<b>545,644</b>	-	-	<b>1,265,000</b>	-	-	-	-
September 30, 2020 (Unaudited)	3,287,418	1,208,125	-	-	775,000	-	-	-	-

Category	Trade payables	Trade receivables	Terms	Conditions
<b>Key management personnel</b>				
<b>September 30, 2021 (Unaudited)</b>	<b>₱5,372,624</b>	<b>₱39,770,734</b>	3-day; non-interest bearing/ Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2020 (Audited)	4,055,643	52,239,716		
<b>Companies with common officers, directors and stockholders</b>				
<b>September 30, 2021 (Unaudited)</b>	-	<b>36,384,080</b>	3-day; non-interest bearing/ Collectible or payable on demand; interest bearing/Payable upon billing; non-interest bearing	Secured; no impairment; no guarantee
December 31, 2020 (Audited)	4,411,721	34,241,976		
<b>Directors</b>				
<b>September 30, 2021 (Unaudited)</b>	<b>36,438,959</b>	<b>5,037,326</b>	3-day; non-interest bearing/ Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2020 (Audited)	55,542,824	9,559,081		

- a. Trade receivables from and payables to related parties are due to be settled in three (3) trading days in the Philippines and two (2) trading days in HK, except for trade receivables under margin accounts. Trade receivables from related parties under margin accounts are interest-bearing, not guaranteed, and secured by shares of stocks (except for trade receivables amounting to ₱9,087 and ₱106, which were unsecured as of September 30, 2021 and December 31, 2020 (Note 7). The trade receivables from related parties are not impaired.
- b. As of September 30, 2021 and December 31, 2020, the Group also has unsecured noninterest-bearing advances to its officers and employees amounting to ₱1,477,588 and ₱1,011,936 with terms ranging from six months to one year, which are included under 'Other receivables' (Note 7).
- c. Compensation of key management personnel of the Group follows:

	<b>September 30, 2021</b>	September 30, 2020
	<b>(Unaudited)</b>	(Unaudited)
Short-term employee benefits	<b>₱33,885,775</b>	₱29,485,351
Retirement costs	<b>56,640</b>	87,122
Other benefits	<b>679,677</b>	696,978
	<b>₱34,622,092</b>	₱30,269,451

## 21. Leases

The Group leases its office premises under separate operating lease agreements expiring on various dates and whose lease terms are negotiated every one (1) to three (3) years. Rental costs charged to operations amounted to ₱262,800 and ₱433,537 on September 30, 2021 and 2020, respectively.

The Group applied a single recognition and measurement approach for all leases. Set-out below are the carrying amount of lease liabilities and the movements during the period:

	<b>September 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
At beginning of period, as restated	<b>₱44,129,430</b>	₱57,222,118
Additions	<b>17,272,635</b>	11,318,653
Accretion of interest	<b>1,790,965</b>	3,104,194
Payments	<b>(20,160,740)</b>	(26,752,450)
Lease modification	<b>(226,844)</b>	–
Rent concessions	<b>(57,570)</b>	(565,113)
Translation adjustment	<b>84,461</b>	(197,972)
	<b>₱42,832,337</b>	₱44,129,430
Current	<b>₱20,888,324</b>	₱18,737,554
Non-current	<b>21,944,013</b>	25,391,876
	<b>₱42,832,337</b>	₱44,129,430

### COVID-19 Related Rent Concessions

The Group has adopted the practical expedient issued by the Philippine Accounting Standards Board whereby it has not accounted for rent concessions which are a direct consequence of the COVID-19 pandemic as lease modifications. Instead, the Group recognized these concessions in the statement of comprehensive income for the nine-months ended September 30, 2021 and year ended December 31, 2020.

The practical expedient may be applied where the following conditions apply:

- The changed lease payments were substantially the same or less than the payments prior to the rent concession;



- The reductions only affect payments which fall due before June 30, 2021; and
- There has been no substantive change in the terms and conditions of the lease.

