

COVER SHEET

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SEC Registration Number

C O L F I N A N C I A L G R O U P , I N C . A N D S U B S I

D I A R I E S

(Company's Full Name)

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e n t r e , E x c h a n g e R o a d , O r t i g a s C e n

t e r , P a s i g C i t y

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

Ms. Catherine L. Ong

(Contact Person)

8636-5411

(Company Telephone Number)

1 2 3 1

Month Day (Calendar Year)

17-Q

(Form Type) September 30, 2020

Month Day

(Annual Meeting)

Broker

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

34

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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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, 2020**
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, Philippine Stock Exchange Centre, 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
Common	476,000,000 shares

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 audited 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, 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 the 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. (CIMI) 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

The Philippine stock market as measured by the Philippine Stock Exchange Index (PSEi) had a volatile performance during the first nine months of 2020. After falling by as much as 41.0% during the first quarter, the market rallied strongly in the second quarter before moving sideways during the third quarter. It ended the first nine months of the year at 5,864.23, down by only 25.0% for the year to date period.

The Philippine stock market's weak performance during the early part of the year was primarily driven by the coronavirus pandemic, which negatively affected the outlook of the domestic and global economies. To control the spread of the virus and to prevent health care systems from being overwhelmed, governments in the Philippines and around the world-imposed lockdowns to restrict the movement of people.

However, starting the middle of March, global equity markets including the Philippine stock market rallied strongly. Aside from cheap valuations, sentiment for stocks improved due to the highly favorable monetary policy of global central banks, led by the U.S. Fed which aggressively cut rates and bought back bonds among other things. In the Philippines, our very own Bangko Sentral ng Pilipinas (BSP) cut benchmark rates by a total of 175 basis points and reduced banks' reserve requirement ratio (RRR) by 200 basis points. This helped push down the 10-year bond rate to only 3.0% as of end September from 4.5% as of end December.

There were also signs that countries around the world were successfully flattening the curve, allowing economies to slowly reopen. After placing Luzon and most parts of the country under a very strict enhanced community quarantine (ECQ) starting the middle of March, the government began to reopen the Philippine economy in the middle of May, allowing more businesses to resume operations.

Even though the stock market rallied strongly during the second quarter, average daily value turnover in the Philippine Stock Exchange (PSE) remained weak for the first nine months of the year, falling by 13.8% year on year to ₱6.2 billion. The drop was led by foreign investors who remained net sellers by ₱156.6 billion during the period in review. Foreign investors' share in total value turnover likewise fell to 51.0% during the first nine months of 2020 from 56.0% during the same period last year.

Like the Philippine stock market and other markets around the world, the HK stock market fell in the early part of the year due to the coronavirus pandemic. The HK market, likewise, rebounded in the second quarter and moved sideways during the third quarter, with the three major HK indices - The Hang Seng index (HSI), the Hang Seng China Affiliate Corp. Index (HSCCI), and the Hang Seng China Enterprise Index (HSCEI) – ending the first nine months of the year lower by 16.9%, 20.4% and 16.1% compared to their end 2019 levels, respectively.

However, unlike the Philippines, average daily value turnover in HK increased by 37.8% to HKD125.0 billion.

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:

	September 30, 2020	September 30, 2019
Number of Customer Accounts*	404,183	324,151
Customers' Net Equity (in millions)	₱78,453.1	₱76,379.5
Revenues (in millions)	₱676.3	₱898.2
Annualized Return on Equity	23.2%	35.7%
Risk Based Capital Adequacy Ratio*	346.0%	546.0%
Liquid Capital** (in millions)	HKD26.3	HKD31.2

* Parent Company only

**HK Subsidiary

COL's client base continued to grow, with the number of customer accounts for its Philippine operations increasing by a record number of 80,032 or 24.7% year-on-year to 404,183 as of end September 2020. This was despite most of the country being under some form of mobility restriction since the middle of March as clients were still able to open accounts online.

Despite the poor year-on-year performance of the market, clients' net equity increased slightly by 2.7% to ₱78.5 billion as of end September 2020, as the net new flows of COL's growing client base more than offset the weak performance of the stock market.

During the first nine months of the year, COL's revenues were lower by 24.7% to ₱676.3 million, largely pulled down by the steep drop of interest income as interest rates fell.

Lower revenues coupled with the slight increase in fixed operating costs led to the 35.9% decline in net income to ₱294.9 million. COL's weaker earnings were largely responsible for its lower return on average equity (ROE) from 35.7% in the first nine months of 2019 to 23.2% during the period in review.

During the first nine months of 2020, 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 2020, the Parent Company's Risk Based Capital Adequacy Ratio (RBCA) reached 346.0%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD26.3 million of liquid capital. This is also well above the minimum requirement of HKD3.0 million or 5.0% of adjusted liabilities.

Material Changes in Financial Condition (September 30, 2020 vs December 31, 2019)

COL's asset base increased by 8.1% to ₱11.0 billion compared to its end 2019 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 decreased by 32.4% to ₱5.8 billion as of end September 2020. The decrease was largely attributable to the placement of more funds in higher yielding Treasury bills to boost yields on cash. Investment securities at amortized costs increased by ₱4.0 billion to ₱4.2 billion as a result. On a combined basis, cash and other highly liquid cash investments increased by 11.8% to ₱10.0 billion which was largely driven by growing customer deposits. Note that COL received a total of ₱14.5 billion in net new inflows during the first nine months of the year.

Total trade receivables fell by 21.9% to ₱675.4 million. This was largely due to the decrease in the value of selling transactions, reducing the value of receivables from the clearing house by 83.1% to ₱21.3 million. Receivables from customers also fell by 12.3% to ₱618.2 million.

Other receivables fell by 55.2% to ₱21.5 million as interest receivables fell sharply due to lower yields on cash placements. Yields on outstanding placements fell by more than 300 basis points during the first nine months of the year as the BSP cut benchmark rates by 175 basis points and banks' reserve requirement ratio by 200 basis points.

Property and equipment decreased by 21.9% to ₱116.1 million. There were minimal capital expenditures made in the first nine months of the year as most of the required capital expenditures were already completed in 2019. At the same time, there was a substantial increase in depreciation expense due to the large capital expenditures made last year.

Trade payables increased by 10.9% to ₱9.1 billion for the year to date period. This was largely due to the 10.1% increase in client cash to ₱8.9 billion as clients deposited more cash into their accounts. Payable to clearing houses also increased by 83.0% to ₱153.5 million due to the higher value of buying transactions as of end September compared to end December.

Income tax payable increased by 212.2% to ₱20.7 million due to higher taxable income generated during the third quarter as compared to the taxable income booked during the last quarter of 2019.

Stockholders' equity was down by 2.7% to ₱1.7 billion largely due to the payment of ₱333.2 million in cash dividends, partly offset by the booking of ₱294.9 million in net income during the first nine months of 2020.

Material Changes in the Results of Operations (September 30, 2020 vs September 30, 2019)

COL's consolidated revenues during the first nine months of 2020 fell by 24.7% to ₱676.3 million. Although commission revenues increased, this was not enough to offset the drop in all other revenue line items. Cost of services declined by 9.1% to ₱119.9 million, largely driven by the 47.9% decline in commission expense. Meanwhile, operating expenses, which are largely fixed in nature, was flat at ₱156.9 million. Provision for income taxes fell by 30.8% to ₱101.9 million as operating profits declined by 34.6% to ₱396.8 million. Because of the foregoing movements, consolidated net income dropped by 35.9% to ₱294.9 million in the first nine months of 2020.

