SEC Registration Number

A 1 9 9 9 1 0 0 6 5

Company Name

COL FINANCIAL GROUP, INC.

Principal Office (No./Street/Barangay/City/Town/Province)

Unit 2401-B East Tower, Tektite Towers (formerly PSE Centre) Exchange Road, Ortigas Center, Pasig City

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 17-A | CFD | Broker |

## COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| **helpdesk@colfinancial.com** | **(02) 636-5411** | **NA** |

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| **34** | **Any date in March** | **12/31** |

## CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| **Mr. Conrado F. Bate** | **dino.bate@colfinancial.com** | **(02) 636-5411** | **NA** |

Contact Person's Address

**Unit 2401-B East Tower, Tektite Towers (formerly PSE Centre), Exchange Road, Ortigas Center, Pasig City**

**Note**: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended: **DECEMBER 31, 2021**

2. SEC 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 principal office Postal Code: **1605**
**2401-B East Tower, Tektite Towers (formerly PSE Centre), Exchange Road, Ortigas Center, Pasig City**

8. Issuer's telephone number, including area code: (632) **635-5735 to 40**

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 SRC, or Sec. 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding |
|---|---|
| **Common** | **4,760,000,000 shares** |

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

Yes [ **x** ] No [ ]

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that the registrant was required to file such reports);

Yes [ **x** ] No [ ]

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

Yes [ **x** ] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates.
₱4,529,151,103 (1,185,641,650 @ ₱3.82 per share as of March 31, 2022)

**TABLE OF CONTENTS**

# PART I - BUSINESS AND GENERAL INFORMATION

## Item 1. Business

**Company Overview**

COL Financial Group, Inc. ("COL", "COL Financial" or the "Parent Company"), is a publicly listed company in the Philippine Stock Exchange (PSE), incorporated on August 16, 1999 for a singular purpose: to help every Filipino achieve a richer life.

In its pursuit of making investing easy and convenient for everyone, COL launched its proprietary online trading platform in 2001, offering real-time market information and direct market access, while providing the comprehensive stock market research and analysis necessary for its clients to make well-informed investment decisions.

COL established its wholly-owned foreign subsidiary COL Securities (HK) Limited ("COLHK") on June 20, 2001 to provide investors with online access to the Hong Kong stock market. This reach was further expanded in August 2014 when COLHK entered into a non-disclosed broker account with Interactive Brokers (IB) which allowed its clients to electronically trade in global equity markets that included Japan, USA, Singapore, Germany, and China.

In 2010, COL started offering advisory and managed accounts services by launching the COL Private Clients Group (PCG), a full-service team of investment professionals that help high net worth clients manage their portfolios. COL then created the Independent Financial Advisors (IFA) service in 2013, composed of select independent advisors who customize and manage individualized portfolios for their clients.

In July 2015, continuing its drive to enable Filipinos to achieve their financial goals, COL launched the Philippines' first online mutual fund supermarket COL Fund Source, giving investors access to a wide selection of the country's top mutual funds, with no sales-load or transaction fees.

In 2019, COL set up its own asset management firm, COL Investment Management, Inc. (CIMI), to create mutual funds that would address the different investment needs of COL's customer base. CIMI serves as the fund manager of two mutual funds, namely, COL Equity Index Unitized Mutual Fund, Inc. (CEIUMF) and COL Cash Management Unitized Mutual Fund, Inc. (CCMUMF). These subsidiaries are still in pre-operating stages as of the end of 2021.

2019 also saw the establishment of the Institutional Business Group (IBG) which specializes in providing services to financial institutions.

Today, COL is the leading online stockbroker in the Philippines, and it remains committed to its objective of prosperity for the Filipino people, by providing easy access to the market and the knowledge they need to invest wisely.

**Business Model**

COL Financial is a full-service online broker. Whether the clients are individual investors or institutional, wherever they may fall on the spectrum of net worth, investing experience, or stages of life, COL provides them with the tools and guidance necessary to make informed investments. COL's tools, such as its online platform and other online services, have greatly facilitated access to the market for many Filipinos.

COL also brings within easy reach the expertise of its professionals through regular research reports, technical guides, in addition to the educational support that it provides through its webinars, online market briefings, and social media outreach. One of the side effects of the pandemic has been to encourage the development of remote and scalable systems that allow the Parent Company to reach and assist more

Filipinos, in line with its advocacy.

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,
(3) trail fees arising from its fund distribution business, and
(4) interest income made from short-term placements.

COL also derives revenues from commissions earned by its stock brokerage business in HK through its wholly-owned subsidiary COLHK.

**Products and Services**

COL Financial takes pride in its array of value-driven products and service offerings that provide an optimum investing experience to its customers:

**A. Investment Products**

**1. Securities**

Through its online platform, COL's customers have access to trade a wide variety of securities in the PSE. These include common shares, preferred shares, warrants, exchange traded funds (ETFs), as well as newer securities such as real estate investment trusts (REITs).

**2. Initial Public Offerings & Stock Offerings**

COL customers are able to use its online platform to easily participate in Initial Public Offerings (IPOs) through the broker's allocation, and to avail of tender offers and stock rights subscription.

In addition, COL launched an initiative in 2020 to provide an easier way to fund their IPO subscription through the Local Small Investors (LSI) program of the PSE via the PSE EASy portal. Upon mutual agreement with an underwriter, COL customers are given this option to have COL take care of remitting their payments to the collecting agents designated by the issuer.

**3. Mutual Funds**

Aside from investing directly in stocks, COL customers can now invest in various mutual funds through COL Fund Source. Through a partnership made with five (5) of the country's largest mutual fund houses, COL offers thirty-three (33) mutual funds of various types as of the end of 2021.

COL Fund Source caters to Filipino investors who may not have the time to actively manage their investments, as well as those who are looking to diversify their portfolios. By putting money in mutual funds, investors have a convenient means of acquiring a variety of securities that can match their financial goals. Mutual funds allow investors to achieve instant diversification for a small price, requiring a minimum investment amount of as low as ₱1,000, as these funds are already invested in various investment assets. Mutual fund investors also gain the benefit of having a professional fund manager who can make investment decisions and monitor their overall portfolio composition on their behalf.

In 2021, the total assets under administration for mutual funds stood at ₱4.24 billion, up by 8.4% year-on-year, representing about 3.8% of the total assets of COL clients. The number of unique mutual fund investors slightly grew by 2.7% for the year to 61,868, equivalent to 12.6% of total

COL clients. This number represents 108,723 mutual fund accounts, which is roughly 19.4% of the total outstanding accounts in the mutual fund industry.

Moving forward, COL's mutual fund business will be focused on client acquisition through various campaigns, seminars, and visibility efforts aimed at both existing and prospective COL clients. COL will also continue to expand the reach of the platform by adding more funds and building new partnerships. Just last year, COL introduced the ALFM Global Multi-Asset Income Fund to help give our clients easy access to global investments.

**4. Margin Lending**

COL Financial's margin facility allows eligible customers to conveniently borrow funds from COL to purchase additional securities, using their marginable stocks as collateral. This credit facility provides for the purchase of up to double the value of cash or/and up to 100% more of the value of marginable securities, allowing COL customers to take advantage of short-term profit opportunities. COL customers with a total account equity (of stocks and cash) of at least ₱200,000 are eligible to apply for a margin facility.

**5. Investment Services**

COL provides professional equity advisory services through several different groups or mechanisms.

**a. Institutional Business Group (IBG)**

IBG provides a high level of advisory service and support to financial institutions.

**b. Advisory and Managed Accounts**

This group is composed of licensed professionals who manage client investments and administer financial advice to individual clients. This group provides clients with either: (1) Managed Accounts, where COL advisers are granted discretion to manage the portfolio of the client; or (2) Advisory Services, where COL advisers provide their expertise as needed, but the client has sole control of their investment decisions.

There are two groups providing these services:

*(1) Private Clients Group (PCG)*

PCG is a team composed of market professionals who have years of experience both within and outside of COL in providing for the needs of high net worth individuals.

The mission of PCG is to provide a personalized and focused equity investment experience for the Philippine stock market. This is done by helping clients manage their equity portfolios to achieve long-term growth by taking advantage of prevailing market trends and themes. PCG clients are assigned a dedicated broker-advisor, supported by a team of investment professionals, and have exclusive access to PCG events (briefings and conferences) and research products.

*(2) Independent Financial Advisors (IFA)*

The IFA group is composed of select investment professionals who have a wide range of investment experience in both local and global equities as well as mutual funds. Honed by years of trading the markets, their expertise enables them to develop truly individualized portfolio management programs for COL's high net worth clients.

While the PCG works as a team, the IFAs work independently and handle clients individually. When an IFA manages a discretionary account, dynamic and flexible strategies are tailor-fit to each client's financial goals, portfolio preferences, and sensitivity to risk. Because they understand the unique needs of each professionally managed account, IFAs can develop highly personalized investment plans.

## 6. Tools and Platform

COL leverages the latest technology in its efforts to make it easier for the Filipino people to make informed investments in the stock market.

### a. Online Platform

As a full-service online broker, COL's online platform allows clients to remotely trade in securities duly listed in the Exchange, as well as facilitates online access to a variety of useful tools to help them invest. These include a stock charting platform, which provides clients with an interface to view, compare, and compose charts and lists that make it easy to organize investment information; and the online withdrawal facility, which allows clients to channel their withdrawal requests through the COL website.

### b. Mobile App

The development of the initial Android and iOS versions of COL's new mobile application has been completed, and the applications are ready and waiting for certification with the PSE as of the end of 2021. The mobile app has complete order and market data functionalities, as well as access to COL's charting facility, to enable users to easily trade on the go, as well as monitor the market and their portfolio.

### c. COL Advantage

COL Advantage is being developed to become the principal research hub of COL. It is an online platform designed to consolidate the knowledge and insights of COL's team of market experts in an organized and easy to find format.

COL Advantage also allows customers to subscribe to COL research publications so that they can receive information by email as soon as it is published.

### d. Automatic Investing Facility

COL offers an automatic investment facility called the Easy Investment Program (EIP), which allows customers to schedule automated stock and mutual fund investments for a period of six (6) months to three (3) years. This facility enables easier and faster investments for customers, without the need for constant monitoring.

## 7. Research

Helping clients make informed investment decisions is a cornerstone of COL's mission and providing access to the company's research data is an integral part of that. COL provides timely and relevant analysis for both stocks and mutual funds.

For stocks, this research includes analysis of companies, investment highlights and recommendations, technical analysis, and market/company briefings. COL's research team covers 96.2% of the companies in the PSEi, and 59.2% of the Philippine stock market based on total market capitalization of listed stocks. It also has a wide range of coverage for technical analysis, covering the Philippine Stock Exchange as well as key global markets and commodities.

For funds, this includes: (a) a weekly email recap of the performance of both mutual funds and the market, including an insightful outlook for the upcoming week; and (b) a quarterly performance report for all the funds, highlighting the best performing funds per fund type, with an accompanying strategy and outlook for each.

**8. Educational Support**

COL remains committed to its advocacy of investor education. COL provides free online seminars and briefings that are designed to create engaging learning opportunities to help attendees make good investment decisions. Partnerships with corporations and organizations are likewise being pursued to promote this advocacy to a wider audience.

**a. Market updates and information-driven briefings**

COL had already begun its digitalization of providing market updates and guidance to clients in 2019, and this shift was accelerated in 2020 because of the pandemic, and several of these initiatives have continued moving forward. One of these is the transformation of the bi-annual COL Market Outlook into a live, digital-only event. COL also held a mid-year outlook specifically for PCG clients, in order to review performance and discuss investment strategies for the next six months.

COL has also created several targeted webinars or video series to help its customers through changing market conditions, and to educate and equip them with the information they need to wisely invest. The current webinars are: first, COL Conversations are publicly available webinars where COL interviews senior management officials of the Philippines' largest companies, as well as provides briefings on companies behind IPOs and other offerings which include interviews with top professional fund managers who share their investing strategies and outlook; and second, COL Expert Huddle, which is a webinar series made exclusively for COL's active investors and traders, where COL's in-house experts share their knowledge and guidance to equip clients with the knowledge and information they need to create investing and trading strategies.

**b. Basic and advanced investing webinars**

COL continued to hold its investing webinars online. These webinars range from basic topics to help new investors start investing in stocks and mutual funds, to more advanced topics such as a Technical Analysis course.

In addition to holding these live webinars for clients and the public, COL has published these webinars on its YouTube page for easy access and as part of its financial literacy advocacy.

**c. Financial literacy advocacy among young individuals**

COL's advocacy on market education extends to the segment of the youth and young individuals. Creating meaningful engagement among the youth begins with educating them on the reason they should invest and how to do so wisely in the stock market. To this end, COL continues to partner with different leading school organizations to help the Filipino youth get into the investment habit at an early age. COL remains committed to expanding its financial literacy partnerships and strategic alliances with more organizations and learning institutions, to better reach the youth wherever they may be.

**d. Social Media and Digital Channels**

COL continues to use various online platforms to share educational videos, articles, and announcements, to effectively communicate with and inform both its clients and the general public.

These channels are being maintained to meet the primary objectives as follows:

(1) To serve as an online channel for advisories, announcements, and customer support;

(2) To educate the Filipino investing public by providing easily understandable content about investing and personal finance;

(3) To engage with both clients and the general public, and to receive feedback from them; and

(4) To increase awareness about COL and its brand, products, and services.

COL’s Facebook channel remains the most active online platform of communicating its investment guidance and activities. It has also served as an addition to the Parent Company’s customer support system, accommodating inquiries from both clients and non-clients. COL’s Facebook page continues to grow, ending the year with 414,371 followers.

COL’s Twitter channel is primarily used to share COL’s research, guidance, and company updates, in addition to containing customer advisories. It has also become another platform for interaction between COL and the public.

COL’s YouTube channel is regularly updated with content from COL’s market briefings, various webinars, company updates, interviews, and other kinds of investing guidance materials. With COL publishing its webinar recordings and other guidance videos primarily on YouTube, COL’s number of subscribers reached over 108,000 at the end of 2021.

As a result of COL’s concerted efforts to widen its reach and build communities online, the combined number of followers on its digital channels—namely Facebook, Twitter, Instagram, and YouTube—grew to around 617,248 by the end of 2021. COL believes that this strong growth of online engagement and participation from the investing public reflects the continued rising demand for financial literacy and investing guidance among Filipino investors.