The following are the amounts recognized in the consolidated statements of income:

	<b>September 30, 2021</b> <b>(Unaudited)</b>	September 30, 2020 (Unaudited)
Depreciation expense of right-of-use assets included in property and equipment (Note 9)	<b>₱18,679,719</b>	₱18,488,563
Interest expense on lease liabilities	<b>1,790,965</b>	2,314,354
	<b>₱20,470,684</b>	₱20,802,917

The future minimum lease payments are as follows:

	<b>September 30, 2021</b> <b>(Unaudited)</b>	September 30, 2020 (Unaudited)
Within one (1) year	<b>₱22,541,748</b>	₱21,419,898
After one (1) year but not more than five (5) years	<b>18,931,752</b>	23,007,779
After five (5) years	<b>7,144,200</b>	10,319,400
	<b>₱48,617,700</b>	₱54,747,077

## 22. Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended September 30, 2021 and December 31, 2020.

The Amended Implementing Rules and Regulations of the SRC effective March 6, 2004 include, among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non-exchange broker dealers as follows: (a) to allow a net capital of ₱2.50 million or 2.50% of aggregate indebtedness, whichever is higher, for broker dealers dealing only in proprietary shares and not holding securities, (b) to allow the SEC to set a different net capital requirement for those authorized to use the Risk-Based Capital Adequacy (RBCA) model, and (c) to require unimpaired paid-up capital of ₱100.00 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; ₱10.00 million plus a surety bond for existing broker dealers not engaged in market making transactions; and ₱2.50 million for broker dealers dealing only in proprietary shares and not holding securities.

The SEC approved Memorandum Circular No. 16 dated November 11, 2004 which provides the guidelines on the adoption in the Philippines of the RBCA Framework for all registered brokers dealers in accordance with SRC. These guidelines cover the following risks: (a) position or market risk, (b) credit risks such as counterparty, settlement, large exposure, and margin financing risks, and (c) operational risk.

The Parent Company being a registered broker/dealer in securities is subject to the stringent rules of the SEC and other regulatory agencies with respect to the maintenance of specific levels of RBCA ratios. RBCA is a ratio that compares the broker or dealer's total measured risk to its liquid capital. As a rule, the Parent Company must maintain an RBCA ratio of at least one hundred ten percent (110.00%) and a net liquid capital (NLC) of at least ₱5.00 million or five percent (5.00%) of its aggregate indebtedness, whichever is higher. Also, the Aggregated Indebtedness (AI) of every stockbroker should not exceed two thousand percent (2,000.00%) of its NLC. In the event that the minimum RBCA ratio of one

hundred ten percent (110.00%) or the minimum NLC is breached, the Parent Company shall immediately cease doing business as a broker and shall notify the PSE and SEC. As at September 30, 2021 and December 31, 2020, the Parent Company is compliant with the foregoing requirements.

The Parent Company's capital pertains to equity per books adjusted for deferred tax assets and assets not readily convertible into cash.

The RBCA ratio of the Parent Company as of September 30, 2021 and December 31, 2020 are as follows:

	<b>September 30, 2021</b> <b>(Unaudited)</b>	December 31, 2020 <b>(Audited)</b>
Equity eligible for net liquid capital	<b>₱1,976,768,056</b>	₱1,678,035,456
Less: Ineligible Assets	<b>606,881,214</b>	630,584,805
<b>NLC</b>	<b>₱1,369,886,842</b>	<b>₱1,047,450,651</b>
Position risk	<b>₱18,937,153</b>	₱15,824,582
Operational risk	<b>205,341,173</b>	199,525,324
Counterparty risk	-	-
Large exposure risk	<b>106,864,616</b>	81,763,884
<b>Total Risk Capital Requirement (TRCR)</b>	<b>₱331,142,942</b>	<b>₱297,113,790</b>
<b>AI</b>	<b>₱10,905,670,701</b>	<b>₱11,631,871,470</b>
5.00% of AI	<b>₱545,283,535</b>	₱581,593,574
Required NLC	<b>₱545,283,535</b>	₱581,593,574
<b>Net Risk-Based Capital Excess</b>	<b>₱824,603,307</b>	<b>₱465,857,077</b>
Ratio of AI to NLC	<b>796%</b>	1,110%
<b>RBCA ratio (NLC/TRCR)</b>	<b>414%</b>	<b>353%</b>