COL's revenues fell largely due to falling interest rates. Despite volatile market conditions and lower trading volumes, commission revenues still rose by 1.8% to ₱457.9 million as self-directed retail investors actively traded the market. In fact, this allowed COL's market share to improve to 7.0% in the first nine months of 2020 from only 6.0% during the same period last year. Increased activity of retail investors was also evident in the significant jump in the share of self-directed clients to total commission revenue to 88.0% in the first nine months of this year from 81.2% in the same period last year.

However, the slight increase in commission revenues was not enough to offset the steep drop of interest income. Interest income fell sharply by 52.6% to ₱205.4 million as average yield on cash placements fell by more than half. COL also suffered from the 25.3% drop in the average daily value of margin loans to ₱466 million during the first nine months of 2020.

Revenues from the fund distribution business booked under trail fees were also lower by 5.9% to ₱12.2 million. Due to the sharp drop of the PSEi compared to last year, the average value of non-money market assets under administration (AUA) fell. Although net sales remained strong, reaching ₱766.5 million during the past twelve months, it was not enough to offset the impact of the PSEi's steep decline.

Cost of services fell by 9.1% to ₱119.9 million, led by the double-digit decline in commission expense. Commission expense fell by 47.9% to ₱18.4 million as revenues generated by the agent-led clients and institutional investors dropped by 35.7%. Commission expense also fell as the commission sharing scheme was restructured effective starting the second half of 2019. Central depository fees which are computed based on the market value of the total portfolio held by the Group on behalf of its customers dropped by 16.1% to ₱4.6 million. Meanwhile, stock exchange dues and fees increased by 47.85% to ₱17.8 million. The increase was largely due to the booking of ₱6.9 million in additional expenses in the third quarter to compensate clients who were not able to sell their AREIT shares during the first few trading days of its IPO due to technical issues. Nevertheless, the said expense is non-recurring and should no longer be booked in the future.

While cost of services fell, operating expenses slightly increased by 1.4% to ₱156.9 million. Personnel costs and professional fees, which together account for around 46.8% of operating expenses, increased by 7.7% to ₱74.7 million. Personnel costs went up as the Parent Company hired more employees, in line with efforts to improve the level of service it provides to its growing client base. It also booked ₱2.5 million in COVID-19 lockdown related expenses because of the pandemic. Professional fees were largely flat though at ₱33.2 million.

Marketing and promotional expenses fell sharply by 64.2% to ₱4.2 million. Aside from the high base in 2019, the amount spent on large scale investor seminars was reduced significantly as mass gatherings were no longer allowed due to the COVID-19 pandemic.

Power, light, and water expenses decreased by 27.5% to ₱2.9 million as 95.0% of the Parent Company's employees worked remotely to ensure their safety.

Rental expenses fell sharply by 97.9% to ₱433,537, while depreciation and amortization more than doubled to ₱47.6 million. At the same time, COL booked ₱2.3 million in interest expenses. The said changes were largely due to the adoption of PFRS16 in the booking of lease expenses. Instead of recognizing rent expenses directly, COL recognized a right of use (ROU) asset equal to the present value of future lease payments which it depreciates using the straight-line method. Due to the adoption of PFRS16, rental expenses decreased by ₱20.3 million while depreciation expense and interest expense increased by ₱18.5 million and ₱2.3 million, respectively, resulting to a net increase in total expenses of ₱525,577.

Depreciation expense also increased because of the ₱44.4 million spent on capital expenditures in 2019.

Although total expenses and other losses fell by 4.0% to ₱279.5 million, this was not enough to offset the steeper decline in revenues. Effective tax rate, on the other hand, increased slightly to 26.0% from 24.0% in the first nine months of 2019. Consequently, operating income and net profits dropped by 34.6% and 35.9% to ₱396.8 million and ₱294.9 million, respectively.

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 16, 2020



Catherine L. Ong
Senior Vice President and Chief Finance Officer
November 16, 2020



Lorena E. Velarde
Vice President and Financial Controller
November 16, 2020

COL FINANCIAL GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	₱5,477,226,499			₱8,226,032,009		
Cash in a segregated account (Note 5)	114,159,652			137,679,325		
Short-term time deposit (Note 4)	200,000,000			200,000,000		
Financial assets at fair value through profit or loss (Note 6)	5,053,376	₱5,053,376		4,003,329	₱4,003,329	
Investment securities at amortized cost - current portion (Note 8)	3,932,968,259			200,348,264		
Trade receivables (Notes 7 and 20)	675,404,887	3,724,202,505		864,272,801	3,984,013,048	
Other receivables (Notes 7 and 20)	21,537,412			48,067,874		
Prepayments	9,282,526			5,422,562		
Other current assets (Note 12)	191,750			21,914		
Total Current Assets	10,435,824,361			9,685,848,078		
Noncurrent Assets						
Long-term time deposit (Note 4)	–			200,000,000		
Investment securities at amortized cost - net of current portion (Note 8)	300,200,000			–		
Property and equipment (Note 9)	116,124,514			148,644,922		
Investment property (Note 10)	15,102,147			15,758,762		
Intangibles (Note 11)	16,616,502			19,522,713		
Deferred tax assets (Note 19)	6,681,651			2,096,547		
Other noncurrent assets (Note 12)	78,344,446			77,221,097		
Total Noncurrent Assets	533,069,260			463,244,041		
TOTAL ASSETS	₱10,968,893,621			₱10,149,092,119		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			₱70,154,556,938			₱65,716,445,905

(Forward)

	September 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Notes 13 and 20)	₱9,075,301,131	₱66,425,301,057		₱8,185,897,877	₱61,728,429,528	
Lease liabilities - current portion (Note 21)	19,659,385			20,767,513		
Income tax payable	20,664,023			6,618,090		
Other current liabilities (Note 14)	77,343,672			84,968,381		
Total Current Liabilities	9,192,968,211			8,298,251,861		
Noncurrent Liabilities						
Lease liabilities - net of current portion (Note 21)	27,386,109			36,454,605		
Retirement obligation (Notes 18 and 20)	49,180,816			68,336,052		
Total Noncurrent Liabilities	76,566,925			104,790,657		
Total Liabilities	9,269,535,136			8,403,042,518		
Equity						
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	6,160,296			14,516,424		
Loss on remeasurement of retirement obligation (Note 18)	(32,236,855)			(32,236,855)		
Retained earnings: (Note 15)						
Appropriated	380,579,723			332,507,131		
Unappropriated	794,748,357			879,945,260		
Equity Attributable to the Equity Holders of the Parent Company	1,678,470,545			1,723,950,984		
Non-controlling Interest (Note 15)	20,887,940			22,098,617		
Total Equity	1,699,358,485			1,746,049,601		
TOTAL LIABILITIES AND EQUITY	₱10,968,893,621	₱70,154,556,938	₱70,154,556,938	₱10,149,092,119	₱65,716,445,905	₱65,716,445,905