**9. Other Services**

**a. Investor Center**

While COL is an online broker, it recognizes the need for a physical presence that can serve as points of contact for clients, to provide better, localized support. COL has a Business Center at its head office in Pasig, and two Investor Centers in the key cities of Cebu and Davao. These physical facilities provide a space for more personal and face-to-face interaction with clients and those interested in becoming clients.

However, due to the ongoing COVID-19 pandemic, all the Investor Centers are temporarily closed for the safety of both clients and COL personnel. Nevertheless, COL has continued to provide necessary support services through online means, and when necessary, through physical processing at COL’s Business Center.

**b. Customer Support**

COL ensures that all its customers have access to Customer Support teams through email and messaging channels for all their concerns, whether these be inquiries about the stock market or about technical and account concerns.

COL has equipped all customer support teams with the resources necessary to remotely handle customer concerns. All departments have also made adjustments to current procedures and manpower allocations in order to continue to provide customer assistance and servicing while still following the requisite health and safety protocols.

COL also improved its online support channels to achieve a faster customer support response time. COL's customer support portal, social media, and email communications were all optimized to deliver timely announcements for clients. An increase in online content—including videos and articles—was released in order to provide avenues for clients to remotely acquire relevant investment information.

COL Financial also offers customer support through its Facebook page. Customers requiring assistance can be addressed through Facebook direct messaging and through its main page, providing a timelier response to inquiries and concerns coming from both customers and non-customers.

## Competitor Analysis

There are over thirty (30) online stockbrokers in the Philippines, ranging from those that offer just a basic trading platform to those that offer a wider range of services. Here is a comparison of some of the features of COL against its three (3) nearest competitors:

| Features | COL | Competitor 1 | Competitor 2 | Competitor 3 |
|---|---|---|---|---|
| Online Trading Platform for Stocks and Mutual Funds | Yes | Yes | Stocks, UITF | Stocks only |
| Real-Time / Streaming Data | Yes | Yes | Yes | Yes |
| Charting Functions | Yes | Yes | Yes | Yes |
| Research Reports | Yes | Yes | Yes | Yes |
| 0.25% Commission | Yes | Yes | Yes | Yes |
| Mobile App | Yes | Yes | No | Yes |
| Margin Facility | Yes | Yes | No | No |
| Broker Assisted Service | Yes | Yes | No | No |
| Demo Accounts | Yes | Yes | Yes | No |
| Free Seminars | Yes | Yes | Yes | No |

COL Financial believes that it can effectively compete with its peers, based on the following reasons:

1. COL is managed by stock market veterans with decades of combined stock market experience and expertise.

2. COL is constantly innovating its products and services for the benefit of its clients, which is what makes it possible for it to be leading among its peers. This also ensures that COL is able to continually provide more value to its clients.

3. COL has almost 490,000 clients as at end 2021, a testament to how many people trust in it and its products and services.

4. COL invests resources into continuously educating its clients so they can take control of their investments. COL regularly provides research, guidance, and expert advice through its website as

well as through its public online channels, to ensure that both clients and the general public are properly guided in their investing journey.

5. COL has a wide reach through its active online presence and through its different investor centers nationwide. With these, COL is able to have more touchpoints with its clients to serve them well, in addition to being able to reach more Filipinos as part of its financial literacy advocacy to introduce investing to the public.

6. COL's mutual fund platform is completely independent from the mutual funds it offers access to. Hence, COL is able to provide objective third-party opinions and analyses on the said funds.

**Business Strategy**

COL believes that the best long-term growth strategy is one that puts the customers first. Hence, alongside with its goal of being a financial services partner of its customers in building genuine wealth, COL will remain customer-focused and will continue to commit on what it does best:

1. Making investing more accessible by delivering a safe and reliable online platform to its customers;

2. Making online investing more understandable through investor education and financial literacy campaigns, and through timely and relevant market research reports and analysis to aid its customers in successful investing;

3. Creating value for its customers by developing new products and services to better cater to their individual needs, regardless of where they are in their wealth-building journey; and

4. Making investing easy, affordable, and convenient to ensure the best possible investing experience for every customer.

COL will also remain diligent in effectively managing its resources with a strict operating discipline by finding ways to enhance its processes, and back-end support and infrastructure. All these initiatives and priorities will allow COL Financial to focus on what matters most and drive shareholder value over the long-term.

**Customers**

The business of COL is not dependent upon a single customer or a few customers that a loss of any one of them would have a material adverse effect on COL and its HK Subsidiary taken as a whole. Further, there is no customer that accounts for, or based upon existing transactions, will account for twenty percent (20.0%) or more of COL's total sales.

**Patents, Trademarks, Licenses, Franchises, Concessions or Royalty Agreements**

The Parent Company filed the following applications for registration of trademark with the Intellectual Property Office (IPO):

| | Mark | Date of Application | Status and Validity |
|---|---|---|---|
| 1. | "CitisecOnline" | April 13, 2012 | Approved; Registration up to February 8, 2023 |
| 2. | "EIP" | September 22, 2014 | Approved; Registration up to January 15, 2025 |
| 3. | "Richer Life" | September 24, 2014 | Approved; Registration up to January 15, 2025 |
| 4. | "Fund Source" | March 19, 2015 | Approved; Registration up to September 24, 2025 |
| 5. | "C" (COL Logo) | March 19, 2015 | Approved; Registration up to July 2, 2025 |
| 6. | "Investing Together" | January 11, 2019 | Approved; Registration up to November 14, 2029 |
| 7. | "COL" | May 24, 2019 | Approved; Registration up to September 13, 2029 |

COL believes, however, that its operation is not contingent on the effectivity of its trademark registered with the IPO. The Parent Company further believes it can continue with its operations under any other trademark.

**Transactions with and/or Dependence on Related Parties**

COL, in the ordinary course of business, executes some of the done-through trading transactions of its customers through CTS Global Equity Group, Inc. (formerly, Citisecurities, Inc.), a related party through common stockholders.

The Parent Company extends administration support to CIMI, CEIUMF, and CCMUMF, its local subsidiaries.

COLHK, on the other hand, engages the services of Lancashire Management Services Limited (LMS) which is owned by one of its directors, to handle its compliance work, backroom operations, and recording of books of accounts.

All other transactions entered into by COL Financial and its HK Subsidiary directly with its directors and with companies associated with its major stockholders and officers are all related to its brokerage business. Trading transactions are executed and priced and settled on arm's length terms as it would deal with other unrelated parties. This policy is to prevent conflicts of interest between COL and its major stockholders, which may result in action taken by COL that does not fully reflect the interests of all its stockholders.

In order to minimize any conflict of interest and to ensure fairness and reasonableness, any future material transaction involving COL and its subsidiaries and the companies of the major stockholders or its affiliates shall be subjected to the approval of a majority of the Board of Directors in accordance with the Parent Company's Related Party Transactions policy.

**Government Regulation**

The securities industry in the Philippines is highly regulated. Broker/dealers are subject to regulations covering all aspects of the securities business. Additional regulations, changes in rules as promulgated by the SEC, the Monetary Board, the Department of Finance, the Bureau of Internal Revenue (BIR), the PSE, the Capital Markets Integrity Corporation (CMIC) or changes in the interpretation or enforcement of existing laws and rules, may directly affect the operation and profitability of broker/dealers.

COL does not currently solicit orders from its self-directed customers. If COL were to engage in this activity, it would become subject to certain rules and regulations governing such sales practice.

The SEC and other regulatory agencies have stringent rules with respect to the maintenance of specific levels of Risk-Based Capital Adequacy Ratios (RBCA) by broker/dealers. RBCA is a ratio that compares the broker/dealer's total measured risk to its liquid capital. The broker/dealer must ensure that the RBCA ratio is at least 110% and that its net liquid capital is at least ₱5.00 million and is greater than the total risk capital requirement. Failure to maintain the required RBCA may subject the Parent Company to the suspension or revocation of its broker/dealer license by the SEC. In addition, a change in the RBCA rules or the imposition of new rules could limit those operations of COL that require a large use of capital such as its trading activities, and could restrict COL's ability to withdraw capital to pay dividends, repay debt, or redeem shares of its outstanding stock. A significant operating loss or any unusually large charge against net capital could adversely affect the Parent Company's ability to expand or maintain its present level of operation.

The primary regulators of the securities industry in Hong Kong are the Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA). The SFC monitors and supervises the broker/dealer or intermediary. COLHK, being a licensed broker in Hong Kong, is governed by these agencies.

The SFC has clearly defined the Financial Resources Rule (FRR) that governs the liquidity requirements of an intermediary. For a securities broker that provides cash-based accounts, the liquidity requirement is the higher of HKD3 million or 5% of the total FRR-recognized liabilities.

An intermediary must also comply with the rules and regulations governing the market that it participates in. COLHK is also subject to the rules of HKEx in its trading activities and is subject to the rules of the Hong Kong Securities Clearing Corporation (HKSCC) for its settlement operations.

An intermediary must constantly be in compliance with the above-mentioned requirements. Failure to do so would mean loss of license or suspension of its trading activities by the SFC and/or by the affected body.

CIMI, CEIUMF, and CCMUMF are regulated by the SEC and are registered under the Investment Company Act of 1960 and the Securities Regulation Code ("SRC") of 2000.

## Employees

The actual number of full-time employees of the Group for 2021 and the projected number of employees for 2022 to complement its operational requirements are broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| Executives | 3 | 3 |
| Senior Officers | 10 | 10 |
| Junior Officers | 67 | 61 |
| Professional/Technical/Others | 95 | 73 |
| **TOTAL** | **175** | **147** |

The employees of both the Parent Company and its subsidiaries are not subject to any collective bargaining agreements (CBA).

## Risk Factors and Risk Management

### Risks Associated with the Stock Brokerage and Mutual Fund Distribution Business

COL expects its online electronic brokerage and mutual fund distribution services to continue to account for most of its revenues in the foreseeable future. Like other securities firms, revenues are influenced by trading volume and prices. In periods of low volume and transaction revenue, COL's financial performance may be adversely affected because certain expenses are relatively fixed.

COL believes that its services will encourage the eventual creation of a borderless environment for the flow of transactions and capital in various markets. COL is prepared to allocate resources to develop its infrastructure to further meet the need for these seamless services. Additional revenue opportunities will also be pursued such as subscription-based revenues, educational seminars, and additional add-on services. Of course, there can be no guarantee that COL will be able to generate revenue from all these potential sources but measured experimentation is the engine of growth.

### Risks Associated with an Evolving Market

The market for online electronic brokerage services in the Philippines changes quickly, especially with the constant march of technological progress. The need to keep pace with these changes requires constant evolution and adaptation, both with regard to existing services being offered and new ones that may be demanded, and this carries inherent risks.

COL mitigates this risk through rigorous attention to market trends and best practices, in order to better understand what products and services would be useful to COL customers. The state of flux that characterizes the industry can make it difficult for the general public, who are still coming to terms with online trading and the benefits of investing as a whole, to understand what services they want and need. Nevertheless, COL continues to solicit regular feedback from their customers and support their ability to make informed assessments through a continuous transfer of information to them through corporate roadshows, and educational seminars for every category of investor, from newcomer to veteran.

Risks Associated with Potential Local and Foreign-Based Competition

COL expects to encounter direct and indirect competition from local and foreign firms offering online brokerage and mutual fund distribution services, as well as from other entities who may wish to establish their own online trading platforms.

Nevertheless, COL is confident that it will be able to actively compete with other participants in the online stock trading and mutual fund distribution markets with its customer-centered business model, as complemented by its trading infrastructure and business center expansion. COL also believes that the cost structure of foreign-based online companies and the relative size of stock market investors in the Philippines limit potential foreign competitors from aggressively participating in the local market at present.

Client Risk

Due to the large number of people applying to be clients of COL, there exists the possibility of client fraud, which could lead to accounts being used for money laundering and other illegal activities. To reduce this risk, COL institutes strict registration and know-your-client policies as required by the SEC, CMIC, and the AMLC.

**Trained account officers review and ensure that all the requirements are met before a person's trading account application is accepted and approved.**

Technology Risk

The online stock brokerage services industry and the delivery of financial services are characterized by rapid technological change, varying customer requirements, the introduction of new products and services, and emerging new standards. As new industry standards and practices emerge, COL's technology may become obsolete.

However, COL is well capitalized with over ₱500.00 million in paid-up capital, giving it the resources necessary to provide flexibility to its responses to changes in technology, the market, and customer needs. It also has a highly proficient team of IT programmers and consultants with years of experience in the intricacies of trading-related programs.

Between 2019 and 2021, the Parent Company was able to accomplish the following:

*Facilities*

a. Peripheral office

The new peripheral office in Ayala, which now houses the I.T. executive offices and development center, was completed in 2019. The new peripheral office allows for better security by separating non-operations activities and personnel from the data center. This also allowed COL to effectively manage I.T. personnel placement in Ayala to minimize the spread of COVID-19 and ensure that systems would always be manned in case of an outbreak in one of the offices.

b. Capacity expansion

To better address sudden surges in client and trading activities, COL has either undertaken or completed the following initiatives:

(1) additional servers and corresponding licenses acquisition;
(2) upgrade of existing servers and licenses;
(3) upgrade / optimization of applications;
(4) increase of ISP bandwidth with standby capacity for surge situations; and
(5) use of AWS for web server expansion and hosting.

c. Pampanga Data Center

Completed in 2019 (and fully tested by 2020), the COL Business Continuity Center in Pampanga was established to provide a backup for the primary data center, and eventually to serve as its replacement due to its superior infrastructure and potential for expansion. At the moment, it serves as a cold backup site and as the secondary I.T. operations command center. It has sufficient capacity to handle more than 100% of the load of COL's primary data center in cases of failures or disasters.

*Security and Network Systems*

COL recognizes the continuous need for improvement and upgrading of the Parent Company's security components and initiatives to combat increasingly sophisticated threats and threat actors. As such, tactical and strategic security initiatives are periodically being undertaken to address these concerns.

a. Tactical Initiatives:

(1) Assessing the overall Windows AD Security.
(2) Review of the encryption implementation of PII stored at rest by COL applications.
(3) Ensuring that MFA is enabled for all remote access protocols used in COL.
(4) Implementation of a centralized DNS server with DNS Filtering and limiting all DNS queries to this server only.
(5) Implementation of an organization-wide Mobile Device Management Platform (MDM).
(6) Implementation of a centralized Secure Proxy server and enforcing all HTTP/HTTPS queries to this server.
(7) Conducting regular enterprise-wide Phishing Test on regular users, and advanced SpearPhishing Tests on VIP users.

b. Strategic Initiatives:

(1) Creation and enforcement of internal Secure SDLC processes for the Development Teams.
(2) Policy creation and enforcement for BYOD and WFH devices.
(3) Enforcing suppliers and 3rd Party Developers to provide attestations or certifications from an independent source that vouches for the security of their product.