The following are the definition of terms used in the above computation:

1. Ineligible assets  
These pertain to fixed assets and assets which cannot be readily converted into cash.
2. Operational risk requirement  
The amount required to cover a level of operational risk which is the exposure associated with commencing and remaining in business arising separately from exposures covered by other risk requirements. It is the risk of loss resulting from inadequate or failed internal processes, people and systems which include, among others, risks of fraud, operational or settlement failure and shortage of liquid resources, or from external events.
3. Position risk requirement  
The amount necessary to accommodate a given level of position risk which is the risk a broker dealer is exposed to and arising from securities held by it as a principal or in its proprietary or dealer account.
4. AI  
Total money liabilities of a broker dealer arising in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities failed to receive, the market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from customers and margin securities borrowed from non-customers), customers' and non-customers' free credit balances, and credit balances in customers' and non-customers' account having short positions in securities subject to the exclusions provided in the said SEC Memorandum.

On May 28, 2009, the SEC approved the PSE's Rules Governing Trading Rights and Trading Participants, which supersede the Membership Rules of the PSE. Section 8(c) of Article III of

the said rules requires trading participants to have a minimum unimpaired paid-up capital, as defined by the SEC, of ₱20.00 million effective December 31, 2009, and ₱30.00 million effective December 31, 2011 and onwards. As at September 30, 2021 and December 31, 2020, the Parent Company is compliant with this capital requirement.

The Parent Company's regulated operations have complied with all externally-imposed capital requirements as at September 30, 2021 and December 31, 2020.

COLHK monitors capital using liquid capital as provided for under HK's Securities and Futures Ordinance (Cap. 571) and Securities and Futures (Financial Resources) Rules (Cap. 571N). COLHK's policy is to keep liquid capital at the higher of the floor requirement of HK\$3.00 million and computed variable required capital. As at September 30, 2021 and December 31, 2020, COLHK is compliant with the said requirement.

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### 23. Financial Risk Management Objectives and Policies

The main purpose of the Group's financial instruments is to fund its operations. The Group's principal financial instruments consist of cash and cash equivalents, cash in a segregated account, short-term time deposits, financial assets at FVTPL, investment securities at amortized cost, trade receivables, other receivables, refundable deposits under other noncurrent assets, trade payables and other current liabilities, which arise from operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk.

The BOD reviews and agrees on the policies for managing each of these risks as summarized below:

#### Credit risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the stock brokerage business as potential losses may arise due to the failure of its customers and counterparties to fulfill their trading obligations on settlement dates or the possibility that the value of collateral held to secure obligations becoming inadequate due to adverse market conditions.

The business model of the Group minimizes its exposure to credit risk. The Group's customers, except those granted with a credit line facility by the Parent Company, are required to deposit funds to their accounts and their purchases are limited to their cash deposit. In order to manage the potential credit risk associated with the Parent Company's margin lending activities, the Group has established policies and procedures in evaluating and approving applications for margin financing as well as the review of credit performance and limits. In addition, the Parent Company requires its margin customers a Two Peso (₱2) security cover for every One Peso (₱1) exposure. The security cover can either be in cash or a combination of cash and marginable stock identified by the Parent Company using a set of criteria.

The Group utilizes an internal credit rating system based on its assessment of the quality of its financial assets. The Group classifies its financial assets into the following credit grades:

- *High grade* - This pertains to accounts with a very low probability of default as demonstrated by the counterparty's long history of stability, profitability and diversity. This applies to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the Group has excellent repayment experience.
- *Standard grade* – This pertains to counterparties with no history of default. This applies to financial assets that are performing as expected.

#### *Financial assets at amortized cost*

The Group's financial assets at amortized cost, which are neither past due nor impaired, are classified as high grade, due to its high probability of collection (i.e. the counterparty has the evident ability to satisfy its obligation and the security on the receivables are readily enforceable).