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended		For the Quarter Ended	
	2020	2019	2020	2019
REVENUES (Note 16)				
Commissions	P457,902,310	P449,800,729	P157,629,420	P155,256,874
Others:				
Interest income (Notes 4, 5, 7, 8 and 20)	205,385,597	433,693,134	50,084,338	126,207,333
Trail fees	12,240,567	13,002,283	4,342,982	4,432,237
Trading gains - net (Note 6)	–	401,284	–	281,204
Others (Note 6)	791,776	1,314,308	210,582	513,114
	676,320,250	898,211,738	212,267,322	286,690,762
COST OF SERVICES				
Personnel costs (Notes 17, 18 and 20)	49,936,619	51,648,507	13,742,193	14,821,720
Commission expense (Note 20)	18,356,150	35,228,651	5,452,632	8,190,965
Stock exchange dues and fees (Note 12)	17,825,707	12,056,290	10,521,812	4,052,114
Central depository fees	4,550,239	5,425,369	1,610,611	1,844,596
Research	3,814,300	2,784,345	1,348,798	921,332
Others:				
Communications	25,346,060	24,689,668	8,234,967	8,290,535
Depreciation (Note 9)	102,988	102,535	53,319	34,461
	119,932,063	131,935,365	40,964,332	38,155,723
GROSS PROFIT	556,388,187	766,276,373	171,302,990	248,535,039
OPERATING EXPENSES				
Administrative expenses:				
Personnel costs (Notes 17, 18 and 20)	41,537,976	35,857,380	11,747,172	10,936,507
Professional fees (Note 20)	33,208,436	33,510,196	10,582,247	9,804,894
Taxes and licenses	5,840,217	5,008,576	1,179,312	1,959,810
Advertising and marketing	4,224,487	11,816,752	1,546,815	6,831,255
Insurance and bonds	3,938,621	3,647,340	1,459,565	1,449,087
Security and messenger services	3,689,406	5,013,606	1,032,735	1,615,505
Repairs and maintenance	3,596,713	3,892,246	1,162,957	1,311,113
Condominium dues	3,311,640	3,192,326	1,107,789	1,007,209
Power, light and water	2,928,316	4,038,281	986,296	1,392,373
Office supplies	1,523,405	2,920,375	479,476	807,115
Communications	943,292	1,208,636	324,472	493,106
Membership fees and dues	939,656	928,964	346,993	278,312
Directors' fees (Note 20)	775,000	775,000	200,000	200,000
Trainings, seminars and meetings	538,765	1,142,591	70,257	418,832
Rentals (Note 21)	433,537	20,710,877	271,874	8,700,233
Representation and entertainment	181,273	727,263	6,423	192,018
Others	1,642,228	2,240,352	471,007	741,126
	109,252,968	136,630,761	32,975,390	48,138,495
Depreciation and amortization (Notes 9, 10, 11 and 21)	47,557,599	22,899,057	15,642,083	8,457,439
Provision for (recovery from) credit losses (Note 7)	90,947	(320,399)	(97,625)	(742,767)
	156,901,514	159,209,419	48,519,848	55,853,167
OTHER INCOME (LOSSES)				
Interest expense (Note 21)	(2,314,354)	–	(721,872)	–
Trading gains (losses) - net (Note 6)	(457,345)	–	902,139	–
Foreign exchange gains - net	72,364	45,020	152,476	51,263
	(2,699,335)	45,020	332,743	51,263
INCOME BEFORE INCOME TAX	396,787,338	607,111,974	123,115,885	192,733,135
VISION FOR (BENEFIT FROM) INCOME TAX (Note 19)				
Current				
Regular corporate income tax	67,162,729	67,865,075	22,276,829	24,603,284
Final income tax	35,764,781	79,541,929	8,213,233	22,795,968
Deferred	(1,005,184)	(141,375)	63,814	(180,491)
	101,922,326	147,265,629	30,553,876	47,218,761
NET INCOME	P294,865,012	P459,846,345	P92,562,009	P145,514,374
Attributable to:				
Equity holders of the Parent Company (Note 25)	P296,075,689	P460,046,405	P93,023,934	P145,714,435
Non-controlling interest (Note 15)	(1,210,677)	(200,060)	(461,923)	(200,060)
	P294,865,012	P459,846,345	P92,562,011	P145,514,375
Earnings Per Share (Note 25)				
Basic and diluted	P0.62	P0.97	P0.19	P0.31

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2020	2019	2020	2019
NET INCOME	₱294,865,012	₱459,846,345	₱92,562,011	₱145,514,375
OTHER COMPREHENSIVE LOSS				
Item that may be reclassified subsequently to consolidated statements of income:				
Translation adjustments - net of tax	(8,356,128)	(3,352,000)	(5,696,530)	2,184,779
TOTAL COMPREHENSIVE INCOME	₱286,508,884	₱456,494,345	₱86,865,481	₱147,699,154
Attributable to:				
Equity holders of the Parent Company	₱287,719,561	₱456,694,405	₱87,327,404	₱147,899,214
Non-controlling interest (Note 15)	(1,210,677)	(200,060)	(461,923)	(200,060)
	₱286,508,884	₱456,494,345	₱86,865,481	₱147,699,154

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(With Comparative Figures for the Nine Months Ended September 30, 2019)

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			
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
Balances at January 1, 2019	₱476,000,000	₱53,219,024	₱21,881,155	(₱15,806,586)	₱276,503,775	₱881,772,457	₱1,693,569,825	₱–	₱1,693,569,825
Total comprehensive income (loss)	–	–	(3,352,000)	–	–	460,046,405	456,694,405	(200,060)	456,494,345
Appropriation of retained earnings (Note 15)	–	–	–	–	56,003,356	(56,003,356)	–	–	–
Issuance of shares – non-controlling interests	–	–	–	–	–	–	–	22,500,000	22,500,000
Declaration of cash dividend (Note 15)	–	–	–	–	–	(404,600,000)	(404,600,000)	–	(404,600,000)
Balances at September 30, 2019	₱476,000,000	₱53,219,024	₱18,529,155	(₱15,806,586)	₱332,507,131	₱881,215,506	₱1,745,664,230	₱22,299,940	₱1,767,964,170

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱396,787,338	₱607,111,974
Adjustments for:		
Interest income (Notes 4, 5, 7, 8, 16, and 20)	(205,385,597)	(433,693,134)
Depreciation and amortization (Notes 9, 10, 11 and 21)	47,660,587	23,001,591
Contribution to the retirement fund	(19,155,236)	–
Interest expense (Note 21)	2,314,354	–
Unrealized trading losses (Note 6)	730,362	471,254
Provision for (recovery from) credit losses (Note 7)	90,947	(320,399)
Dividend income (Note 6)	(35,095)	(26,660)
Gain on disposal of property and equipment (Note 9)	–	(8,409)
Operating income before working capital changes	223,007,660	196,536,217
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Cash in a segregated account	23,519,673	67,776,242
Short-term time deposits	200,000,000	426,000,000
Financial assets at FVTPL	(1,780,409)	(1,755,191)
Trade receivables	170,314,179	61,921,799
Other receivables	36,186,310	73,108,155
Prepayments	(3,864,115)	(2,282,019)
Other assets	(4,990,095)	(12,833,114)
Increase (decrease) in:		
Trade payables	895,475,693	(339,330,689)
Other current liabilities	(7,039,075)	(60,781,917)
Net cash generated from operations	1,530,829,821	408,359,483
Interest received	195,852,002	358,901,265
Dividends received	35,095	26,660
Income taxes paid	(85,344,599)	(138,094,510)
Net cash flows provided by operating activities	1,641,372,319	629,192,898
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in securities at amortized cost (Note 8)	(4,032,968,259)	–
Acquisitions of:		
Property and equipment (Notes 9)	(4,179,083)	(35,993,387)
Software and licenses (Note 11)	(278,290)	(5,538,178)
Proceeds from disposal of property and equipment (Note 9)	–	8,482
Net cash flows used in investing activities	(4,037,425,632)	(41,523,083)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends declared and paid (Note 15)	(333,200,000)	(404,600,000)
Payment of principal portion of lease liabilities (Note 21)	(19,552,197)	–
Proceeds of issuance of shares to the non-controlling interest	–	22,500,000
Net cash flows used in financing activities	(352,752,197)	(382,100,000)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,748,805,510)	205,569,815
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,226,032,009	8,897,583,382
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	₱5,477,226,499	₱9,103,153,197

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, PSE Centre, 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.