Privacy and Information Security Risk

Most companies handle personal data of its clients, employees, and other stakeholders, and COL is no exception. COL considers the safety of this data to be an integral part of our duty to its clients, and has devoted significant resources to protect this data from unauthorized access and use. This includes the following initiatives which have been implemented over the past few years:

1. Enterprise Architecture Review with Security Principles

This is an organization-wide assessment of the interaction between IT components, business structure and processes in meeting business goals, while ensuring that specialized security insight is always present during the review.

2. Full Infrastructure Visibility with 24/7 Operations Monitoring

   Establishes transparency of all activities that occur in the system at all times. This involves the centralized collection of statistics from all the network chokepoints, as well as logs from all the servers and individual workstations. Skilled personnel are assigned to monitor the network activities and system behavior 24/7.

3. Manned Correlations and Security Analysis

   A Security Operations Center (SOC) composed of a group of Security Analysts that analyze data for patterns that would allow them to infer the existence of a security incident. This allows an organization to detect threats that automated systems may miss.

4. Vulnerability Management

   COL regularly assesses its systems for vulnerabilities, categorizes and prioritizes the same, then remedies them.

5. Integration of Static and Dynamic Code Auditing Phases into the Existing Software Development Life Cycle (SDLC)

   Code auditing phases will be integrated in strategic parts of the organization's SDLC to ensure constant checks and remediation throughout the process.

In addition, the Parent Company has previously undertaken, and is constantly improving, the following data privacy efforts:

1. Ensuring compliance with privacy laws and industry best practices, to limit the collection, use, disclosure, and retention of personal information;

2. Establishing oversight and accountability for privacy within each program and process areas;

3. Fostering a top-down / bottom-up privacy culture;

4. Developing, implementing, and maintaining privacy policy and practices to clarify personal information management requirements for clients, employees, and outsourced functions;

5. Establishing complaint and feedback mechanisms to address privacy concerns;

6. Monitoring protection performance through audits or assessments – to incorporate privacy as part of ongoing quality assurance activity, identifying gaps and needed enhancements;

7. Developing response protocols to ensure appropriate escalation and management in case of a major privacy incident or breach;

8. Using encryption techniques to ensure that personal information is appropriately secured when stored;

9. Providing ongoing awareness through regular employee training and communications;

10. Reviewing privacy incidents, analyzing trends, and incorporating insights to enhance processes and systems; and

11. Accessing external expertise and resources available from privacy professionals and companies.

Business Disruption Risk

The number of transactions on the stock market is never completely predictable, and a spike in interest can lead to volumes that grossly exceed reasonable expectations, placing unexpected stress on computing infrastructure. Physical impediments can also take place that affect the maintenance of the system, such as when the quarantine limited access to the primary data center as it was located in a high-risk metropolitan area.

While no brokerage can prepare for every possible eventuality, COL has taken pains to put into place contingencies that will mitigate the worst consequences of a sudden cascade of users and possible access restrictions:

a. COL has increased the capacity of the Pampanga data center to exceed that of the Ayala site, allowing it to serve as an improved contingency backup as well, in preparation for its transition to the primary data center. This capacity building has involved:

   (1) additional servers and corresponding licenses acquisition;
   (2) additional network and peripheral equipment acquisition;
   (3) acquisition of a secondary ISP with standby capacity for surge situations;
   (4) use of AWS for web server expansion and hosting; and
   (5) addressing additional staffing requirements.

b. COL has implemented regular improvements to the existing Ayala data center:

   (1) additional servers and corresponding licenses acquisition;
   (2) upgrade of existing servers and licenses;
   (3) upgrade / optimization of applications;
   (4) increase of existing ISPs bandwidth with standby capacity for surge situations;
   (5) use of AWS for web server expansion and hosting; and
   (6) addressing additional staffing requirements.

With the COVID-19 pandemic still ongoing, COL remains ready to adapt to sudden changes in health and safety regulations in the event of new waves or variants. The system that was implemented for the Parent Company's WFH setup has proven effective and can be scaled up or down depending on the level of restrictions imposed by the government and the best practices recommended by health experts. The Parent Company is now also more aware of the way that such restrictions can impact its third-party suppliers, and can mitigate the effects these have on COL clients.

Risk of Power Interruption / Power Failure

Any company dependent on the Internet and information technology is vulnerable to power interruptions and failures. Nevertheless, COL has taken steps to allow the backbone of its infrastructure to function independently of external power for a period of time. Currently, all servers and equipment are connected to their own UPS systems, which provide up to six and one-half (6 and ½) hours of backup power. This is enough to power the machines until trading has completed for the day, and the building generator is powered on. All servers are also connected to UPS systems connected to the building generator-enabled outlets.

COL's development strategy includes the deployment of all appropriately configured backup hardware and software in a backup data center. The backup site is of a 'Hot' nature that has a virtual mirror image of COL's current data center, with all systems configured. All trading and customer data are transferred from the main site to the backup facility at the end of each trading day to ensure that in case of complete failure on the primary site, only one day's worth of data at the most will be lost. Any and all changes made to system and application software are also done to the backup site systems.

COL's primary backup facility is in Pasig City. This will eventually be replaced by a more modern BCC located outside of Metro Manila. The facility will run as hot standby, allowing for an automatic switch over should there be any failure in the main data center.

In the event of a total power failure or other disaster, the backup facility is where COL's data center will be recreated, and where all its technical operations will be run from.

Should the primary data center experience a complete failure, COL has a site disaster recovery plan in place. This will allow COL to continue essential operations despite power failure.

Risk of Client Having No Access to the Trading Website

There is risk that a client will be unable to access the COL website because of a wide variety of factors, including lack of access to a computer, smart phone, or internet connection.

While many of these factors will be beyond the reach of COL it mitigates this risk by providing access to its services through other means. COL's Customer Support helpdesk and service agents may be contacted through a variety of methods to aid in the placement of a client's orders. These orders are executed into the system once the identity of the client has been confirmed.

Administrative and Operational Risks

An effective customer service team is necessary to handle client needs and is critical to COL's success, for the success of COL depends on clients being satisfied with its services. Customer service is COL's two-way link with its clients—a means for it to assist them, and a means to learn from them.

As such, COL has invested in capacitating and professionalizing its Customer Support team to minimize the possibility of inadequate service. COL's Customer Support team has gone through rigorous training in order to enable them to address the common website and account-related concerns of COL customers. The Customer Support team also has access to online channels by which to respond to the needs of COL customers rapidly and conveniently.

For more specific needs, COL has a Client Experience Managers Desk to assist its Premium customers, as well as Account Officers who can assist with more detailed account or investment queries. A full complement of support staff from COL's Sales Team is also available to provide additional support if needed, adding to the flexibility that allows it to scale up the number of personnel dedicated to customer service should the need arise.

Additionally, COL has made strides in automating processes in order to increase efficiency. COL's automated processes have gone through rigorous testing prior to implementation to ensure increased operational efficiency and to minimize human error leading to controlled risk. These applications and hardware are continuously updated to address the increasing number of transactions and needs of COL users.

Fiduciary Risk

A broker has a duty to avoid conflicts of interests and if the same cannot be avoided, to ensure that its clients are fairly treated and are properly informed of such conflicts of interest. A breach of this duty of loyalty to customers could result in financial or reputational loss. In order to manage this risk, a comprehensive and detailed set of procedures have been established to ensure that obligations to clients are discharged faithfully and in accordance with the governing legal and regulatory requirements.

COL's organizational structure also provides for adequate segregation of duties between the front office and the control and support functions in charge of supporting, recording, verifying, and monitoring transactions. COL ensures that in handling business transactions, activities that have the potential for conflicts of interest are carried out by different persons.

Credit Risk

Credit risk is the risk of economic loss from the failure of the obligor to perform the terms and conditions of a contract or agreement. This is an inherent risk in the stock brokerage business whether because of the parties involved or due to changing market conditions. COL manages this in a number of ways, depending on the nature of the account involved:

*Prepaid accounts*

The business model of COL and its HK Subsidiary minimizes its exposure to credit risk since retail accounts are opened on a prepaid basis. Buying transactions of prepaid customers are limited to the available cash balance in their accounts.

*Margin accounts*

The potential credit risk arising from the transaction of customers availing the margin trading facility of the Parent Company is managed through its policies and procedures in evaluating and approving applications for margin financing, as well as the review of credit performance, margin limits and collateral levels. In addition, COL uses a set of criteria to identify securities that are eligible for margin trading. This list of marginable stocks is monitored to ensure that they continue to qualify. Finally, statutory requirements relative to margin limits and cover are strictly implemented that includes daily monitoring of the activities of margin accounts.

*Postpaid accounts*

Settlement of trades of institutional accounts is normally done on a postpaid basis. The main risk associated with postpaid or traditional brokerage account set up on a day-to-day basis is on the non-collection of cash payments for buying transactions and the failure to receive shares for selling transactions. An execution or dealing risk also exists that is specific only to requirements and needs of institutional clients arising from arithmetical, computational, and human errors in the order taking, dealing, execution and confirmation process which can result to transaction losses. To address these risks, COL strictly restricts the grant of traditional brokerage service to select clients, most of which are financial institutions. COL conducts regular review and establishment of limits versus counterparty credit exposures. Rigid procedures are also in place to avoid human-related errors in the dealing and servicing process. Counterparties are also encouraged to utilize direct market access to minimize execution dealing risk.

Copyright Infringement Risks Associated with Using Social Media

COL actively creates its own content and shares these on all of its social media channels. While COL ensures proper branding protocol on all of its social media assets and materials, most, if not all, of these contents can be downloaded, reposted, and otherwise shared without COL's knowledge and without credit to it. There is a risk that COL's content may be repurposed for fraudulent or deceitful use.
Companies or persons may also plagiarize COL's content for their own benefit.

COL's social media presence also carries reputational risk, in that complaints about COL, whether true or without basis, are made within the public view. COL actively monitors and manages its own channels to mitigate the effects of such comments.

Risks of Infringement

COL may receive notices of claims of infringement on the proprietary rights of other groups, which may result in litigation against COL. Any such claims, with or without merit, would be time-consuming to defend against, may result in costly litigation, divert resources and time and otherwise require COL to enter into some form of royalty and licensing agreement, which may not be on reasonable terms. The assertion of an infringement or prosecution of such claims may have a material adverse effect on COL's business, financial position, and operating results.

COL uses proprietary systems and maintains a policy of purchasing its hardware and software requirements only from licensed dealers and manufacturers.

Manpower Risk

Maintaining COL's high quality of operations largely depends on its ability to retain the services of existing senior officers, and to attract qualified senior managers and key personnel in the future. The exit of any key personnel could have a material adverse effect on COL's business and financial performance, as well as the morale of those who remain. However, the fact that all key officers have an equity stake in COL reduces this risk.

In addition, some technical personnel are covered by employment contracts that allow COL to plan for expected personnel movements. COL also owns the source codes for its operating software, giving it the ability to replace most technical personnel with minimal disruptions in operations.

**Item 2. Properties**

Leased Properties

The following table shows the list of properties being leased by the Parent Company as of December 31, 2021:

| Purpose | Location (No. of Facilities) | Owned / Rented |
|---|---|---|
| Mixed-use (office, storage space) | Pasig City (10) | Rented |
| Mixed-use (office, data center) | Makati City (2) | Rented |
| Mixed-use (office, data center, storage) | Pampanga (2) | Rented |
| Investor Center | Davao (1) | Rented |
| Storage | Cebu (1) | Rented |

COL's offices and storage spaces are maintained in good condition for the benefit of its employees and customers.

The premises are covered by lease arrangements typically for a period of one (1) to three (3) years and expiring at various dates. The lease on the properties is renewable upon mutual agreement of the parties.

Owned Properties

In 2017, COL purchased an office space at the PSE One Bonifacio High Street in Taguig City with an initial cost of ₱17.50 million. This office space is being held for capital appreciation.

COL’s other properties consist of various computer equipment and related accessories as well as proprietary software developed specifically for its online trading operations. COL directly owns a Trading Right in the PSE and is also indirectly the owner of a Trading Right in the Hong Kong Exchanges through COLHK.

Limitations on Properties

Aside from the lease agreements mentioned above, the Group’s properties are free from any mortgage, lien, or encumbrance.

Properties to be Acquired

Within the next twelve (12) months, the Parent Company will allot resources for the purchase of additional hardware and software programs with an estimated cost of around ₱50.00 million. These capital expenditures which will be sourced from its operations are directed to the upgrade and further expansion of the capacity, disaster recovery and security capabilities of its trading platform for both the primary and backup sites to continuously provide its growing clientele base the best trading experience possible.

**Item 3. Legal Proceedings**

COL is not involved in any legal proceedings that it considers as material, pending or threatened against it, its directors, any nominee for election as director, executive officer, underwriter or control person of COL or in which any of COL's property is the subject.

**Item 4. Submission of Matters to a Vote of Security Holders**

None

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

**Market Information**

The common shares of COL Financial were listed at the PSE on July 12, 2006 under the ticker symbol "COL". The total number of outstanding shares of COL as of December 31, 2021 is 4,760,000,000 with a market capitalization of ₱19.75 billion as of the end of 2021, based on the closing price of ₱4.15 per share.

The high and low sales prices of COL shares transacted at the PSE for each quarter within the last two (2) years are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| 1st Quarter | 5.10 | 3.20 | 1.85 | 1.50 |
| 2nd Quarter | 4.50 | 3.87 | 1.77 | 1.49 |
| 3rd Quarter | 4.48 | 4.25 | 2.70 | 1.75 |
| 4th Quarter | 4.34 | 3.91 | 3.40 | 2.56 |

The high and low prices of COL at the PSE on March 31, 2022 were ₱3.83 and ₱3.78, respectively.