Cash and cash equivalents, cash in a segregated account, short-term time deposits and long-term time deposit are considered high grade and are in stage 1 of the ECL model. These are deposited with reputable banks duly approved by the BOD and have low probability of insolvency. These are considered to be low credit risk investments.

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover any shortfall. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at September 30, 2021 and December 31, 2020, ₱795,589,240 and ₱772,054,791 of the total receivables from customers is secured by collateral comprising of equity securities of listed companies with a total market value of ₱6,914,730,121 and ₱5,871,374,410, respectively (Note 7).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision matrix is based on the Group's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The aging analyses of the Group's trade receivables as at September 30, 2021 and December 31, 2020 are summarized in the following table (gross of allowance for credit losses):

	Neither past due nor impaired	Days past due			Specifically impaired	Total
		4-14 days	15-31 days	More than 31 days		
<b>September 30, 2021 (Unaudited)</b>						
Trade receivables	<b>₱267,453,802</b>	<b>₱190,223,343</b>	<b>₱104,958,358</b>	<b>₱360,098,286</b>	<b>₱-</b>	<b>₱922,733,789</b>
<b>December 31, 2020 (Audited)</b>						
Trade receivables	486,995,842	169,869,489	193,331,473	283,130,266	-	1,133,327,070

Past due accounts pertain to margin accounts of the Parent Company that are charged an interest rate ranging from 8.00% to 10.00%. A margin account has no due date and becomes demandable only when the equity percentage of the customers falls below 33.33%. The loss rate for trade receivables is considered minimal.

Transactions through the stock exchange are covered by the guarantee fund contributed by member brokers and maintained by the clearing house.

Refundable deposits under other noncurrent assets is classified as high grade and is in stage 1 of the ECL model since the amount shall be kept intact by: (1) the lessor throughout the term of the contract and shall be returned after the term; and (2) the government institutions as a requirement to conduct stock brokerage business and shall be returned after the Group ceases to operate its business.

#### *Financial assets at FVTPL*

Companies that are consistently profitable, have strong fundamentals and pays out dividends. As at September 30, 2021 and December 31, 2020, the Group's financial assets at FVTPL are classified as high grade since these are with entities of good reputation.

#### *Investment securities at amortized cost*

The investments are classified as high grade. The Group's investment in government and corporate security is considered of low credit risk since these are rated as Baa2 by Moody's Investors Service, Inc. and BBB- by Fitch Ratings Inc, respectively. These credit ratings can still be considered as 'Investment Grade.'

#### *Deposit and refundable contributions to CTGF*

Deposit and refundable contributions to CTGF pertains to contribution made by the Parent Company to a guarantee fund as required by the SCCP and is classified as high grade. The Parent Company does not expect significant exposure on the balance as the amount shall be kept intact by the SCCP as a requirement to conduct stock brokerage business and shall be returned after the Parent Company ceases to operate its business.

#### *Other receivables*

These receivables from counterparties with no history of default and are not past due as at the end of the reporting period are classified as standard grade.

#### *Collateral and other credit enhancement*

Margin customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their shortfall.

Collateral comes in the form of financial assets. This pertains to securities listed and traded in the PSE and lodged with the Philippine Depository and Trust Corporation under the account of the Parent Company. The market value of the securities is closely monitored to ensure compliance with the required levels of collaterals.

The Group's exposure to credit risk arising from default of the counterparty has a maximum exposure equal to the carrying amount of the particular instrument plus any irrevocable loan commitment or credit facility.

There are no significant concentrations of credit risk within the Group.

#### *Maximum exposure to credit risk after collateral held or other credit enhancements*

The maximum exposure to credit risk is the carrying value at the reporting date of each class of financial assets of the Group except for receivables from customers wherein the Group holds collateral as security.