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, 2020 and December 31, 2019, 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. (CIMI)	Philippines	70%	PHP
COL Equity Index Unitized Mutual Fund Inc. (CEIUMF)	Philippines	100%	PHP
COL Cash Management Unitized Mutual Fund Inc. (CCMUF)	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

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- 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*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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 Deposit 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 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 gains (losses) - net' in the consolidated statement of income. The 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, 2020 and December 31, 2019.

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 deposits', 'Trade receivables', 'Other receivables', 'Long-term time deposit', '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 statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the 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. 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 fair value through profit or loss. 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 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.

Financial Assets Carried at Amortized Cost

The Group assesses, at each end of the reporting period, whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for credit losses is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

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, 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.

It is the Group's 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

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

Under PFRS 15, *Revenue from Contracts with Customers*, 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 (AUA) 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. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

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. Effective January 1, 2019, 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 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.

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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019 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.

4. Cash and Cash Equivalents and Long-term Time Deposit

Cash and Cash Equivalents

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Cash on hand and in banks	₱4,729,018,117	₱388,330,981
Short-term cash investments	748,208,382	7,837,701,028
	₱5,477,226,499	₱8,226,032,009

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 0.85% to 4.00% per annum during the nine-month period in 2020 and 2.44% to 6.90% per annum during the twelve-month period in 2019. The Parent Company has United States dollar (US\$)-denominated cash in banks amounting to US\$5,452 and US\$1,052 as at September 30, 2020 and December 31, 2019, respectively, while COLHK has US\$-denominated cash in banks amounting to US\$89,863 and US\$8,465 as at September 30, 2020 and December 31, 2019, respectively.

In compliance with SRC Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve bank accounts for the exclusive benefit of its customers amounting to ₱8,596,128,063 and ₱7,572,724,361 as at September 30, 2020 and December 31, 2019, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at September 30, 2020 and December 31, 2019, 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 bear annual interest rates ranging from 4.00% to 5.00% per annum during the nine-month period in 2020 and 5.00% to 7.00% per annum during the twelve-month period in 2019. The outstanding short-term time deposit as of December 31, 2019 matured on January 20, 2020.

Long-term Time Deposit

This account pertains to the Parent Company's time deposit in a local bank placed in 2016 with interest at 4.00% per annum and maturing on June 24, 2021. As at June 30, 2020, the outstanding balance was reclassified to 'Short-term Time Deposit' since its maturity date is less than one (1) year away.

Interest income of the Group from cash and cash equivalents, cash in segregated account, short-term time deposit and long-term time deposit amounted to ₱166,408,995 and ₱391,174,129 during the nine-month period ended September 30, 2020 and 2019, respectively (Note 16).

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 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). The Group is not allowed to use the clients' monies to settle its own obligations.

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

6. Financial Assets at FVPL

Financial assets at FVPL pertain to investments in mutual funds and shares of stock of companies listed in the PSE. As at September 30, 2020 and December 31, 2019, financial assets at FVPL amounted to ₱5,053,376 and ₱4,003,329, respectively.

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

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Unrealized trading losses	(₱730,362)	(₱471,254)
Trading gains from sale	273,017	872,538
	(₱457,345)	₱401,284

Dividend income included under 'Other revenues' amounted to ₱35,095 and ₱26,660 during the nine-month period ended September 30, 2020 and 2019, respectively.

7. Trade Receivables and Other Receivables

Trade Receivables

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Customers (Note 20)	₱618,171,042	₱704,473,326
Other broker	36,824,538	35,713,803
Clearing house	21,129,302	124,656,703
Mutual fund houses	1,463,899	1,521,916
	677,588,781	866,365,748
Less allowance for credit losses on trade receivables from customers	2,183,894	2,092,947
	₱675,404,887	₱864,272,801

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

	September 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Money Balance	Security Valuation	Money Balance	Security Valuation
Cash and fully secured accounts:				
More than 250%	₱346,997,839	₱3,184,724,633	₱326,641,371	₱3,341,970,342
Between 200% and 250%	206,282,043	453,413,284	133,706,615	295,113,418
Between 150% and 200%	24,343,069	45,993,907	116,495,231	210,350,463
Between 100% and 150%	8,227,621	8,262,077	112,935,034	122,412,775
Less than 100%	32,320,363	31,808,604	14,695,036	14,166,050
Unsecured accounts	107	–	39	–
	618,171,042	₱3,724,202,505	704,473,326	₱3,984,013,048
Less allowance for credit losses on receivables from customers	2,183,894		2,092,947	
	₱615,987,148		₱702,380,379	

As at September 30, 2020 and December 31, 2019, the Parent Company offered a credit line facility amounting to ₱5,291,471,950 and ₱5,467,788,000, respectively, to its customers who qualified for margin account.

Interest income from customers amounted to ₱26,960,915 and ₱37,052,240 during the nine-month period ended September 30, 2020 and 2019, 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, 2020 and December 31, 2019, ₱585,850,572 and ₱689,778,251, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at September 30, 2020 and December 31, 2019, were fully collected in October and January 2020, 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 brokers pertain 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.

Trade receivables from the mutual fund houses represent the trail fee earned by the Parent Company for distributing mutual funds to its customers through its online trading platform. The fee is computed daily and collected on a monthly basis.

Other Receivables

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Accrued interest	₱8,320,880	₱32,236,683
Employees salary loan and other advances (Note 20)	1,425,407	1,220,034
Others	11,791,125	14,611,157
	₱21,537,412	₱48,067,874

Allowance for Credit Losses on Trade Receivables from Customers

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balances at beginning of the period	₱2,092,947	₱1,478,235
Provision for credit losses	90,947	614,712
Balances at end of the period	₱2,183,894	₱2,092,947

8. Investment securities at amortized cost

Current portion

In 2020, the Parent Company invested in various government treasury bills totaling to ₱3,932,968,259. The new investments earn a coupon rate ranging from 1.090% to 1.801% per annum and will mature within one year from settlement date at most.

Noncurrent portion

These accounts consist of an investment in a government bond with a face value amounting to ₱200,000,000, purchased on September 25, 2017 at a premium of ₱3,041,886. This investment earns a coupon rate of 4.25% per annum, payable on a quarterly basis and with an original maturity date of April 11, 2020 and an EIR of 3.62%. This security was swapped with another government security, with a face value amounting to ₱200,200,000 on February 11, 2020, at par. The new investment earns a coupon rate of 4.375% per annum, payable on a quarterly basis and will mature on February 11, 2023.

On February 3, 2020, the Parent Company also purchased an investment in a corporate debt security, with a face value of ₱100,000,000, at par. This investment earns a coupon rate of 4.408% per annum, payable on a quarterly basis and will mature on August 3, 2022.