**Holders of Common Equity**

As of March 31, 2022, there are thirty-three (33) holders of common shares of COL. The top twenty (20) common shareholders of the Parent Company are as follows:

| | Name | No. of Common Shares Total | Percentage of Total Shares Outstanding held by each |
|---|---|---|---|
| 1 | PCD Nominee Corporation (Filipino) | 2,563,324,910 | 53.8514 |
| 2 | PCD Nominee Corporation (Non-Filipino) | 1,300,136,040 | 27.3138 |
| 3 | Lee, Edward K. | 622,500,000 | 13.0777 |
| 4 | Yu, Alexander C. | 200,000,000 | 4.2017 |
| 5 | Ang, Valentina L. | 50,000,000 | 1.0504 |
| 6 | Lee, Lydia C. | 10,000,000 | 0.2101 |
| 7 | Tan, Jessalynn L. | 10,000,000 | 0.2101 |
| 8 | Lim, Hernan G. | 1,000,000 | 0.0210 |
| 9 | Yu, Raymond C. | 1,000,000 | 0.0210 |
| 10 | Han, Paulwell | 1,000,000 | 0.0210 |
| 11 | Ong, Catherine L. | 500,000 | 0.0105 |
| 12 | Barretto, Serafin Jr. P. | 120,000 | 0.0025 |
| 13 | Estacion, Manuel | 100,000 | 0.0021 |
| 14 | Yu, Wellington C. Or Yu, Victoria O. | 100,000 | 0.0021 |
| 15 | Villanueva, Myra P. | 60,000 | 0.0013 |
| 16 | Filio, Sernando | 50,000 | 0.0011 |
| 17 | Gara, Rosario | 50,000 | 0.0011 |
| 18 | Khoo Boo Boon | 10,000 | 0.0002 |
| 19 | Hapi Iloilo Corporation | 10,000 | 0.0002 |
| 20 | Litman, Joel A. | 10,000 | 0.0002 |
| | **TOTAL** | **4,759,970,950** | **99.9995** |

## Dividends

*Dividend Policy*

The Board of Directors of COL, in its meeting held on April 26, 2007, approved a policy of declaring an annual regular cash dividend of twenty per cent (20%) of its net income. The payment of dividends shall be taken out of the unappropriated retained earnings of the Parent Company. There are no restrictions that limit payment of dividends on common shares.

The table below shows the cash dividends declared from COL's unappropriated retained earnings for the years 2021 and 2020:

| Year | Amount / Share | Type | Ex-Date | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2021 | ₱0.020 | Regular | May 25, 2021 | May 28, 2021 | June 9, 2021 |
| | ₱0.045 | Special | May 25, 2021 | May 28, 2021 | June 9, 2021 |
| 2020 | ₱0.18 | Regular | April 27, 2020 | April 30, 2020 | May 27, 2020 |
| | ₱0.52 | Special | April 27, 2020 | April 30, 2020 | May 27, 2020 |

## Recent Sales of Unregistered or Exempt Securities

There was no sale of unregistered or exempt securities as of December 31, 2021.

## Item 6. Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations

The following is a discussion and analysis of the financial performance of COL Financial 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.

## Industry and Economic Review

Philippine stocks had a volatile performance in 2021.

After climbing to as high as 7,304.79 early during the year, the Philippine Stock Exchange Index ("PSEi") fell to a low of 6,164.89 in May. Sentiment for stocks deteriorated after the inflation rate exceeded the 2% to 4% target range of the Bangko Sentral ng Pilipinas ("BSP"). Appetite for stocks was also negatively affected by the surge in the number of COVID-19 infections, forcing the government to reimpose the enhanced community quarantine ("ECQ"), which is the strictest form of lockdown, in the national capital region ("NCR") and four neighboring provinces beginning the last week of March.

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

However, the PSEi began to recover in the middle of August. Although the number of infections in the country had not yet peaked, the market benefited from the growing interest in ASEAN stocks as foreign investors shifted away from Chinese stocks due to heightened regulatory concerns. Sentiment likewise improved as ASEAN countries were reopening their economies due to the falling number of COVID-19 cases brought about by the spread of the delta variant earlier during the year. The improving performance of Philippine stocks was sustained up to November as the number of COVID-19 cases in the country also started trending lower. The stronger than expected third quarter GDP growth likewise helped boost investor sentiment.

Unfortunately, the market's strong performance was not sustained. In December, the market started falling again due to the emergence of the more transmissible omicron COVID-19 variant, and growing concern that the U.S. Fed would withdraw monetary stimulus at a faster than expected pace.

By the end of the year, the PSEi index closed at 7,122.63, flat compared to the same period in 2020. Despite the index's flattish performance, value turnover in the PSE increased by 26.1% year-on-year to ₱4,465.00 billion. However, local stock brokers benefited more from the increase in value turnover as local investors accounted for 65% of the PSE's total value turnover, up from around 53% historically. In 2021, local investors' value turnover increased by 5.4% while foreign investors' value turnover fell by 5.3%.

**<u>Business Review</u>**

***1. Key Performance Indicators***

COL is committed to maximize profitability through the efficient use of its capital 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:

| | 2021 | 2020 |
|---|---|---|
| Number of Customer Accounts* | 489,154 | 437,048 |
| Customers' Net Equity (in millions) | ₱112,878.84 | ₱107,755.76 |
| Revenues (in millions) | ₱1,322.77 | ₱1,086.34 |
| Return on Average Equity (ROE) | 30.0% | 24.0% |
| Risk Based Capital Adequacy Ratio* | 382.0% | 353.0% |
| Liquid Capital** (in millions) | HKD32.70 | HKD26.30 |

**Parent Company only*
***HK Subsidiary*

COL continued to benefit from the rapid growth in mass retail investors in the country. For the year 2021, the Parent Company had a net addition of almost 54,000 accounts and ended the year with 489,154 **customer accounts**, higher by 11.92% year-on-year. Aside from the growing popularity of stock trading among retail investors, COL benefited from its strong brand equity, being one of the oldest and largest online stockbrokers in the country. The Parent Company also continued to benefit from its various marketing and educational campaigns aimed at encouraging Filipinos to save and invest. COL ended 2021 as the number one stockbroker in the PSE in terms of value turnover for the second year in a row.

**Customers' net equity** increased slightly by 4.7% to ₱112.88 billion as of end 2021 from ₱107.76 billion as of end 2020. Despite the flattish finish of the PSEi, customers' net equity increased largely due to the growth of COL's client base. For the year, the Parent Company saw net new flows amounting to ₱7.70 billion, which more than offset the negative impact of volatile market conditions on the value of consolidated customers' net equity.

**Revenues** increased by 21.8% in 2021 to ₱1.32 billion. The increase in revenues was largely due to the 27.6% year-on-year increase in commissions which account for more than three quarters of total revenues. This was partly offset by the decline in interest income by 26.1% to ₱182.06 million, as average bank deposit rates remained low in 2021. Meanwhile, trail fees earned from the distribution of mutual funds grew by 24.5% to ₱21.48 million as the average non-money market assets under administration (AUA) increased by 26.7% to around ₱3.70 billion in 2021.

The strong growth in revenues coupled with the highly leveraged nature of the stock brokerage and funds distribution businesses resulted to a 37.5% improvement in net income attributable to equity holders of the Parent Company to ₱583.21 million. Consequently, **return on average equity** (ROE) improved to 30.0% in 2021 from 24.0% in 2020.

In 2021, both COL and its HK Subsidiary continued to meet the stringent rules of regulators in the Philippines and Hong Kong. As of end December 2021, the Parent Company's Risk Based Capital Adequacy Ratio (RBCA) reached 382.0%, which is sharply higher than the minimum requirement of 110.0%. Meanwhile, COL HK had HKD32.70 million of liquid capital. This is also well above the minimum requirement of HKD3.00 million or 5.0% of adjusted liabilities.

### 2. *Other Financial Soundness Indicators*

| | 2021 | 2020 | Formula |
|---|---|---|---|
| Profitability ratios: | | | |
| Return on assets | 4.5% | 3.1% | Net income/Total assets |
| Net profit margin | 44.1% | 39.1% | Net income/Net sales |
| Solvency and liquidity ratios: | | | |
| Current ratio | 1.14 | 1.12 | Current assets/Current liabilities |
| Debt to equity ratio | 5.60 | 6.72 | Total liabilities/Stockholders' equity |
| Quick ratio | 1.14 | 1.10 | Liquid assets/Current liabilities |

### 3. *Material Changes in Financial Condition*

#### a. 2021 vs. 2020

COL's asset base dropped by 5.2% to ₱12.98 billion in 2021 compared to ₱13.70 billion as of end 2020. Assets fell largely due to the increased deployment of clients' cash into the stock market. This was reflected in the ₱910.71 million or 7.9% drop in trade payables to ₱10.59 billion as of end 2021, which is largely composed of customers' unused cash balances.

Cash and cash equivalents (including cash in segregated account and short-term cash deposits) fell by 70.0% to ₱1.73 billion from ₱5.78 billion. Aside from customers' smaller unused cash balances, cash and cash equivalents fell due to management's decision to allocate more funds to short-term government-issued treasury bills to boost interest income given the very low yields on time deposits. As of end 2021, COL owned ₱9.87 billion worth of treasury bills as reflected by the 52.8% increase in investment securities at amortized cost.

Trade receivables fell by 15.1% to ₱958.82 million. The drop was largely due to the lower amount of unsettled receivable from the clearing house arising from customers' selling transactions. The total amount of unsettled receivables fell to ₱84.59 million as of end 2021 from ₱314.42 million as of end 2020. This was partly offset by the increase in margin availments by COL customers from ₱ 697.96 million as of end 2020 to ₱746.47 million as of end 2021.

Other receivables increased by 84.7% to ₱70.22 million mainly due to the 414.0% jump in accrued interest income on short and long-term placements to ₱52.63 million. As discussed earlier, the value of investment securities at amortized cost increased by 52.8% in 2021. Meanwhile, the amount of receivables from fund houses for redemption proceeds fell by 56.7% to ₱7.57 million as there was less customer redemptions as of end 2021 compared to a year ago.

Property and equipment fell by 29.4% to ₱81.06 million due to minimal capital expenditures amounting to only ₱5.05 million during the year and the booking of ₱61.02 million in depreciation expenses. Capital expenditures during the past two years were very small as the Parent Company completed the construction of its off-site data center in 2019.

Other noncurrent assets increased by 7.2% to ₱74.02 million. This was largely due to the 12.2% increase in refundable CTGF contributions to ₱50.50 million in 2021 and the 20.1% increase in intangible assets under development to ₱7.85 million brought about by the ongoing development of the accounting and operations back-office system.

Total liabilities fell by 8.3% to ₱10.88 billion as of end 2021. The decrease was largely due to the 7.9% drop in trade payables to ₱10.59 billion, which accounted for 97.3% of total liabilities. As mentioned earlier, COL's customers deployed a bigger portion of their portfolios in the stock market, leading to a drop in their cash balances which in turn was reflected in lower trade payable and higher value of clients' equity portfolio which increased by 6.3% to ₱103.18 billion in 2021 compared to its year-ago value of ₱97.06 billion.

Other current liabilities likewise fell by 27.9% to ₱145.78 million. The drop was primarily due to the reduction in unposted customer deposits by 77.7% to ₱9.67 million during the last trading day of the year versus the same period in 2020. Liabilities to the BIR also fell by 37.6% to ₱38.92 million as trading volume was smaller during the last three trading days of 2021 versus the same period in 2020 resulting to lower sales taxes.

While total liabilities decreased, shareholders' equity increased by 14.8% to ₱2.10 billion due to the booking of ₱581.45 million consolidated net income, partly offset by the payment of ₱309.40 million worth of cash dividends to shareholders of the Parent Company.

**b. 2020 vs. 2019**

COL's asset base grew by 34.9% in 2020 to ₱13.70 billion compared to its end 2019 level of ₱10.15 billion. Assets grew largely due to the significant increase in COL's client base and the resulting increase in their equity positions, including their cash balances. This was also reflected in the ₱3.31 billion or 40.5% growth in trade payables to ₱11.50 billion as of end 2020, which is largely composedof customers' unused cash balances.

Cash and cash equivalents (including cash in segregated account and short-term cash deposits) fell by 32.5% to ₱5.78 billion from ₱8.56 billion. The drop was largely due to management's decision to buy more short-term Government- issued treasury bills to boost interest income given the very low yields on time deposits. As of end 2020, COL owned ₱6.16 billion worth of treasury bills as reflected by the significant jump in investment securities at amortized cost from only ₱200.35 million as of end 2019 to ₱6.46 billion as of end 2020.

Meanwhile, trade receivables increased by 30.7% to ₱1.13 billion. This was largely due to the unsettled receivable from clearing houses amounting to ₱314.42 million as of end 2020 from ₱124.66 million as of end 2019 arising from the selling transactions of customers. These receivables were collected within the first week of January 2021. Margin availments of COL's customers also increased by 21.1% to ₱697.96 million.

Other receivables fell by 20.9% to ₱38.03 million mainly due to lower accrued interest income on short and long-term placements, brought about by the steep decline in interest rates. This was partly offset by the increase in the amount of receivables from fund houses for the redemption proceeds which were settled after the reporting period.

Property and equipment fell by 22.8% to ₱114.81 million due to minimal capital expenditures amounting to only ₱14.06 million during the year versus ₱44.58 million in 2019, and the booking of ₱59.07 million in depreciation expenses. Out of this, ₱11.74 million or 83.0% of the total capital outlay in 2020 was allotted to beef up the hardware requirements of COL to complement the growth in the number of customers and trading volume. Further, the Parent Company completed in 2019 the construction of its off-site Data Center, resulting to much lower spending on furniture, fixtures and equipment and leasehold improvements in 2020.

Other noncurrent assets fell by 10.6% to ₱69.04 million. This was largely due to the write-off of costs related to the development of COL's mobile application since the contracted developer failed to deliver an acceptable product despite numerous revisions and extensions of the project deadline.

Total liabilities increased by 41.2% to ₱11.87 billion as of end 2020. The increase was largely due to the 40.5% growth in trade payables to ₱11.50 billion, which accounted for 96.9% of total liabilities. As mentioned earlier, the significant growth in COL's client base resulted to an increase in their equity positions, including their cash balances which in turn was reflected in higher trade payable.

Other current liabilities jumped by 138.0% to ₱202.22 million primarily due to higher unposted customer deposits received after the processing cut-off period and accrued expenses, taxes and fees resulting from higher trading volumes.

Shareholders' equity increased by 4.9% to ₱1.81 billion due to the booking of ₱424.31 million in net income attributable to equity holders of the Parent Company in 2020, which was partly offset by the payment of ₱333.20 million worth of cash dividends to shareholders.

### 4. *Material Changes in the Results of Operations*

#### a. 2021 vs. 2020

COL's consolidated revenues in 2021 increased by 21.8% to ₱1.32 billion. Cost of services grew by 16.0% to ₱240.48 million while operating expenses climbed by 11.9% to ₱317.94 million. Provision for income taxes increased by 15.5% to ₱177.65 million. Given the strong growth in revenues and the slower increase in operating expenses, net income rose by a faster pace of 37.7% to ₱581.45 million.