The table below shows the maximum exposure to credit risk for the component of the consolidated statements of financial position:

	<b>September 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
Cash and cash equivalents (Note 4)*	<b>₱3,332,201,374</b>	₱5,449,058,220
Cash in a segregated account (Note 5)	<b>101,726,456</b>	133,246,671
Short-term time deposit (Note 4)	–	200,000,000
Trade receivables (Note 7)	<b>109,311</b>	591,387
Other receivables (Note 7)	<b>31,698,876</b>	38,028,477
Refundable deposits (Note 12)	<b>11,255,112</b>	11,172,769
Deposit and refundable contributions to CTGF (Note 12)	<b>49,288,924</b>	45,016,723
Investment securities at amortized cost (Note 8)	<b>8,554,934,679</b>	6,463,207,003
	<b>12,081,214,732</b>	12,340,321,250
Unutilized margin trading facility	<b>4,645,184,443</b>	4,663,131,211
	<b>₱16,726,399,175</b>	₱17,003,452,461

\*Excluding cash on hand

### Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group manages its liquidity profile to meet the following objectives: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to be able to access funding when needed at the least possible cost.

As at September 30, 2021 and December 31, 2020, all of the Group's financial liabilities, which consist of trade payables and other current liabilities (except statutory payables), are contractually payable on demand and up to sixty (60) days' term.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as at September 30, 2021 and December 31, 2020 consist of cash and cash equivalents, short-term time deposits, financial assets at FVTPL and trade receivables.

### Market Risk

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

#### *Equity Price Risk*

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets at FVTPL which pertain to investments in shares of stock of companies listed in the PSE and in mutual fund shares. The Group's policy is to maintain the risk within an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

Since the carrying amount of financial assets subject to equity price risk is immaterial relative to the consolidated financial statements, Management believes that disclosure of equity price risk sensitivity analysis as at September 30, 2021 and December 31, 2020 is not significant.

#### *Foreign Currency Risk*

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is engaged.

The Group's exposure to foreign currency exchange risk arises from its US dollar-denominated cash in banks amounting to US\$123,380 and US\$219,548 as at September 30, 2021 and December 31, 2020, respectively (Note 4).

Since the amount of US\$-denominated cash in bank subject to foreign currency risk is immaterial relative to the consolidated financial statements, Management believes that disclosure of foreign currency risk analysis as at September 30, 2021 and December 31, 2020 is not significant.

### Offsetting of Financial Assets and Liabilities

The table below presents information about rights to offset related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar agreements.

**September 30, 2021 (Unaudited)**

Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Consolidated Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria			
				Financial Instruments	Fair Value of Financial Collateral		Net Exposure
					[d]	[e]	
	[a]	[b]	[c] = [a-b]				
<b>Financial Assets</b>							
Receivable from customers	P795,598,327	P-	P795,598,327	P747,198	P-	P794,851,129	
Receivable from clearing house	96,193,458	-	96,193,458	96,193,458	-	-	
	<b>P891,791,785</b>	<b>P-</b>	<b>P891,791,785</b>	<b>P96,940,656</b>	<b>P-</b>	<b>P794,851,129</b>	
<b>Financial Liabilities</b>							
Payable to customers	P10,767,103,387	P-	P10,767,103,387	P747,198	P-	P10,766,356,189	
Payable to clearing house	226,700,727	-	226,700,727	96,193,458	-	130,507,269	
	<b>P10,993,804,114</b>	<b>P-</b>	<b>P10,993,804,114</b>	<b>P96,940,656</b>	<b>P-</b>	<b>P10,896,863,458</b>	

**December 31, 2020 (Audited)**

Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Consolidated Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria			
				Financial Instruments	Fair Value of Financial Collateral		Net Exposure
					[d]	[e]	
	[a]	[b]	[c] = [a-b]				
<b>Financial Assets</b>							
Receivable from customers	P772,054,897	P-	P772,054,897	P2,123,830	P-	P769,931,067	
Due from clearing house	314,422,659	-	314,422,659	36,839,509	-	277,583,150	
	<b>P1,086,477,556</b>	<b>P-</b>	<b>P1,086,477,556</b>	<b>P38,963,339</b>	<b>P-</b>	<b>P1,047,514,217</b>	
<b>Financial Liabilities</b>							
Payable to customers	P11,464,048,995	P-	P11,464,048,995	P2,123,830	P-	P11,461,925,165	
Due to clearing house	36,839,509	-	36,839,509	36,839,509	-	-	
	<b>P11,500,888,504</b>	<b>P-</b>	<b>P11,500,888,504</b>	<b>P38,963,339</b>	<b>P-</b>	<b>P11,461,925,165</b>	