As at September 30, 2020 and December 31, 2019, the carrying amount of the investment security at amortized cost amounted to ₱4,233,168,259 and ₱200,348,264, respectively.

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.'

Interest income earned from the investment amounted to ₱12,015,687 and ₱5,466,765 during the nine-month period ended September 30, 2020 and 2019, respectively (Note 16).

9. Property and Equipment

	September 30, 2020 (Unaudited)					
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Right-of-use Assets – Office Premises	Total
Cost						
At beginning of the period	₱163,040,796	₱36,782,259	₱65,259,849	₱4,579,962	₱77,035,593	₱346,698,459
Additions	1,976,697	1,519,542	682,844	–	7,578,017	11,757,100
Reclassification	–	–	4,579,962	(4,579,962)	–	–
Disposals	–	–	–	–	(7,385,253)	(7,385,253)
Translation adjustments	(312,626)	(125,348)	(37,542)	–	(252,371)	(727,887)
At end of the period	164,704,867	38,176,453	70,485,113	–	76,975,986	350,342,419
Accumulated depreciation and amortization						
At beginning of the period	117,827,089	25,778,499	33,742,056	–	20,705,893	198,053,537
Depreciation and amortization (Note 21)	16,267,798	2,565,827	6,497,283	–	18,488,563	43,819,471
Disposals	–	–	–	–	(7,029,336)	(7,029,336)
Translation adjustments	(312,626)	(125,464)	(37,542)	–	(150,135)	(625,767)
At end of the period	133,782,261	28,218,862	40,201,797	–	32,014,985	234,217,905
Net book value	₱30,922,606	₱9,957,591	₱30,283,316	₱–	₱44,961,001	₱116,124,514

	December 31, 2019 (Audited)					
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Right-of-use Assets – Office Premises	Total
Cost						
At beginning of year, as previously reported	₱156,266,185	₱28,994,359	₱39,874,672	₱3,438,428	₱–	₱228,573,644
Effect of adoption of PFRS 16 (Note 2)	–	–	–	–	27,129,831	27,129,831
Translation adjustments	(260,065)	(103,366)	(31,230)	–	(48,605)	(443,266)
At beginning of year, as restated	156,006,120	28,890,993	39,843,442	3,438,428	27,081,226	255,260,209
Additions	9,498,287	8,526,635	9,524,757	17,033,184	55,420,102	100,002,965
Reclassification	–	–	15,891,650	(15,891,650)	–	–
Disposals	(2,463,611)	(635,369)	–	–	(5,465,735)	(8,564,715)
At end of year	163,040,796	36,782,259	65,259,849	4,579,962	77,035,593	346,698,459
Accumulated depreciation and amortization						
At beginning of year	99,538,013	24,002,484	29,002,466	–	–	152,542,963
Depreciation and amortization (Note 21)	21,033,693	2,489,570	4,770,816	–	26,205,737	54,499,816
Disposals	(2,463,568)	(635,339)	–	–	(5,465,735)	(8,564,642)
Translation adjustments	(281,049)	(78,216)	(31,226)	–	(34,109)	(424,600)
At end of year	117,827,089	25,778,499	33,742,056	–	20,705,893	198,053,537
Net book value	₱45,213,707	₱11,003,760	₱31,517,793	₱4,579,962	₱56,329,700	₱148,644,922

As at September 30, 2020 and December 31, 2019, the cost of the Group's fully depreciated property and equipment still in use amounted to ₱126,890,641 and ₱108,761,972, respectively. Disposal of property and equipment in 2019 resulted in gains amounting to ₱8,415. No disposals were made as at September 30, 2020.

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

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Cost of services	₱102,988	₱102,535
Operating expenses	47,557,599	22,899,057
	₱47,660,587	₱23,001,592

10. Investment Property

This account pertains to an office space purchased by the Parent Company with an initial cost of ₱17,509,736. Movements in the investment property account follow:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost		
At beginning of the period	₱17,509,736	₱17,509,736
Additions	-	-
At end of the period	17,509,736	17,509,736
Accumulated depreciation		
At beginning of the period	1,750,974	875,487
Depreciation	656,615	875,487
At end of the period	2,407,589	1,750,974
Net book value	₱15,102,147	₱15,758,762

The office space is held for capital appreciation. As at September 30, 2020 and December 31, 2019, the fair value of investment property amounted to ₱39,567,000.

Collaterals

As at September 30, 2020 and December 31, 2019, the Group's investment property is not pledged as collateral.

11. Intangibles

Stock Exchange Trading Rights

Philippine Operations

As at September 30, 2020 and December 31, 2019, 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 during the most recent sale approved by the PSE on December 14, 2011.

As at September 30, 2020 and December 31, 2019, the book value of the Group's exchange trading right amounted to ₱5,000,000.

Software Costs and Licenses

Movements in the software costs and licenses account follow:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost		
At beginning of the period	₱48,242,112	₱42,680,018
Additions	278,290	5,562,094
At end of the period	48,520,402	48,242,112

(Forward)

Accumulated amortization		
At beginning of the period	33,719,399	30,279,574
Amortization	3,184,501	3,439,825
At end of the period	36,903,900	33,719,399
Net book value	₱11,616,502	₱14,522,713

The amortization of software costs and licenses recorded in ‘Depreciation and amortization’ in the consolidated statements of income amounted to ₱3,184,501 and ₱2,367,534 during the nine-month period ended September 30, 2020 and 2019, respectively.

As of September 30, 2020 and December 31, 2019, the costs of the Group’s fully amortized software still in use amounted to ₱21,544,157 and ₱20,986,110, respectively.

12. Other Assets

Other Current Assets

This account pertains to input VAT of the subsidiaries.

Other Noncurrent Assets

This account consists of:

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Deposit to CTGF	₱43,692,575	₱41,632,750
Intangible assets under development	18,495,763	16,197,559
Refundable deposits:		
Rental and utility deposits	7,695,031	7,720,988
Other refundable deposits	3,418,566	3,853,922
	11,113,597	11,574,910
Deferred input VAT	5,042,511	7,815,878
	₱78,344,446	₱77,221,097

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, 2020 and December 31, 2019 as ‘Other noncurrent assets’ amounting to ₱43,692,575 and ₱41,632,750, respectively.

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, 2020 (Unaudited)	December 31, 2019 (Audited)
Customers (Note 19)	₱8,921,720,361	₱8,102,010,305
Clearing house	153,488,519	83,887,572
Dividends payable	92,251	–
	₱9,075,301,131	₱8,185,897,877

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

	September 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	₱8,921,720,361	₱65,157,000,762	₱8,102,010,305	₱60,513,955,722
No money balances	–	1,268,300,295	–	1,214,473,806
	₱8,921,720,361	₱66,425,301,057	₱8,102,010,305	₱61,728,429,528

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

Payable to customers with money balances amounting to ₱107,021,381 and ₱150,854,848 as at September 30, 2020 and December 31, 2019, 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 (see Note 5).

Trade payables to clearing house as at September 30, 2020 and December 31, 2019 were fully paid subsequently in October and January 2020, 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, 2020 (Unaudited)	December 31, 2019 (Audited)
Unposted customers' deposits	₱43,429,288	₱10,954,090
Due to BIR	17,070,248	21,977,464
Accrued expenses	8,338,076	25,587,964
Trading fees	3,403,713	1,931,751
Accrued management bonus	–	16,776,870
Others	5,102,347	7,740,242
	₱77,343,672	₱84,968,381

Unposted customers' deposits represent additional funding, remittances and initial deposits made by customers that were received beyond the cut-off time for the back-office processing of collections. These were credited to the customers' trading accounts on the next business day following the end of the reporting period.