COL's consolidated revenues increased by 21.8% to ₱1.32 billion. Revenue growth was driven by the significant increase in commissions and trail fees, partly offset by the continuous drop in interest income.

Commission revenues increased strongly, by 27.6% to ₱1.01 billion, as COL benefited from the growing popularity of stock trading among mass retail investors. COL's share in the PSE's value turnover remained elevated at 8.5% in 2021, allowing it to end the year as the number one stockbroker in the local stock exchange for the second year in a row.

Meanwhile, trail fees earned from the distribution of mutual funds improved by 24.5% to ₱21.48 million as the average non-money market assets under administration (AUA) grew by 26.7% to around ₱3.70 billion in 2021 because of additional net inflow and the effect of higher market revaluation.

The strong growth in commission revenues and trail fees was partly offset by the continuous drop in interest income. COL's interest income fell by 26.1% to ₱182.06 million. Interest income on investments of idle funds fell by another 40.6% to ₱122.55 million as yields on bank deposits and short-term fixed income products remained low because of the pandemic. The first half of 2020 was also a high base as the pandemic only began in mid-March of the said year. As such, interest income during the early part of the year was still high. On the positive side, interest income on margin lending improved by 43.7% to ₱57.34 million due to the increase in average margin utilization to ₱718.70 million in 2021 compared to its year ago level of ₱517.89 million. However, interest income from margin loans only accounted for around a third of total interest income, explaining the continuous decline in interest income.

Cost of services increased by 16.0% to ₱240.48 million largely driven by the 48.04% increase to ₱77.01 million in the stock exchange dues and fees as the Parent Company's daily trading values jumped by 25.0% versus the 22.0% growth recorded for the whole industry. Central depository fees, likewise, increased sharply by 50.5% to ₱10.05 million mainly because of the increase in the value of the securities owned by the customers of the Parent Company that are lodged with the Philippine Depository and Trust Corp. Commission expenses also climbed by 31.0% to ₱36.30 million as the agency and advisory business accounted for a bigger share of total volumes. Communications, on the other hand, went up 20.6% to ₱41.19 million because of the new contracts entered into by the Parent Company with IT service providers for additional bandwidth and protection mechanism to ensure sufficient capacity and seamless execution of transactions.

Operating expenses were higher by 11.9% to ₱317.94 million. Operating expenses increased largely due to 24.3% rise in personnel costs and professional fees to ₱214.81 million. In 2021, a bigger portion of the Parent Company's personnel costs was reallocated to operating expenses from cost of services due to the digitization of its end-to-end business processes to meet the changing business requirements brought about by the pandemic.

On the other hand, various expenses fell sharply as most of the Parent Company's employees continued to work from home. Security and messengerial services fell 15.7% to ₱3.97 million, power, light and water expenses were down by 11.3% to ₱3.55 million, while office supplies dropped by 38.2% to ₱1.28 million.

Advertising and marketing expense also fell sharply by 33.7% to ₱3.35 million. Most marketing activities were shifted online due to the pandemic, leading to significant cost savings.

Representation and entertainment expense also dropped by 4.4% to ₱274,594 as meetings were mostly held virtually because of the pandemic.

Non-cash expenses fell, with depreciation and amortization expense (including depreciation expense from right-of-use assets) dropping 5.0% to ₱60.81 million because of the minimal capital expenditures the past two years. The Parent Company also booked ₱1.20 million in recovery from credit losses, a reversal from the ₱1.30 million in provision for credit losses booked in 2020.

Due to the aforementioned factors, operating income improved by 28.5% to ₱764.35 million. Meanwhile, pre-tax profits increased by a faster pace of 31.8% to ₱759.10 million. In 2020, pre-tax profits were pulled down by the booking of a ₱12.41 million non-recurring write-off related to the cost of development of a mobile application that failed to meet the Parent Company's standards.

Consolidated net income increased by an even faster pace of 37.7% to ₱581.45 million as provision for income tax rose by only 15.5% to ₱177.65 million despite the 31.8% increase in pretax profits. The slower increase was largely due to the passage of the CREATE law which led to the reduction of the corporate income tax rate from 30.0% to 25.0%.

**b. 2020 vs. 2019**

COL's consolidated revenues in 2020 fell by 1.5% to ₱1.09 billion. Cost of services dropped by 1.7% to ₱207.23 million while operating expenses increased by 11.0% to ₱284.13 million. Provision for income taxes declined by 10.6% to ₱153.83 million. Given weaker revenues and higher operating expenses, net income fell by 7.9% to ₱422.21 million.

COL's consolidated revenues fell marginally by 1.5% to ₱1.09 billion. Revenues fell as the strong growth in commission revenues was not enough to offset the steep drop in interest income as yields on bank deposits and short-term fixed income products fell to record lows.

Commission revenues increased strongly, by 47.3% to ₱793.89 million, as COL benefited from the growing popularity of stock trading among mass retail investors. This raised COL's share in the PSE's value turnover to 8.3% in 2020 from 5.6% in 2019, allowing it to end the year as the number one stockbroker in the local stock exchange.

Meanwhile, trail fees earned from the distribution of mutual funds were flat at ₱17.26 million as the average non-money market assets under administration (AUA) were also flat at around ₱2.90 billion. Nevertheless, the number of clients investing in mutual funds continued to grow, increasing by 34.9% to reach 60,268 as of end 2020 from 44,682 as of end 2019.

Unfortunately, the strong growth in commission revenues was not enough to offset the steep drop in interest income. Despite having a higher cash position, COL's interest income fell by 53.3% to ₱246.45 million. Interest income on investments of unused cash amounting to ₱206.56 million fell by 56.9% as yields on bank deposits and short-term fixed income products fell to record lows due to the BSP's aggressive monetary policy and banks' poor lending appetite. Recall that the BSP reduced the banks' reserve requirement ratio by 200 basis points and cut the benchmark interest rates also by a total of 200 basis points in 2020 to help stimulate the economy which was hurt by the coronavirus pandemic. Meanwhile, bank lending fell by 0.7% in 2020, a first in 14 years, as banks tightened their lending standards amidst higher risk of defaults. Interest on margin lending, likewise, decreased by 17.1% to ₱39.89 million due to the decrease in the average margin utilization to ₱511.34 million in 2020 compared to its year ago level of ₱616.64 million.

Cost of services fell by 1.7% to ₱207.23 million largely due to the 31.4% drop in commission expenses to ₱27.71 million. Commission expenses fell as the agency and advisory business accounted for a smaller share of total volumes. The decrease in commission expenses was partly offset by the increase in trade related expenses such as stock exchange dues and fees which was up by 61.0% to ₱52.02 million.

Operating expenses were higher by 11.0% to ₱284.13 million. Operating expenses increased largely due to 35.1% increase in personnel costs, professional fees, and management bonus to ₱172.75 million and the 9.2% increase in depreciation and amortization expenses to ₱64.04 million (including depreciation expense from right-of-use assets). In 2020, a bigger portion of the Parent Company's personnel costs was allocated to operating expenses due to the shift in most of its end-to-end business processes to digital platforms to meet the changing business requirements because of the restrictions and limitations in delivering services to its customers because of the pandemic.

On the other hand, various expenses fell sharply as most of the Parent Company's employees were ordered to work from home to protect them from catching the virus. Security and messengerial fell 29.0% to ₱4.71 million, power, light and water was down by 27.1% to ₱4.01 million, while office supplies dropped by 43.1% to ₱2.07 million.

Advertising and marketing expense also fell sharply by 67.9% to ₱5.05 million. Aside from the high base in 2019 which was COL's 20$^{th}$ year anniversary, most marketing activities were done online in 2020, leading to significant cost savings.

Representation and entertainment expense also dropped by 90.8% to ₱287,338 as meetings were mostly done virtually in 2020 to reduce the risk of catching the virus.

Due to the aforementioned factors, operating income fell by 6.5% to ₱594.98 million. Meanwhile, pre-tax profits fell by a faster pace of 8.6% to ₱576.04 million. This was largely due to management's decision to write-off ₱12.41 million in costs related to the development of COL's mobile application during the year since the contracted developer failed to deliver an acceptable product despite numerous revisions and extensions of the project deadline.

Consolidated net income dropped by a slightly slower pace of 7.9% to ₱422.21 million as provision for income tax fell by 10.6% to ₱153.83 million largely due to lower amount of final taxes paid on interest income from placements.

### 5. *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.

## Prospects for the Future

### 1. *Near-Term Prospects*

Stockbrokers in the Philippine stock market are expected to encounter both challenges and opportunities in 2022. Although the Philippine economy is expected to continue recovering this year as the government further reopens the economy due to rising vaccination rates, investors remain cautious due to uncertainties on possible future surges, the outcome of the May presidential election, rising commodity prices led by oil, and expectations of an aggressive Fed rate hike.

On the positive side, more companies are planning to list in 2022 which should help boost value turnover and grow the size of market capitalization of the local stock market.

Meanwhile, the HK operations will most likely remain a small contributor to total revenue this year as COL continues to focus its resources on its Philippine business.

*2. Medium to Long-Term Prospects*

The medium to long-term outlook of the Philippine market remains very attractive. Once the country overcomes the pandemic-induced crisis, the economy is expected to maintain its above average growth pace, driven by the Philippines' favorable demographics, the significant size of our resilient OFW remittances and the attractive growth prospects of our BPO sector. The passage of the Tax Reform for Acceleration and Inclusion (TRAIN) law in 2017 should also provide the government with enough funds to boost spending on education, health care and infrastructure, while the passage of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) bill in 2021 should boost corporate earnings and improve the Philippines' competitiveness in attracting more foreign direct investments, helping create more jobs for Filipinos. Aside from the two laws, recent amendments to the trade liberalization act, foreign investment act, and public service act should make it easier for foreign investors to do business in the Philippines, helping the country attract more investments.

Meanwhile, the Philippine Stock Exchange has various initiatives that should help boost activity in the local stock market. Among them are the relaxation of listing rules, and allowing short selling. Coupled with the very low penetration rate of retail investors in the stock market and the economy's favorable growth outlook, the said factors should bode well for the performance of the Philippine stock market and for COL going forward.

**Item 7. Financial Statements**

Please refer to the attached Consolidated Audited Financial Statements for the years ended December 31, 2021 and 2020.

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

COL has not changed its accountants for the last three (3) years and has not had any disagreements on accounting and financial disclosures with its current accounts for the last three (3) years.

**Item 9. Audit and Audit-Related Fees**

The following table sets out the aggregate fees billed by SyCip, Gorres, Velayo & Co. (SGV) for professional services rendered for each of the last two calendar years ending December 31:

| | 2021 | 2020 |
|---|---|---|
| Audit and Audit-Related Fees in connection with the annual review of the Parent Company's financial statements | ₱1.93 million | ₱1.75 million |
| Tax Fees | None | None |

Appointment of COL's external auditor and its audit fees are upon recommendation of the Audit Committee. All services rendered by SGV have prior approval of the President as recommended by the Audit Committee. Actual work by SGV proceeds thereafter. In 2021, the Audit Committee was chaired by Ms. Betty C. Siy-Yap with Mr. Wellington C. Yu, Mr. Raymond C. Yu, and Mr. Hernan G. Lim as members.

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 10. Directors and Executive Officers of the Issuer

**Board of Directors**

The Directors of COL as of December 31, 2021 are as follows:

| Name | Position |
|---|---|
| Edward K. Lee | Chairman |
| Alexander C. Yu | Vice Chairman |
| Conrado F. Bate | Member |
| Paulwell Han | Member |
| Seiji Okita | Member |
| Hernan G. Lim | Member |
| Arthur Gerrard D. Gindap | Member (Independent) |
| Raymond C. Yu | Member |
| Wellington C. Yu | Member |
| Betty C. Siy-Yap | Member (Independent) |
| Roberto C. Benares | Member (Independent) |

The following are the respective ages, periods of service, directorships in other reporting companies and positions held in the last five years of each of the Directors of COL:

***Edward K. Lee***
*Chairman and Founder*

Edward K. Lee, 67, Filipino, took Bachelor of Science in Industrial Management Engineering at De La Salle University. He is concurrently the Founder and Chairman of the Board of COL, COL Securities (HK) Limited, CTS Global Equity Group, Inc., Caylum Trading Institute, and COL Investment Management, Inc. Mr. Lee served as a nominee of CTS Global Equity Group, Inc. to the Manila Stock Exchange and presently to the Philippine Stock Exchange. He was elected as one of the Governors of the Philippine Stock Exchange and was the Chairman of the Computerization committee of the Manila Stock Exchange and PSE in 1994. He went on to become a member of the Board of Directors of A. Soriano Corporation serving for two terms. Mr. Lee was also nominated as a finalist to the 2007 Entrepreneur of the Year Philippines by Ernst & Young. In 2015, he was awarded with the Theodore Vail Most Outstanding JA Alumni Awardee. From 2016 to 2019, he was appointed as an official board member of JA Asia Pacific.

***Alexander C. Yu***
*Vice-Chairman*

Alexander C. Yu, 66, Filipino, is a Bachelor of Science in Mechanical Engineering graduate of De La Salle University. He is currently the Vice Chairman of COL since 1999 and the Vice Chairman and Treasurer of CTS Global Equity Group, Inc. since 1986. He is also currently a Director of COL Securities (HK) Limited since 2001**,** elected as Director of Caylum Trading Institute in 2013, and Director and Treasurer of Winner Industrial Corp. for more than 10 years. He is the proprietor of Trans-Asia General Merchandise and in 1997, he served as a Director of A. Soriano Corporation.

***Conrado F. Bate***
*President and Chief Executive Officer*

Conrado F. Bate, 59, Filipino, is a Bachelor of Arts in Economics and Bachelor of Science in Marketing Management graduate of De La Salle University. He is currently the President and Chief Executive Officer of COL and serves as a director for COL Investment Management, Inc. He has extensive experience in the Philippine stock brokerage and fund management industry. Prior positions that he held include: Vice

President of JP Morgan Philippines in 2002, President and CEO of Abacus Securities Corporation from 1995 to 1997, and Vice President of Fund Management Division of Philamlife Insurance Company from 1990 to 1995. Mr. Bate was a member of the Board of Directors of the Philippine Stock Exchange (2005 to 2006) and served as its Chairman of the Investor Education Committee and Member of the Legislative Committee. He was an independent director of the ATR Kim Eng Asset Management from 2005 to 2010 and serves in the same capacity for Corston-Smith Asset Management Sdn. Bhd. from February 2009 to present. He is also a member of the Board of Trustees of the Shareholder's Association of the Philippines from January 2017 up to the present.