## 24. Fair Value Measurement

The following table shows the carrying value and fair value of the Group's refundable deposits, investment securities at amortized cost and investment property, whose carrying value does not approximate its fair value as at September 30, 2021 and December 31, 2020:

	Carrying Values		Fair Values	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Refundable deposits	<b>P11,255,112</b>	P11,172,769	<b>P9,803,570</b>	P9,731,846
Investment securities at amortized cost	<b>8,554,934,679</b>	6,463,207,003	<b>8,558,876,707</b>	6,471,437,493
Investment property	<b>14,226,660</b>	14,883,275	<b>39,567,000</b>	35,610,300

The carrying amounts of cash and cash equivalents, cash in a segregated account, short-term time deposits, trade receivables, other receivables, trade payables and other current liabilities, which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

The carrying value of long-term time deposit approximates its fair value since the placement earns interest at prevailing market rates.

### *Financial Assets at FVTPL*

The Group's financial assets at FVTPL are carried at their fair values as at September 30, 2021 and December 31, 2020. Fair value of financial assets at FVTPL is based on the closing quoted prices of

stock investments published by the PSE. Fair value of mutual funds is based on net asset values computed and published by the mutual fund providers. Fair value of debt securities is based on the quoted market price in an active market as at September 30, 2021 and December 31, 2020.

#### *Refundable Deposits*

The fair value of the refundable deposits is based on the present value of the future cash flows discounted using credit adjusted risk-free rates for a similar type of instrument using 2.8% as at September 30, 2021 and December 31, 2020. There are no changes in the valuation techniques in 2021 and 2020.

#### *Investment securities at amortized cost*

The fair value of the investments is based on the quoted market price in an active market as at September 30, 2021 and December 31, 2020.

#### *Investment Property*

The fair value of the investment property has been based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment property and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

#### Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy as follows:

	<b>September 30, 2021 (Unaudited)</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<i>Asset measured at fair value:</i>			
Financial assets at FVTPL	<b>₱152,681,428</b>	<b>₱25,647</b>	<b>₱–</b>
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	–	–	<b>9,803,570</b>
Investment securities at amortized cost	<b>8,558,876,707</b>	–	
Investment property	–	–	<b>39,567,000</b>
	<b>December 31, 2020 (Audited)</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<i>Asset measured at fair value:</i>			
Financial assets at FVTPL	<b>₱34,985,873</b>	<b>₱538,456</b>	<b>₱–</b>
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	–	–	9,731,846
Investment securities at amortized cost	6,471,437,493	–	–
Investment property	–	–	35,610,300

During the period ended September 30, 2021 and the year ended December 31, 2020, there were no transfers among levels 1, 2 and 3 of fair value measurements.

## 25. EPS Computation

	<b>September 30, 2021</b>	September 30, 2020
	<b>(Unaudited)</b>	(Unaudited)
Net income attributable to the equity holders of the Parent Company	<b>₱584,407,770</b>	₱296,075,689
Weighted average number of shares for earnings per share* (Note 15)	<b>4,760,000,000</b>	4,760,000,000
Basic and diluted earnings per share	<b>₱0.12</b>	₱0.06

\* Weighted average number of shares on September 30, 2020 was recomputed to show the retroactive effect of the ten-for-one stock split reflected in 2021.





## Business Segments

The Group's business segments follow:

- Stockbrokerage services pertaining to the Group's stockbrokerage companies, mainly the Parent Company and COLHK; and
- Others pertaining to the Group's subsidiaries other than COLHK.