Due to BIR comprise withholding, percentage and output taxes payable to the Philippine BIR.

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.

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 of liabilities to customers arising from mutual fund redemption, which are subsequently settled upon collection of funds from the mutual fund providers.

15. Equity

Capital Stock

The details and movements of the Parent Company's capital stock (figures and amounts in thousands) as at September 30, 2020 and December 31, 2019 follow:

	Shares	Amount
Common stock - ₱1 per share		
Authorized	1,000,000	₱1,000,000
Issued and outstanding		
Balances at beginning and end of the period	476,000	₱476,000

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As at September 30, 2020 and December 31, 2019, there were 34 and 33 holders of the listed shares of the Parent Company, respectively, with a closing price of ₱26.00 and ₱18.42 per share, respectively.

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
2015	Stock options exercise	July 16, 2015	250,000
2015	Stock options exercise	April 14, 2015	200,000

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 30.0%, 20.0% and 10.0% of profit after tax for broker dealers with unimpaired paid up capital between ₱10.0 million to ₱30.0 million, between ₱30.0 million to ₱50.0 million and more than ₱50.0 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.

In 2020 and 2019, the Parent Company appropriated the amount of ₱48.1 million and ₱56.0 million, respectively, in compliance with the foregoing requirement.

On March 29, 2019, the BOD declared a regular and a special dividend amounting to ₱0.21 per share held or ₱99,960,000 (476,000,000 shares multiplied by ₱0.21 cash dividend per share) and ₱0.64 per share held or ₱304,640,000 (476,000,000 shares multiplied by ₱0.64 cash dividend per share), respectively, to stockholders as of record date of April 16, 2019. These dividends were paid on May 3, 2019.

On April 3, 2020, the BOD declared a regular and a special dividend amounting to ₱0.18 per share held or ₱85,680,000 (476,000,000 shares multiplied by ₱0.18 cash dividend per share) and ₱0.52 per share

held or ₱247,520,000 (476,000,000 shares multiplied by ₱0.52 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, 2020 and December 31, 2019, the consolidated retained earnings includes the retained earnings of COLHK amounting to ₱139,142,250 and ₱147,230,206, respectively, which are not available for dividend declaration.

Non-Controlling Interest

In 2019, the Parent Company formed a new subsidiary, CIMI. As of September 30, 2020 and December 31, 2019, the Parent Company held 70% of the voting shares while 30% of equity interest are held by non-controlling interest.

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

Summarized statement of financial position

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Cash and cash equivalents (current)	₱66,374,217	₱70,238,812
Other receivables (current)	2,806	451,889
Prepayments (current)	4,304	–
Other current assets (current)	150,656	14,594
Property and equipment (non-current)	3,174,639	3,811,266
Due to Parent Company (current)	–	(854,504)
Other current liabilities (current)	(80,153)	–
Total equity	₱69,626,469	₱73,662,057
Attributable to:		
Equity holders of the Parent Company	₱48,738,529	₱51,563,440
Non-controlling interest	20,887,940	22,098,617

Summarized statement of income

	September 30, 2020	September 30, 2019
	(Unaudited)	(Unaudited)
Interest income	₱1,147,518	₱234,545
Cost of services	(3,107,493)	–
Operating expenses	(1,846,110)	(854,504)
Loss before income tax	(3,806,085)	(619,959)
Provision for income tax	229,504	46,909
Net loss	(₱4,035,589)	(₱666,868)

Summarized cash flow information

	September 30, 2020	September 30, 2019
	(Unaudited)	(Unaudited)
Operating activities	(₱2,253,769)	₱238,106
Net decrease in cash and cash equivalents	(₱2,253,769)	₱238,106

16. Revenues

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Revenue from contracts with customers		
Commissions	₱457,902,310	₱449,800,729
Trail fees	12,240,567	13,002,283
Others	756,681	1,279,239
	470,899,558	464,082,251
Other revenues		
Interest income	205,385,597	433,693,134
Trading gains - net	–	401,284
Others	35,095	35,069
	₱676,320,250	₱898,211,738

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

	September 30, 2020 (Unaudited)			
	Commissions	Trail fees	Other income	Total
Primary geographical markets				
Philippines	₱447,565,520	₱12,240,567	₱449,877	₱460,255,964
Hong Kong	10,336,790	–	306,804	10,643,594
	₱457,902,310	₱12,240,567	₱756,681	₱470,899,558
	September 30, 2019 (Unaudited)			
	Commissions	Trail fees	Other income	Total
Primary geographical markets				
Philippines	₱442,096,929	₱13,002,283	₱514,522	₱455,613,734
Hong Kong	7,703,800	–	764,717	8,468,517
	₱449,800,729	₱13,002,283	₱1,279,239	₱464,082,251

Interest income

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Banks (Notes 4 and 5)	₱166,408,995	₱391,174,129
Customers (Note 7)	26,960,915	37,052,240
Government and corporate debt securities (Note 8)	12,015,687	5,466,765
	₱205,385,597	₱433,693,134

17. Personnel Costs

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Salaries and wages	₱80,315,549	₱78,019,819
Other benefits	11,159,046	9,486,068
	₱91,474,595	₱87,505,887

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

The above accounts were distributed as follows:

	September 30, 2020	September 30, 2019
	(Unaudited)	(Unaudited)
Cost of services	₱49,936,619	₱51,648,507
Operating expenses	41,537,976	35,857,380
	₱91,474,595	₱87,505,887

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, 2020 and December 31, 2019.

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 ₱238,134 and ₱245,064 during the nine-month period ended September 30, 2020 and 2019, respectively.

19. Income Taxes

Current Income Taxes

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

	September 30, 2020	September 30, 2019
	(Unaudited)	(Unaudited)
Regular corporate income tax	₱67,162,729	₱79,541,929
Final income tax	35,764,781	67,865,075
	₱102,927,510	₱147,407,004

Deferred Income Taxes

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

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Retirement obligation	₱8,047,889	₱8,047,889
Accumulated translation adjustment	(2,640,127)	(6,221,325)
Allowance for credit losses	655,167	354,388
Leases under PFRS 16	479,203	–
Unamortized past service cost	180,729	180,729
Unrealized trading (gains) losses	(77,783)	(296,894)
Unused tax losses	30,481	31,760
Unrealized foreign exchange losses	6,092	–
	₱6,681,651	₱2,096,547

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

For the years 2020 and 2019, the Parent Company availed of the itemized deduction and optional standard deduction (OSD) method in claiming its deductions, respectively.

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
Key management personnel					
September 30, 2020 (Unaudited)	₱26,074,682	₱379,571	₱–	₱–	₱–
September 30, 2019 (Unaudited)	1,416,763	232,748	–	–	–
Companies with common officers, directors and stockholders					
September 30, 2020 (Unaudited)	10,444,634	1,794,731	–	2,755,643	–
September 30, 2019 (Unaudited)	6,005,886	2,009,266	–	3,686,589	–
Directors					
September 30, 2020 (Unaudited)	33,822,418	1,208,125	–	–	775,000
September 30, 2019 (Unaudited)	5,256,199	653,349	–	–	775,000

Category	Trade payables	Trade receivables	Terms	Conditions
Key management personnel				
September 30, 2020 (Unaudited)	₱4,295,177	₱57,686,740	3-day; non-interest bearing/Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2019 (Audited)	44,684,302	36,150,772		
Companies with common officers, directors and stockholders				
September 30, 2020 (Unaudited)	1,977	34,564,270	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, 2019 (Audited)	18,088,418	28,793,203		
Directors				
September 30, 2020 (Unaudited)	125,120,954	–	3-day; non-interest bearing/Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2019 (Audited)	101,569,142	2,704,863		

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 ₱107 and ₱39, which were unsecured as of September 30, 2020 and December 31, 2019 (Note 7)). The trade receivables from related parties are not impaired.