***Wellington C. Yu***
*Director*

Wellington C. Yu, 78, Filipino, finished his degree in BS Chemical Engineering at De La Salle University in 1965 and his MBA and MS Chemical Engineering degrees from the University of Pittsburgh. From 1973 to 1985, he was the Dean of the College of Business and Economics of De La Salle University and of the Graduate School of Business from 1981 to 1984. He is Dean Emeritus of the College of Business of De La Salle University. He was the Senior Vice President of Tropical Rent-A-Car in Hawaii from 1986 to 1990 and President of Suntrips, Inc. of San Jose, California from 1990 to 1997. In 2012, Xavier School San Juan awarded him the title "Exemplary Alumnus". He is presently the Dean of the College at Philippine Cultural College in Manila.

***Raymond C. Yu***
*Director*

Raymond C. Yu, 68, Filipino, graduated with a Bachelor of Science Degree in Commerce from De La Salle University in 1974. He is currently the President of Winner Industrial Corporation. He has served as a director of Caylum Trading Institute since 2013 and has been a director for more than 16 years of the following corporations: CTS Global Equity Group, Inc., Cedarside Holdings Corp., Cedarside Industries, Inc., Barrington Carpets, Inc., and Citimex, Inc.

***Hernan G. Lim***
*Director*

Hernan G. Lim, 69, Filipino, is currently the President of Hoc Po Feeds Corporation and HGL Development Corporation. Mr. Lim is a Director of Caylum Trading Institute since 2013 and has also been a Director of Citimex, Inc., CTS Global Equity Group, Inc., and Barrington Carpets, Inc. for more than 10 years. He holds a Bachelor of Science degree in Electronics and Communications Engineering from the University of Santo Tomas. He also took the Basic Management Course at the Asian Institute of Management.

***Paulwell Han***
*Director*

Paulwell Han, 62, Chinese, is a graduate of Business Finance from the San Francisco State University, USA. He is currently the Director and General Manager of different corporations located in Hong Kong, namely: Etta Trading Company Limited, Yee Ting Tong Company Limited, Tecworld Investment Co., Ltd., Silver Jubilee Co., Ltd., and Sunning Restaurant.

***Seiji Okita***
*Director*

Seiji Okita, 45, Japanese, was elected as Director on August 2021. He is currently the head of Global Business Development Section in the International Business Planning Department of Daiwa Securities Group, Inc. where he promotes international alliance and investment strategy. He has extensive experience in investment banking, sales and trading businesses since he started his career in Daiwa Securities Group Inc. in 2001. He earned his Master's Degree in Economics at Osaka University.

***Arthur G. Gindap***
*Independent Director*

Arthur G. Gindap, 60, Filipino, is the Senior Vice President & Business Unit General Manager of Robinsons Hotels & Resorts. From 2004 to 2018, he was the Vice President & Regional General Manager of Philippines and Thailand and the Vice President of Global Operations & Customer Service of the Ascott Limited. Mr. Gindap has over 30 years of experience in the hotel and hospitality industry. Mr. Gindap graduated from Sheridan College in Canada with a degree in Hotel and Restaurant Administration.

***Betty C. Siy-Yap***
*Independent Director*

Betty C. Siy-Yap, 60, Filipino, is the SVP and Chief Finance Officer and Chief Risk Officer of Manila Electric Company. She sits in the board of several companies including, among others, Clark Electric Distribution Corporation, CIS Bayad Center, Inc., Meralco Industrial Engineering Services Corporation, MERALCO PowerGen Corporation, and MRail, Inc. She is the President of Lighthouse Overseas Insurance Limited, a Trustee of the Meralco Pension Fund and One Meralco Foundation, Inc., and the Treasurer of First Pacific Leadership Academy, Inc. and MVP Sports Foundation, Inc. She was previously a Director of Rockwell Land Corporation, a member of the Market Governance Board of the Philippine Dealing Exchange Corp., Vice Chairman of the Board of Accountancy of the Professional Regulation Commission, and a Partner at SyCip Gorres Velayo & Co. Ms. Siy-Yap holds a Bachelor of Science Degree in Business Administration and Accountancy from the University of the Philippines and a Master's Degree in Business Administration from J.L. Kellogg School of Management at Northwestern University/The Hong Kong University of Science and Technology.

***Roberto C. Benares***
*Independent Director*

Roberto C. Benares, 69, Filipino, currently sits at the Board of Directors of Bank of Commerce, BlastAsia Corporation, and Quokka Development Corporation. He served as the President and CEO of Bank of Commerce from 2013 to 2018 and as Executive Director and later on Managing Director of Maybank ATR Kim Eng Capital Partners, Inc. from 2001 to 2013. Over the years, Mr. Benares held various positions at Asian Alliance Investment as Managing Director, Insular Investment & Trust Corporation as Executive Vice President, Philamlife as Vice President, and United Coconut Planters Bank as Vice President for Account Management. Mr. Benares holds a degree of BS Mechanical Engineering from De La Salle University and has a Master's Degree in Business Management from the Asian Institute of Management.

**Management Team**

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

***Catherine L. Ong***
*SVP – Treasurer*

Catherine L. Ong, 70, Filipino, COL's SVP – Treasurer, is also the Chairman of COL Equity Index Unitized Mutual Fund, Inc. and COL Cash Management Unitized Mutual Fund, Inc., the SVP – Chief Operating Officer of CTS Global Equity Group, Inc. and Executive Vice President and Treasurer of Cedarside Industries, Inc., Barrington Carpets, Inc., and Citimex, Inc. She has held the latter position for more than 30 years. She was formerly a director of COL. She has extensive experience in banking, having held various positions in Metropolitan Bank and Trust Company (Metrobank). She was an Assistant Vice President and Area Supervisor of Metrobank and served as a Director of Metrobank's subsidiary, Pan Philippines Life Insurance Corp. (now known as Philippine Axa Life). Ms. Ong graduated from the

Philippine Women's University with a Bachelor of Science Degree in Business Administration, Major in Accounting.

***Juan G. Barredo***
*FVP – Chief Customer Experience Officer*

Juan "Juanis" G. Barredo, 54, Filipino, as Chief Customer Experience Officer for COL, oversees the positive operations of COL's Business Center, its Sales division as well as its Premium and Retail Customer Service divisions. He also spearheads the COL Investor Seminar Series, the flagship investor education program of the Parent Company, geared to empower COL customers and the investing public to build their knowledge base through a series of progressive stock market training sessions so that they can confidently invest in the Philippine Stock Market. He has addressed an audience of over 200,000 people nationwide with topics ranging from the basics of stock market investing to introductory and advanced technical analysis seminars. Mr. Barredo holds a Bachelor of Arts degree in Philosophy from De La Salle University in 1990 and is a Certified Securities Representative.

***Nikos J. Bautista***
*FVP – Chief Technology Officer*

Nikos J. Bautista, 53, Filipino, is the Chief Technology Officer of COL. He was also a consultant and a committee member for the Trading System Project of the PSE which was launched successfully mid-2010 and for various projects of the PDEX. He was with the I.T. Department of the PSE as manager, in charge of all the I.T.-related activities of the Exchange from 1993 to 1997. In 1997, he joined Computershare, an Australian-based software development Company specializing in trading systems wherein he took charge of all technical aspects of the business. In 2000, he put up a software development company, Finatechs, Inc., where he served as its President and Chief Executive Officer until 2003. Mr. Bautista is a graduate of De La Salle University with a Bachelor of Computer Science Degree with Masteral Courses in Computer Science.

***Lorena E. Velarde***
*FVP – Chief Financial Officer*

Lorena E. Velarde, 51, Filipino, is the Chief Financial Officer of COL in 2021 after having served as the Parent Company's Financial Controller from 2010 to 2020. She is concurrently an Associated Person of CTS Global Equity Group, Inc. and the Treasurer of COL Investment Management, Inc., COL Equity Index Unitized Mutual Fund, Inc., and COL Cash Management Unitized Mutual Fund, Inc. She was previously the Accounting Department Head of CTS Global Equity Group, Inc. and Citisec Asset Management, Inc., the fund manager for Citisec Growth and Income Fund, Inc. Before that, she was a Senior Associate in-charge at SyCip Gorres Velayo & Co. which provided her extensive training in tax, accounting and financial reporting. Ms. Velarde graduated from the University of Santo Tomas with a Bachelor of Science Degree in Commerce Major in Accounting in 1991 and became a Certified Public Accountant in the same year.

***April Lynn L. Tan***
*FVP – Chief Investor Relations and Corporate Strategy*

April Lynn L. Tan, 46, Filipino, is the Chief Investor Relations and Corporate Strategy of COL. She was appointed as the head of COL's Research Team in 2003. She is also a Certified Securities Representative and a Certified Investment Solicitor. She has been doing equities research since 1996 when she joined the research team of Citisecurities, Inc. In 2019, she was voted as "Best Strategist" by the "Fund Managers' Association of the Philippines". Outside of her work as an analyst, April writes a weekly column named "Intelligent Investing" for the Philippine Daily Inquirer and hosts the TV show "Insight with April Lee Tan" for ANC. She is an active member of the CFA Society of the Philippines and was the President of the Society from 2009 to 2016. Under her leadership, CFA Philippines won the "Global CFA Institute Research Challenge" thrice and several Society Excellence Awards including the "Most Outstanding Society" for its size. Ms. Tan holds a Bachelor of Science Degree in Management Engineering from the Ateneo de Manila University. In 2000, she earned the right to use the Chartered Financial Analyst (CFA) designation.

***Melissa O. Ng***
*VP – Head of Operations*

Melissa O. Ng, 49, Taiwanese, holds a Bachelor of Science Degree in Applied Economics and a Bachelor of Science Degree in Business Management from De La Salle University. She earned her MBA (Silver Medalist) from De La Salle University in 2000. She has been with COL since 2007 and has previous banking experience from Security Bank and Union Bank of the Philippines.

***Sharon T. Lim***
*VP – Head of Legal & Compliance*

Sharon T. Lim, 42, Filipino, started with the Parent Company in 2011 as Compliance and Legal Officer and was appointed as the Head of the Legal and Compliance Department in 2016. She was appointed as Corporate Secretary on November 2018 and also serves as the Corporate Secretary of CTS Global Equity Group, Inc., COL Equity Index Unitized Mutual Fund, Inc., COL Cash Management Unitized Mutual Fund, Inc., and COL Investment Management, Inc. She was the Head of COL's Human Resources Department from 2016 to 2019. Atty. Lim was previously a Senior Associate of Puyat, Jacinto, and Santos Law Offices and an Associate of Picazo Buyco Tan Fider and Santos Law Offices. She graduated with a degree of Bachelor of Science in Management Engineering from the Ateneo de Manila University, Bachelor of Laws from the University of the Philippines, and Master of Laws (Corporate & Financial Services Law) from the National University of Singapore. She was admitted to the Philippine Bar in 2007, is a licensed Associated Person and Certified Information Privacy Manager.

***Gabriel Jose E. Mendiola***
*Assistant Vice President – Head of Software Development*

Gabriel Jose E. Mendiola, 40, Filipino is the AVP – Software Development of COL. He started working at the Parent Company in 2007 as the I.T. Manager, and is currently in charge of the design, development, and evaluation of computer software or systems used by the Company. He is also involved in dictating technical standard, tools, and platforms. Before joining COL, he worked at Unisys Philippines, Ltd. and at GXS Philippines, Inc. as Senior Software Engineer. Mr. Mendiola is a Computer Science – Information Technology graduate of De LaSalle University.

***Joyce G. Chan***
*Assistant Vice President – Head of Customer Support*

Joyce G. Chan, 37, Filipino graduated with a Bachelor of Arts degree in Communications from Ateneo De Manila University. She started as a Management Associate with the Philam Group of Companies before becoming a Corporate Trainer and Development Officer. She joined COL in 2010 as a Sales Manager and has since then handled the Sales and Customer Support teams in COL. She is a Certified Securities Representative, Certified Investment Solicitor, and a Fellow in the Life Management Institute with Honors.

**Rea P. Orteza**
*AVP – Head of Accounting Operations*

Rea P. Orteza, 42, Filipino, started as the Accounting Manager of CTS Global Equity Group, Inc. where she served for 10 years before transitioning to COL. She was appointed as Accounting Senior Manager in 2016 and AVP – Head of Accounting Operations in 2021. Ms. Orteza is a B.S. Accountancy graduate from the Central Philippine University and is a Certified Public Accountant.

**Term of Office**

Pursuant to the By-Laws of COL, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

**Resignation/Retirement of Directors and Executive Officers as of December 31, 2021**

Ms. Catherine L. Ong and Mr. Hokushin Kido stepped down as directors of the Parent Company last February 2, 2021 and August 17, 2021, respectively. Their resignation is not due to a disagreement with COL on any matter relating to its operations, policies, or practices. None of the current directors as of the date of this report have declined to stand for re-election.

**Significant Employees**

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

**Family Relationships**

With the exception of Mr. Alexander C. Yu and Mr. Raymond C. Yu, and Mr. Edward K. Lee and Ms. Catherine L. Ong, who are siblings, there are no other family relationships either by consanguinity or affinity up to the fourth ($4^{th}$) civil degree among its Directors and Executive Officers.

**Involvement in Certain Legal Proceedings**

COL is not aware of any of the following events having occurred during the past five (5) years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as director, executive officer, underwriter, or controlling person of COL:

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

2. Any order or judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities, or banking activities; and

3. Any findings by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

COL is not involved in, nor are any of their properties subject to, any material legal proceedings that could potentially affect their operations and financial capabilities.

**Item 11. Executive Compensation**

**<u>Standard Arrangements</u>**

***Directors***

Each director is entitled to a reasonable per diem, which amount shall, according to Article III, Section 8 of the Parent Company's By-laws, not exceed ten percent (10%) of the net income before income tax of the Parent Company during the previous year.

Below is a summary of the per diem given to the directors of the Parent Company as a group for each of the last two calendar years ending December 31:

| | **2021** | **2020** |
|---|---|---|
| Per diem to the Board of Directors as a group | ₱1.63 million | ₱1.75 million |

Aside from this, directors do not receive any other form of remuneration in their capacity as such directors.