The following table presents certain information regarding the Group's business segments:

	September 30, 2021 (Unaudited)			
	Stockbrokerage services	Others	Elimination	Total
Revenue from external customers:				
Commissions	P817,924,925	P-	(P3,041)	P817,921,884
Interest	126,620,078	1,640,174	-	128,260,252
Trail fees	15,664,520	-	-	15,664,520
Other revenue	95,375,569	607,993	-	95,983,562
Segment revenue	1,055,585,092	2,248,167	(3,041)	1,057,830,218
Cost of services	(169,153,234)	(72,312)	3,041	(169,222,505)
Operating expenses, net of other expenses	(118,427,984)	(4,095,535)	-	(122,523,519)
Depreciation and amortization	(45,453,074)	(1,147,100)	-	(46,600,174)
Other losses	(1,837,216)	(50,546)	-	(1,887,762)
Income (loss) before income tax	720,713,584	(3,117,326)	-	717,596,258
Provision for income tax	(134,062,111)	(336,770)	-	(134,398,881)
Net income (loss)	P586,651,473	(P3,454,096)	P-	P583,197,377
Segment assets	P13,437,390,498	P165,020,670	(P287,300,000)	P13,315,111,168
Segment liabilities	11,201,843,031	1,208,744	-	11,203,051,775
Capital expenditures:				
Fixed assets	(4,794,053)	(146,915)	-	(4,940,968)
Cash flows arising from:				
Operating activities	440,221,755	(130,761,152)	-	309,460,603
Investing activities	(2,096,610,562)	(146,915)	-	(2,096,757,477)
Financing activities	(329,025,338)	(535,402)	-	(329,560,740)
	December 31, 2020 (Audited)			
	Stockbrokerage services	Others	Elimination	Total
Revenue from external customers:				
Commissions	P793,886,384	P-	P-	P793,886,384
Interest	243,269,413	3,180,300	-	246,449,713
Trail fees	17,255,849	-	-	17,255,849
Others	28,799,010	(49,290)	-	28,749,720
Segment revenue	1,083,210,656	3,131,010	-	1,086,341,666
Cost of services	(207,232,049)	-	-	(207,232,049)
Operating expenses, net of other income	(213,096,528)	(6,995,378)	-	(220,091,906)
Depreciation and amortization	(62,756,154)	(1,285,716)	-	(64,041,870)
Other income (losses)	(18,883,826)	(55,125)	-	(18,938,951)
Income (loss) before income tax	581,242,099	(5,205,209)	-	576,036,890
Provision for income tax	(153,221,498)	(605,875)	-	(153,827,373)
Net income (loss)	P428,020,601	(P5,811,084)	P-	P422,209,517
Segment assets	P13,812,854,410	P169,509,671	(P287,300,200)	P13,695,063,881
Segment liabilities	11,864,080,828	2,243,650	(200)	11,866,324,278
Capital expenditures:				
Fixed assets	14,059,301	-	-	14,059,301
Cash flows arising from:				
Operating activities	3,884,610,984	(34,340,275)	-	3,850,270,709
Investing activities	(6,267,219,965)	-	-	(6,267,219,965)
Financing activities	(359,561,062)	(391,388)	-	(359,952,450)

**SCHEDULE I**  
**COL FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**

	<b>Formula</b>	<b>September 30, 2021</b>	September 30, 2020
Profitability ratios:			
Return on assets	Net Income (NI)/Total Assets	<b>4.40%</b>	2.70%
Return on equity ( <i>annualized</i> )	NI/Average Equity*	<b>39.96%</b>	23.21%
Net profit margin	NI/Net Sales	<b>55.25%</b>	42.86%
Solvency and liquidity ratios:			
Current ratio	Current Assets/Current Liabilities	<b>1.15:1</b>	1.14:1
Debt to equity ratio	Total Liabilities/Average Equity*	<b>5.75:1</b>	5.45:1
Quick ratio	Liquid Assets/Current Liabilities	<b>1.15:1</b>	1.11:1
Asset to equity ratio	Total Assets/Average Equity*	<b>6.83:1</b>	6.45:1
Other relevant ratios:			
RBCA ratio		<b>414%</b>	346%
Ratio of AI to NLC		<b>796%</b>	968%

\* *Equity Attributable to the Equity Holders of the Parent Company*