- b. As of September 30, 2020 and December 31, 2019, the Group also has unsecured noninterest-bearing advances to its employees amounting to ₱1,425,407 and ₱1,220,034 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:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Short-term employee benefits	₱29,485,351	₱31,995,324
Retirement costs	87,122	89,658
Other benefits	696,978	717,261
	₱30,269,451	₱32,802,243

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 ₱433,537 and ₱20,710,877 during the nine-month period ended September 30, 2020 and 2019, respectively.

Upon adoption of PFRS 16, 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:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At beginning of the period, as restated	₱57,222,118	₱26,476,920
Additions	7,578,017	55,420,102
Accretion of interest	2,314,354	2,937,247
Payments	(19,552,197)	(27,562,609)
Reversals	(355,914)	–
Translation adjustment	(160,884)	(49,542)
At end of the period	₱47,045,494	₱57,222,118

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

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Depreciation expense of right-of-use assets included in property and equipment (Note 9)	₱18,488,563	₱–
Interest expense on lease liabilities	2,314,354	–
	₱20,802,917	₱–

The future minimum lease payments are as follows:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Within one (1) year	₱21,419,898	₱22,526,180
After one (1) year but not more than five (5) years	23,007,779	23,044,783
After five (5) years	10,319,400	–
	₱54,747,077	₱45,570,963

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 period ended September 30, 2020 and December 31, 2019.

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 ₱2.5 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 ₱100.0 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; ₱10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions; and ₱2.5 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 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 ₱5.0 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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019 are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Equity eligible for net liquid capital	₱1,559,341,870	₱1,587,676,607
Less: Ineligible Assets	629,168,834	559,526,675
NLC	₱930,173,036	₱1,028,149,932
Position risk	₱14,386,385	₱4,247,476
Operational risk	199,525,324	189,014,295
Counterparty risk	-	-
Large exposure risk	55,003,419	-
Total Risk Capital Requirement (TRCR)	₱268,915,128	₱193,261,771
AI	₱9,002,546,333	₱8,023,673,289
5.00% of AI	₱450,127,317	₱401,183,664

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Required NLC	₱450,127,317	₱401,183,664
Net Risk-Based Capital Excess	₱480,045,719	₱626,966,268
Ratio of AI to NLC	968%	780%
RBCA ratio (NLC/TRCR)	346%	532%

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 ₱20.0 million effective December 31, 2009, and ₱30.0 million effective December 31, 2011 and onwards. As at September 30, 2020 and December 31, 2019, 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, 2020 and December 31, 2019.

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, 2020 and December 31, 2019, COLHK is compliant with the said requirement.

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 FVPL, trade receivables, other receivables, long-term time deposit,

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, 2020 and December 31, 2019, ₱618,170,935 and ₱704,473,287 of the total receivables from customers is secured by collateral comprising of equity securities of listed companies with a total market value of ₱3,724,202,505 and ₱3,984,013,048, 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, 2020 and December 31, 2019 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		
September 30, 2020 (Unaudited)						
Trade receivables	₱135,303,642	₱108,470,445	₱105,302,558	₱328,512,136	₱-	₱677,588,781
December 31, 2019 (Audited)						
Trade receivables	299,681,644	104,645,402	44,838,336	417,200,366	-	866,365,748

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, 2020 and December 31, 2019, 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 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.'

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:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash and cash equivalents (Note 4)*	₱5,477,153,914	₱8,225,977,521
Cash in a segregated account (Note 5)	114,159,652	137,679,325
Short-term time deposit (Note 4)	200,000,000	200,000,000
Trade receivables (Note 7)	511,866	529,025
Other receivables (Note 7)	21,537,412	48,067,874
Long-term time deposit (Note 4)	–	200,000,000
Refundable deposits (Note 12)	11,113,597	11,574,910
Deposit and refundable contributions to CTGF (Note 12)	43,692,575	41,632,750
Investment securities at amortized cost (Note 8)	4,233,168,259	200,348,264
	10,101,337,275	9,065,809,669
Unutilized margin trading facility	4,723,028,273	4,891,448,596
	₱14,824,365,548	₱13,957,258,265

*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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019 consist of cash and cash equivalents, short-term time deposits, financial assets at FVPL 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 exchanges 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, 2020 and December 31, 2019 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\$95,315 and US\$9,517 as at September 30, 2020 and December 31, 2019, 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, 2020 and December 31, 2019 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, 2020 (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]				
Financial Assets							
Receivable from customers	P618,171,042	P-	P618,171,042	P6,401,016	P-		P611,770,026
Receivable from clearing house	21,129,302	-	21,129,302	-	-		21,129,302
	P639,300,344	P-	P639,300,344	P6,401,016	P-		P632,899,328
Financial Liabilities							
Payable to customers	P8,921,720,361	P-	P8,921,720,361	P6,401,016	P-		P8,915,319,345
Payable to clearing house	153,488,519	-	153,488,519	-	-		153,488,519
	P9,075,208,880	P-	P9,075,208,880	P6,401,016	P-		P9,068,807,864

December 31, 2019 (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
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]
Financial Assets						
Receivable from customers	P704,473,326	P-	P704,473,326	P7,984,917	P-	P696,488,409
Due from clearing house	124,656,703	-	124,656,703	83,887,572	-	40,769,131
	P829,130,029	P-	P829,130,029	P91,872,489	P-	P737,257,540
Financial Liabilities						
Payable to customers	P8,102,010,305	P-	P8,102,010,305	P7,984,917	P-	P8,094,025,388
Due to clearing house	83,887,572	-	83,887,572	83,887,572	-	0
	P8,185,897,877	P-	P8,185,897,877	P91,872,489	P-	P8,094,025,388

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, 2020 and December 31, 2019:

	Carrying Values		Fair Values	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Refundable deposits	P11,113,597	P11,574,910	P9,680,305	P10,082,124
Investment securities at amortized cost	4,233,168,259	200,348,264	4,239,949,699	199,903,251
Investment property	15,102,147	15,758,762	39,567,000	39,567,000

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 FVPL

The Group's financial assets at FVPL are carried at their fair values as at September 30, 2020 and December 31, 2019. Fair value of financial assets at FVPL 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.

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, 2020 and December 31, 2019. There are no changes in the valuation techniques in 2020 and 2019.

Investment securities at amortized cost

The fair value of the investment is based on the quoted market price in an active market as at September 30, 2020 and December 31, 2019.

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:

	September 30, 2020 (Unaudited)		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	₱4,626,320	₱427,056	₱–
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	–	–	9,680,305
Investment securities at amortized cost	4,239,949,699	–	–
Investment property	–	–	39,567,000
	December 31, 2019 (Audited)		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	₱3,329,077	₱674,252	₱–
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	–	–	10,082,124
Investment securities at amortized cost	199,903,251	–	–
Investment property	–	–	39,567,000

During the period ended September 30, 2020 and the year ended December 31, 2019, there were no transfers among levels 1, 2 and 3 of fair value measurements.