***Executives and Senior Officers***

| **SUMMARY COMPENSATION TABLE Annual Compensation** | | | | | | |
|---|---|---|---|---|---|---|
| **(in ₱ Million)** | **Annual Salary 2022 (est)** | **Annual Salary 2021** | **Annual Salary 2020** | **Annual Salary 2019** | **Bonuses 2019 - 2021** | **Other Annual Compensation 2019 - 2021** |
| a) Chief Executive Officer (CEO) and Four (4) most compensated executives and officers | ₱22.24 | ₱21.43 | ₱19.81 | ₱19.81 | ₱99.91 | -nil- |
| b) All other executives and officers as a group unnamed | ₱12.30 | ₱11.22 | ₱10.52 | ₱9.88 | ₱36.93 | -nil- |

The following are the five (5) most compensated executives and officers of the Parent Company: (1) President and CEO - Conrado F. Bate; (2) SVP/Treasurer - Catherine L. Ong; (3) FVP/Chief Customer Service Experience Officer - Juan G. Barredo; (4) FVP/Chief Financial Controller - Lorena E. Velarde; and (5) FVP/Chief Investor Relations and Corporate Strategy - April Lynn L. Tan.

**<u>Employment Contracts and Termination of Employment and Change-in-Control Arrangements</u>**

There are no special employment contracts between COL and the executive officers named in the preceding paragraphs. Likewise, there are no compensatory plans or arrangements with respect to a named executive officer.

## Item 12. Security Ownership of Certain Beneficial Owners and Management

**Security Ownership of Certain Record and Beneficial Owners**

Owners of more than 5% of COL's voting securities as of February 28, 2022 are as follows:

| Title of Class | Name, Address of Record Owner and Relationship with the Issuer | Name of Beneficial Owners and Relationship with Record Owner | Citizenship | No. of Shares Held | | Percent (%) |
|---|---|---|---|---|---|---|
| | | | | Direct | Under PCD | |
| Common | **PCD Nominee Corp.** G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati | Various | Filipino | 1,701,509,660 | - | 35.75 |
| | | | Non-Filipino | 193,037,750 | - | 4.06 |
| | **Daiwa Securities Group, Inc.** Gran Tokyo North Tower, 9-1, Marunouchi 1-Chrome | Daiwa Securities Group | Japanese | - | 709,240,000 | 14.90 |
| | **Lee, Edward K.** Mahogany St., Makati | Lee, Edward K. | Filipino | 622,500,000 | 307,914,000 | 21.67 |
| | **Lee, Lydia C.** Mahogany St., Makati | | | 10,000,000 | 41,023,000 | |
| | **Lee, Edmund C.** Mahogany St., Makati | | | - | 20,400,000 | |
| | **Lee, Eleanore C. or Lee, Edmund C.** Mahogany St., Makati | | | - | 20,000,000 | |
| | **ELLEE & Co., Inc.** 2701C East Tower, PSE Centre, Exchange Rd, Ortigas Center, Pasig | | | - | 9,515,000 | |
| | **Yu, Alexander C.** Ortega St., San Juan | Yu, Alexander C. | Filipino | 200,000,000 | 336,498,250 | 13.92 |
| | **Yu, Elizabeth N.** Ortega St., San Juan City | | | - | 23,072,000 | |
| | **Yu, Adrian Alexander N.** Ortega St., San Juan | | | - | 32,515,000 | |
| | **Yu, Michelle Angeline N.** Ortega St., San Juan | | | - | 40,578,000 | |
| | **Yu, Tiffany Ann N.** Ortega St., San Juan | | | - | 30,000,000 | |
| | **Han, Paulwell** Broom Road, Happy Valley, Hong Kong | Han, Paulwell | Chinese | 1,000,000 | 98,158,750 | 8.39 |
| | **Han, Kelvin J.** Broom Road, Happy Valley, Hong Kong | | | - | 300,000,000 | |

**No other single individual owns more than 5% of the total outstanding shares of COL as of February 28, 2022.*

**<u>Security Ownership of Management as of February 28, 2022</u>**

| Title of Class | Name of Owner | Position | Citizenship | Total No. of Shares | Percent (%) |
|---|---|---|---|---|---|
| Common | Edward K. Lee | Chairman | Filipino | 1,031,352,000 | 21.67 |
| Common | Alexander C. Yu | Vice-Chairman | Filipino | 662,663,250 | 13.92 |
| Common | Conrado F. Bate | Director/President/CEO | Filipino | 204,982,599 | 4.31 |
| Common | Hernan G. Lim | Director | Filipino | 175,261,850 | 3.68 |
| Common | Raymond C. Yu | Director | Filipino | 223,339,400 | 4.69 |
| Common | Wellington C. Yu | Director | Filipino | 100,000 | 0.00 |
| Common | Seiji Okita | Director | Japanese | 1 | 0.00 |
| Common | Paulwell Han | Director | Chinese | 399,158,750 | 8.39 |
| Common | Arthur G. Gindap | Independent Director | Filipino | 120,000 | 0.00 |
| Common | Roberto C. Beňares | Independent Director | Filipino | 1,000 | 0.00 |
| Common | Betty C. Siy-Yap | Independent Director | Filipino | 1,000 | 0.00 |
| Common | Catherine L. Ong | SVP/Treasurer | Filipino | 102,428,000 | 2.15 |
| Common | Juan G. Barredo | FVP – Chief Customer Experience Officer | Filipino | 10,250,500 | 0.22 |
| Common | Nikos J. Bautista | FVP – Chief Technology Officer | Filipino | 11,602,000 | 0.24 |
| Common | Lorena E. Velarde | FVP – Chief Financial Officer | Filipino | 6,500,000 | 0.14 |
| Common | April Lynn L. Tan | FVP – Chief Investor Relations and Corporate Strategy | Filipino | 17,080,000 | 0.36 |
| Common | Melissa O. Ng | VP – Head of Operations | Taiwanese | 2,657,500 | 0.06 |
| Common | Sharon T. Lim | VP – Head of Legal & Compliance | Filipino | 792,500 | 0.02 |
| Common | Gabriel Jose E. Mendiola | AVP – Head of Software Development | Filipino | 43,325,000 | 0.91 |
| Common | Joyce G. Chan | AVP – Head of Customer Support | Filipino | 4,025,000 | 0.08 |
| Common | Rea P. Orteza | AVP – Head of Accounting Operations | Filipino | 3,000 | 0.00 |
| | **Key Officers and Directors (as a group)** | | | **2,895,643,350** | **60.78** |

As of February 28, 2022, the Parent Company's public float is 24.32%.

### Item 13. Certain Relationships and Related Transactions

Transactions between related parties are based on terms similar to those offered to nonrelated parties. The transactions are done in the normal conduct of operations and are recorded in the same manner as transactions that are entered into with other parties.

## PART IV - EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

**Exhibits**

Please refer to the attached Index to Consolidated Financial Statements and Supplementary Schedules on page 42.

**Reports on SEC Form 17-C**

Items reported under SEC Form 17-C filed during the last six months of the period covered by this report are as follows:

| Items Reported | Date filed | Announcement Date | Circular No. |
|---|---|---|---|
| 1. Change in Shareholdings of Directors and Principal Officers | 12/27/21 | 12/27/21 | C08680-2021 |
| 2. Change in Shareholdings of Directors and Principal Officers | 12/21/21 | 12/2121 | C08566-2021 |
| 3. Change in Shareholdings of Directors and Principal Officers | 12/15/21 | 12/15/21 | C08402-2021 |
| 4. Change in Shareholdings of Directors and Principal Officers | 12/09/21 | 12/09/21 | C08266-2021 |
| 5. Change in Shareholdings of Directors and Principal Officers | 11/29/21 | 11/29/21 | C08055-2021 |
| 6. Material Information/Transactions | 11/16/21 | 11/17/21 | C07764-2021 |
| 7. Change in Shareholdings of Directors and Principal Officers | 10/26/21 | 10/26/21 | C07119-2021 |
| 8. Change in Shareholdings of Directors and Principal Officers | 10/14/21 | 10/14/21 | C06841-2021 |
| 9. Change in Shareholdings of Directors and Principal Officers | 10/08/21 | 10/08/21 | C06717-2021 |
| 10. Change in Shareholdings of Directors and Principal Officers | 10/04/21 | 10/05/21 | C06620-2021 |
| 11. Change in Shareholdings of Directors and Principal Officers | 09/28/21 | 09/28/21 | C06518-2021 |
| 12. Change in Shareholdings of Directors and Principal Officers | 09/28/21 | 09/28/21 | C06517-2021 |
| 13. Change in Shareholdings of Directors and Principal Officers | 09/22/21 | 09/23/21 | C06408-2021 |
| 14. Change in Shareholdings of Directors and Principal Officers | 09/10/21 | 09/13/21 | C06195-2021 |
| 15. Change in Shareholdings of Directors and Principal Officers | 09/06/21 | 09/06/21 | C06056-2021 |
| 16. Change in Shareholdings of Directors and Principal Officers | 08/31/21 | 08/31/21 | C05935-2021 |
| 17. Change in Shareholdings of Directors and Principal Officers | 08/25/21 | 08/25/21 | C05850-2021 |
| 18. Change in Shareholdings of Directors and Principal Officers | 08/19/21 | 08/19/21 | C05762-2021 |
| 19. Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) | 08/17/21 | 08/18/21 | C05719-2021 |
| 20. Material Information/Transactions | 08/16/21 | 08/17/21 | C05704-2021 |
| 21. Change in Shareholdings of Directors and Principal Officers | 08/13/21 | 08/16/21 | C05635-2021 |
| 22. Change in Shareholdings of Directors and Principal Officers | 08/09/21 | 08/10/21 | C05454-2021 |

| Items Reported | Date filed | Announcement Date | Circular No. |
|---|---|---|---|
| 23. Change in Shareholdings of Directors and Principal Officers | 07/28/21 | 07/29/21 | C05133-2021 |
| 24. Change in Shareholdings of Directors and Principal Officers | 07/16/21 | 07/19/21 | C04902-2021 |
| 25. Change in Shareholdings of Directors and Principal Officers | 07/13/21 | 07/14/21 | C04795-2021 |
| 26. Change in Shareholdings of Directors and Principal Officers | 07/08/21 | 07/08/21 | C04685-2021 |
| 27. Change in Shareholdings of Directors and Principal Officers | 07/08/21 | 07/08/21 | C04686-2021 |
| 28. Change in Shareholdings of Directors and Principal Officers | 07/01/21 | 07/02/21 | C04601-2021 |
| 29. Change in Shareholdings of Directors and Principal Officers | 07/01/21 | 07/02/21 | C04602-2021 |

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on April 12, 2022.

**COL FINANCIAL GROUP, INC.**
**Issuer**

By:

**Conrado F. Bate**
President and Chief Executive Officer

**Catherine L. Ong**
SVP, Treasurer

**Lorena E. Velarde**
FVP and Chief Financial Controller

**Sharon T. Lim**
VP, Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this 12th day of April 2022, at Pasig, affiants exhibiting to me their Passports, as follows:

| NAMES | PASSPORT NO. | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|---|
| Conrado F. Bate | PP # P8211336A | August 3, 2018 | DFA Manila |
| Catherine L. Ong | PP # P7000517A | May 2, 2018 | DFA NCR East |
| Lorena E. Velarde | PP # P7302444A | May 24, 2018 | DFA NCR East |
| Sharon T. Lim | PP # P7315563B | August 2, 2021 | DFA Manila |

**Notary Public**

**ATTY. STEPHANIE FAYE B. REYES**
For the Cities of Pasig, San Juan
and Municipality of Pateros
Expiring on 31 December 2022
Appointment No. 98 (2021-2022) Pasig City,
Roll No. 64239
PTR No. 8131559/01.07.22/Pasig City
IBP LRN 13768/RSM
MCLE Compliance No. VI-0014740/11.13.18
2703C East Tower, Tektite Towers, Exchange Rd.,
Ortigas, Pasig City 1605

Doc. No. : 389
Page No. : 80
Book No.: IV
Series of 2022

**COL FINANCIAL GROUP, INC.**
**SEC FORM 17-A**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

| FINANCIAL STATEMENTS | Remarks/Attachments |
|---|---|
| | |
| Statement of Management's Responsibility for Financial Statements | ✓ |
| Independent Auditors Report | ✓ |
| Consolidated Statements of Financial Position as of December 31, 2021 and 2020 | ✓ |
| Consolidated Statements of Income for the Years Ended December 31, 2021, 2020 and 2019 | |
| Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2021, 2020 and 2019 | ✓ |
| Consolidated Statements of Changes in Equity for the Years Ended December 31, 2021, 2020 and 2019 | ✓ |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2020 and 2019 | ✓ |
| Notes to Consolidated Financial Statements | ✓ |
| | |
| **SUPPLEMENTARY SCHEDULES** | |
| Report of Independent Auditors on Supplementary Schedules | ✓ |
| Schedule I. Reconciliation of Retained Earnings Available for Dividend Declaration Pursuant to SRC Rule 68, as Amended and SEC Memorandum Circular No. 11 | ✓ |
| Schedule II. Schedule of Effective Standards and Interpretations under PFRS Pursuant to SRC Rule 68, as Amended | ✓ |
| Schedule III. Supplementary Schedules under Annex 68-E Pursuant to SRC Rule 68, as Amended | ✓ |
| Schedule IV. Map of the Relationships of the Companies within the Group Pursuant to SRC Rule 68, as Amended | ✓ |
| Schedule V. Schedule Showing Financial Soundness Indicators Pursuant to SRC Rule 68, as Amended | ✓ |
| Sustainability Report | ✓ |

## Accounting@colfinancial.com

**From:** eafs@bir.gov.ph
**Sent:** April 11, 2022 3:02 PM
**To:** ACCOUNTING@COLFINANCIAL.COM
**Cc:** ACCOUNTING@COLFINANCIAL.COM
**Subject:** Your BIR AFS eSubmission uploads were received

Hi COL FINANCIAL GROUP, INC.,

**Valid files**

- EAFS203523208OTHTY122021.pdf
- EAFS203523208RPTTY122021.pdf
- EAFS203523208TCRTY122021-01.pdf
- EAFS203523208ITRTY122021.pdf
- EAFS203523208AFSTY122021.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-MQ42VSXX07FH99LFKP1RXPQS3021WWPZWQ**
Submission Date/Time: **Apr 11, 2022 03:02 PM**
Company TIN: **203-523-208**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

# C O V E R   S H E E T

**for**

**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| A | 1 | 9 | 9 | 9 | 1 | 0 | 0 | 6 | 5 | |

**C O M P A N Y   N A M E**

COL FINANCIAL GROUP, INC. AND SUBSIDIARIES

**PRINCIPAL OFFICE** *( No. / Street / Barangay / City / Town / Province )*

Unit 2401-B East Tower, Tektite Towers (formerly PSE Centre) Exchange Road, Ortigas Center, Pasig City

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 17-A | CFD | Broker |

| C O M P A N Y   I N F O R M A T I O N | | |
|---|---|---|
| Company's Email Address | Company's Telephone Number | Mobile Number |
| **helpdesk@colfinancial.com** | **(02) 8636-5411** | **NA** |
| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
| **34** | **03/NA** | **12/31** |

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| **Mr. Conrado F. Bate** | **dino.bate@colfinancial.com** | **(02) 8636-5411** | **NA** |

CONTACT PERSON's ADDRESS

**Unit 2401-B East Tower, Tektite Towers (formerly PSE Centre) Exchange Road, Ortigas Center, Pasig City**

***NOTE 1 :*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

***2 :*** *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

COL FINANCIAL
*for a richer life*

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of COL Financial Group, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as of December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors (BOD) is responsible for overseeing the Group's financial reporting process.