25. EPS Computation

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Net income attributable to the equity holders of the Parent Company	₱296,075,689	₱460,046,405
Weighted average number of shares for earnings per share	476,000,000	476,000,000
Basic and diluted earnings per share	₱0.62	₱0.97

26. Segment Information

Geographical Information

For management purposes, the Group is organized into business units based on its geographical location and has two (2) reportable segments as follows:

- Philippine segment, which pertains to the Group's Philippine operations.
- Hong Kong segment, which pertains to the Group's HK operations.

The following tables present certain information regarding the Group's geographical segments:

	September 30, 2020 (Unaudited)			
	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱447,565,520	₱10,336,790	₱–	₱457,902,310
Interest	205,379,214	6,383	–	205,385,597
Trail fees	12,240,567	–	–	12,240,567
Others	484,971	306,805	–	791,776
Segment revenue	665,670,272	10,649,978	–	676,320,250
Cost of services	(107,773,525)	(12,158,538)	–	(119,932,063)
Operating expenses, net of other expenses	(107,253,225)	(4,790,025)	–	(112,043,250)
Depreciation and amortization	(45,768,229)	(1,789,370)	–	(47,557,599)
Income (loss) before income tax	404,875,293	(8,087,955)	–	396,787,338
Provision for income tax	(101,922,326)	–	–	(101,922,326)
Net income (loss)	₱302,952,967	(8,087,955)	₱–	₱294,865,012
Segment assets	₱10,837,613,608	₱418,581,103	(₱287,301,090)	₱10,968,893,621
Segment liabilities	9,131,057,669	138,478,557	(1,090)	9,269,535,136
Capital expenditures:				
Fixed assets	3,194,094	984,989	–	4,179,083
Cash flows arising from:				
Operating activities	1,651,002,662	(9,630,343)	–	1,641,372,319
Investing activities	(4,036,440,643)	(984,989)	–	(4,037,425,632)
Financing activities	(350,955,239)	(1,796,958)	–	(352,752,197)
	December 31, 2019 (Audited)			
	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱529,163,152	₱9,886,686	₱–	₱539,049,838
Interest	527,706,744	10,233	–	527,716,977
Trail fees	17,365,097	–	–	17,365,097
Others	855,104	947,917	–	1,803,021
Segment revenue	1,075,090,097	10,844,836	–	1,085,934,933
Cost of services	(173,358,672)	(19,915,927)	–	(193,274,599)
Operating expenses, net of other expenses	(194,602,320)	(8,980,401)	–	(203,582,721)
Depreciation and amortization	(56,291,221)	(2,389,005)	–	(58,680,226)
Income (loss) before income tax	650,837,884	(20,440,497)	–	630,397,387
Provision for income tax	(172,034,860)	12,249	–	(172,022,611)
Net income (loss)	₱478,803,024	(₱20,428,248)	₱–	₱458,374,776
Segment assets	₱9,984,241,387	₱453,005,236	(₱288,154,504)	₱10,149,092,119
Segment liabilities	8,247,438,416	156,458,606	(854,504)	8,403,042,518
Capital expenditures:				
Fixed assets	44,555,775	27,088	–	44,582,863
Cash flows arising from:				
Operating activities	(223,452,377)	11,700,088	–	(211,752,289)
Investing activities	(202,609,387)	(27,088)	152,500,000	(50,136,475)
Financing activities	(254,757,955)	(2,404,654)	(152,500,000)	(409,662,609)

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, 2020 (Unaudited)			
	Stockbrokerage services	Others	Elimination	Total
Revenue from external customers:				
Commissions	P457,902,310	P-	P-	P457,902,310
Interest	202,545,369	2,840,228	-	205,385,597
Trail fees	12,240,567	-	-	12,240,567
Others	791,776	-	-	791,776
Segment revenue	673,480,022	2,840,228	-	676,320,250
Cost of services	(116,824,570)	(3,107,493)	-	(119,932,063)
Operating expenses, net of other expenses	(110,597,710)	(1,445,540)	-	(112,043,250)
Depreciation and amortization	(46,920,971)	(636,628)	-	(47,557,599)
Income (loss) before income tax	399,136,771	(2,349,433)	-	396,787,338
Provision for income tax	(101,354,280)	(568,046)	-	(101,922,326)
Net income (loss)	P297,782,491	(P2,917,479)	P-	P294,865,012
Segment assets	P11,085,830,640	P170,364,071	(P287,301,090)	P10,968,893,621
Segment liabilities	9,269,331,783	204,443	(1,090)	9,269,535,136
Capital expenditures:				
Fixed assets	(4,179,083)	-	-	(4,179,083)
Cash flows arising from:				
Operating activities	1,643,626,088	(2,253,769)	-	1,641,372,319
Investing activities	(4,037,425,632)	-	-	(4,037,425,632)
Financing activities	(352,752,197)	-	-	(352,752,197)
	December 31, 2019 (Audited)			
	Stockbrokerage services	Others	Elimination	Total
Revenue from external customers:				
Commissions	P539,049,838	P-	P-	P539,049,838
Interest	525,604,623	2,112,354	-	527,716,977
Trail fees	17,365,097	-	-	17,365,097
Others	1,803,021	-	-	1,803,021
Segment revenue	1,083,822,579	2,112,354	-	1,085,934,933
Cost of services	(193,274,599)	-	-	(193,274,599)
Operating expenses, net of other income	(200,252,889)	(3,329,832)	-	(203,582,721)
Depreciation and amortization	(58,397,280)	(282,946)	-	(58,680,226)
Income (loss) before income tax	631,897,811	(1,500,424)	-	630,397,387
Provision for income tax	(171,600,140)	(422,471)	-	(172,022,611)
Net income (loss)	P460,297,671	(P1,922,895)	P-	P458,374,776
Segment assets	P10,263,068,214	P174,178,409	(P288,154,504)	P10,149,092,119
Segment liabilities	8,402,795,718	1,101,304	(854,504)	8,403,042,518
Capital expenditures:				
Fixed assets	40,488,651	4,094,212	-	44,582,863
Cash flows arising from:				
Operating activities	(210,080,797)	(1,671,492)	-	(211,752,289)
Investing activities	(198,542,263)	(4,094,212)	152,500,000	(50,136,475)
Financing activities	(432,162,609)	175,000,000	(152,500,000)	(409,662,609)

27. Events after the Reporting Period

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 P12,414,396. 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.

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

	Formula	September 30, 2020	September 30, 2019
Profitability ratios:			
Return on assets	Net Income (NI)/Total Assets	2.70%	4.27%
Return on equity (annualized)	NI/Average Equity*	23.21%	35.67%
Net profit margin	NI/Net Sales	43.78%	51.22%
Solvency and liquidity ratios:			
Current ratio	Current Assets/Current Liabilities	1.14:1	1.13:1
Debt to equity ratio	Total Liabilities/Average Equity*	5.45:1	5.25:1
Quick ratio	Liquid Assets/Current Liabilities	1.11:1	1.11:1
Asset to equity ratio	Total Assets/Average Equity*	6.45:1	6.28:1
Other relevant ratios:			
RBCA ratio		346%	546%
Ratio of AI to NLC		968%	824%

*Equity Attributable to the Equity Holders of the Parent Company