The BOD reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders of the Group.

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

Edward K. Lee
Chairman of the Board

Conrado F. Bate
President and Chief Executive Officer

Lorena E. Velarde
First Vice President and Chief Financial Officer

Signed this 16th day of March 2022

**COL Financial Group, Inc.**
2401-B East Tower, Tektite Towers
Exchange Road, Ortigas Center, Pasig City, 1605 Philippines
PSE Trading Participant, SCCP & SIPF Member

**Tel:** (+632) 8-6365-411
**Fax:** (+632) 8-6346-958
**Email:** helpdesk@colfinancial.com
**Website:** www.colfinancial.com

*Statement of Management's Responsibility*
*for Consolidated Financial Statements*

SUBSCRIBED AND SWORN to before me this 16th day of March 2022, at Pasig, affiants exhibited to me their respective competent evidences of identity, as follows:

| Name | Document No. | Date/Place Issued |
|---|---|---|
| Edward K. Lee | DL # N07-80-002531 | June 10, 2019 |
| Conrado F. Bate | PP # P8211336A | Aug. 3, 2018/DFA Manila |
| Lorena E. Velarde | PP # P7302444A | May 24, 2018/ DFA NCR East |

NOTARY PUBLIC

**ATTY. STEPHANIE FAYE B. REYES**
For the Cities of Pasig, San Juan and the Municipality of Pateros
Expiring on 31 December 2022
Appointment No. 98 (2021-2022) Pasig City
Roll No. 64239
PTR No. 8131559/01.07.22/Pasig City
IBP LRN 13768/RSM
MCLE Compliance No. VI-0014740/11.13.18
2703C East Tower Tektite Towers, Exchange Road,
Ortigas Center, Pasig City 1605

Doc. No. 316;
Page No. 65;
Book No. IV;
Series of 2022.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

# INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
COL Financial Group, Inc.
Unit 2401-B East Tower, Tektite Towers
Exchange Road, Ortigas Center, Pasig City

## Opinion

We have audited the consolidated financial statements of COL Financial Group, Inc. (the Parent Company) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

## Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

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

*Information Technology Environment Supporting the Stockbrokerage Business*

The Parent Company is highly dependent on the reliability and continuity of its information technology (IT) environment to support the automated data processing of its stockbrokerage business. This IT environment is key to the Parent Company's revenue generation activity and is relied upon in many aspects of its financial reporting process. We, therefore, considered the testing of the controls over IT processes of the Parent Company to address the IT process risks as a key audit matter.

*Audit response*

We performed procedures to obtain an understanding of the Parent Company's IT environment, which covers the IT applications and supporting infrastructure, IT processes and IT personnel. We obtained an understanding and performed testing of the IT controls over program changes to the IT applications, user access management to the IT applications and databases, and management of IT operations. To the extent applicable, we performed testing of the design and operation of the IT controls of the applications supporting the trading-related revenue process and the financial reporting process. We evaluated and considered the results of the testing of controls in the design and extent of our substantive audit procedures.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Janet A. Paraiso.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso
Partner
CPA Certificate No. 92305
Tax Identification No. 193-975-241
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 92305-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-062-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8853462, January 3, 2022, Makati City

March 16, 2022

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | | Security Valuation | | | Security Valuation | |
| | Money Balance | Long | Short | Money Balance | Long | Short |
| **ASSETS** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents (Note 4) | **₱1,658,019,809** | | | ₱5,449,130,303 | | |
| Cash in a segregated account (Notes 4 and 5) | **75,473,190** | | | 133,246,671 | | |
| Short-term time deposits (Note 4) | – | | | 200,000,000 | | |
| Financial assets at fair value through profit or loss (Note 6) | **153,886,423** | **₱1,512,331** | | 35,524,329 | ₱5,573,619 | |
| Investment securities at amortized cost (Note 8) | **9,374,253,871** | | | 6,163,007,003 | | |
| Trade receivables (Notes 7 and 20) | **958,819,855** | **6,421,985,615** | | 1,129,929,615 | 5,871,374,410 | |
| Other receivables (Notes 7 and 20) | **70,224,172** | | | 38,028,477 | | |
| Prepayments | **8,190,777** | | | 6,396,907 | | |
| Other current assets (Note 12) | **484,349** | | | 309,925 | | |
| **Total Current Assets** | **12,299,352,446** | | | 13,155,573,230 | | |
| **Noncurrent Assets** | | | | | | |
| Investment securities at amortized cost (Note 8) | **500,200,000** | | | 300,200,000 | | |
| Property and equipment (Note 9) | **81,057,162** | | | 114,808,220 | | |
| Investment property (Note 10) | **14,007,788** | | | 14,883,275 | | |
| Intangibles (Note 11) | **12,135,445** | | | 15,566,291 | | |
| Deferred income tax assets (Note 19) | – | | | 24,989,839 | | |
| Other noncurrent assets (Note 12) | **74,020,983** | | | 69,043,026 | | |
| **Total Noncurrent Assets** | **681,421,378** | | | 539,490,651 | | |
| **TOTAL ASSETS** | **₱12,980,773,824** | | | ₱13,695,063,881 | | |
| Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited | | | **₱103,184,543,389** | | | ₱97,069,338,829 |

(Forward)

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| | | **Security Valuation** | | | Security Valuation | |
| | **Money Balance** | **Long** | **Short** | Money Balance | Long | Short |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current Liabilities** | | | | | | |
| Trade payables (Notes 13 and 20) | **₱10,590,182,716** | **₱96,761,045,443** | | ₱11,500,888,504 | ₱91,192,390,800 | |
| Lease liabilities - current portion (Note 21) | **17,845,909** | | | 18,737,554 | | |
| Income tax payable | **21,948,390** | | | 50,007,310 | | |
| Other current liabilities (Note 14) | **145,780,706** | | | 202,223,864 | | |
| **Total Current Liabilities** | **10,775,757,721** | | | 11,771,857,232 | | |
| **Noncurrent Liabilities** | | | | | | |
| Lease liabilities - net of current portion (Note 21) | **19,229,339** | | | 25,391,876 | | |
| Retirement obligation (Notes 18 and 20) | **81,723,769** | | | 69,075,170 | | |
| Deferred income tax liability (Note 19) | **5,185,201** | | | – | | |
| **Total Noncurrent Liabilities** | **106,138,309** | | | 94,467,046 | | |
| **Total Liabilities** | **10,881,896,030** | | | 11,866,324,278 | | |
| **Equity** | | | | | | |
| Capital stock (Note 15) | **476,000,000** | | | 476,000,000 | | |
| Capital paid-in excess of par value | **53,219,024** | | | 53,219,024 | | |
| Accumulated translation adjustment | **14,700,376** | | | 4,340,450 | | |
| Loss on remeasurement of retirement obligation (Note 18) | **(40,657,111)** | | | (28,380,396) | | |
| Retained earnings (Note 15) | | | | | | |
| Appropriated | **424,800,068** | | | 380,579,722 | | |
| Unappropriated | **1,152,577,560** | | | 922,983,187 | | |
| **Equity Attributable to the Equity Holders of the Parent Company** | **2,080,639,917** | | | 1,808,741,987 | | |
| **Non-controlling Interest** (Note 15) | **18,237,877** | | | 19,997,616 | | |
| **Total Equity** | **2,098,877,794** | | | 1,828,739,603 | | |
| **TOTAL LIABILITIES AND EQUITY** | **₱12,980,773,824** | **₱103,184,543,389** | **₱103,184,543,389** | ₱13,695,063,881 | ₱97,069,338,829 | ₱97,069,338,829 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2021** | 2020 | 2019 |
| **REVENUES** (Note 16) | | | |
| Commissions (Note 20) | **₱1,013,013,332** | ₱793,886,384 | ₱539,049,838 |
| Others: | | | |
| Interest income (Notes 4, 5, 6, 7, 8 and 20) | **182,061,977** | 246,449,713 | 527,716,977 |
| Trading gains (losses) - net (Note 6) | **52,315,419** | (563,029) | 41,501 |
| Trail fees | **21,484,857** | 17,255,849 | 17,365,097 |
| Others (Notes 6 and 21) | **53,894,412** | 29,312,749 | 19,293,262 |
| | **1,322,769,997** | 1,086,341,666 | 1,103,466,675 |
| **COST OF SERVICES** | | | |
| Stock exchange dues and fees (Note 16) | **77,006,256** | 52,017,412 | 32,303,657 |
| Personnel costs - operations (Notes 17, 18 and 20) | **70,900,503** | 81,116,939 | 93,662,645 |
| Communications | **41,192,777** | 34,147,136 | 33,522,738 |
| Commission expense | **36,304,828** | 27,712,304 | 40,387,642 |
| Central depository fees | **10,048,614** | 6,677,203 | 7,051,621 |
| Research | **2,487,492** | 2,454,793 | 2,501,141 |
| Others | **2,543,545** | 3,106,262 | 1,376,897 |
| | **240,484,015** | 207,232,049 | 210,806,341 |
| **GROSS PROFIT** | **1,082,285,982** | 879,109,617 | 892,660,334 |
| **OPERATING EXPENSES** | | | |
| Administrative expenses: | | | |
| Personnel costs (Notes 17, 18 and 20) | **160,214,122** | 120,724,740 | 78,899,761 |
| Professional fees (Note 20) | **54,596,359** | 52,029,642 | 48,953,170 |
| Taxes and licenses | **6,626,733** | 7,070,326 | 8,358,190 |
| Insurance | **5,169,416** | 5,209,997 | 4,928,438 |
| Repairs and maintenance | **4,836,977** | 4,753,332 | 5,123,022 |
| Condominium dues and utilities | **4,078,657** | 4,364,705 | 4,639,515 |
| Security and messengerial services | **3,969,631** | 4,711,415 | 6,631,905 |
| Power, light and water | **3,553,269** | 4,005,897 | 5,492,450 |
| Advertising and marketing | **3,346,014** | 5,047,820 | 15,719,591 |
| Membership fees and dues | **2,172,351** | 1,311,628 | 1,336,837 |
| Directors' fees (Note 20) | **1,665,000** | 1,750,000 | 1,750,000 |
| Office supplies | **1,278,780** | 2,067,724 | 3,631,825 |
| Trainings, seminars and meetings | **415,072** | 592,535 | 1,266,387 |
| Rentals (Note 21) | **360,771** | 364,679 | 207,015 |
| Representation and entertainment | **274,594** | 287,338 | 3,114,077 |
| Donation | **–** | – | 2,000,000 |
| Others | **5,769,056** | 4,495,620 | 4,629,719 |
| | **258,326,802** | 218,787,398 | 196,681,902 |
| Depreciation and amortization (Notes 9, 10, 11 and 21) | **60,813,627** | 64,041,870 | 58,680,226 |
| Provision for (recovery from) credit losses (Note 7) | **(1,199,842)** | 1,304,508 | 614,712 |
| | **317,940,587** | 284,133,776 | 255,976,840 |
| **OTHER INCOME (LOSSES)** | | | |
| Interest expense (Notes 18 and 21) | **(5,080,618)** | (6,726,005) | (6,201,084) |
| Foreign exchange gains (losses) – net | **(177,891)** | 175,665 | (93,432) |
| Gain on disposal of property and equipment (Note 9) | **14,459** | 25,785 | 8,409 |
| Loss on write-off of intangible assets (Note 12) | **–** | (12,414,396) | – |
| | **(5,244,050)** | (18,938,951) | (6,286,107) |
| **INCOME BEFORE INCOME TAX** | **759,101,345** | 576,036,890 | 630,397,387 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 19) | | | |
| Current | | | |
| Regular corporate income tax | **135,419,186** | 118,879,946 | 76,115,523 |
| Final income tax | **27,260,767** | 41,690,612 | 96,160,900 |
| Deferred | **14,966,412** | (6,743,185) | (253,812) |
| | **177,646,365** | 153,827,373 | 172,022,611 |
| **NET INCOME** | **₱581,454,980** | ₱422,209,517 | ₱458,374,776 |
| Attributable to: | | | |
| Equity holders of the Parent Company | **₱583,214,719** | ₱424,310,518 | ₱458,776,159 |
| Non-controlling interest (Note 15) | **(1,759,739)** | (2,101,001) | (401,383) |
| | **₱581,454,980** | ₱422,209,517 | ₱458,374,776 |
| **Earnings Per Share** (Note 25) | | | |
| Basic and diluted* | **₱0.12** | ₱0.09 | ₱0.10 |

** Considered the retroactive effect of the ten-for-one stock split approved by the SEC in January 2021*
*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2021** | 2020 | 2019 |
| **NET INCOME** | **₱581,454,980** | ₱422,209,517 | ₱458,374,776 |
| **OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX** | | | |
| *Item that will not be reclassified to consolidated statements of income:* | | | |
| Gain (loss) on remeasurement of retirement obligation - net of tax (Note 18) | **(12,276,715)** | 3,856,459 | (16,430,269) |
| *Item that may be reclassified subsequently to consolidated statements of income:* | | | |
| Translation adjustments - net of tax | **10,359,926** | (10,175,974) | (7,364,731) |
| | **(1,916,789)** | (6,319,515) | (23,795,000) |
| **TOTAL COMPREHENSIVE INCOME** | **₱579,538,191** | ₱415,890,002 | ₱434,579,776 |
| Attributable to: | | | |
| Equity holders of the Parent Company | **₱581,297,930** | ₱417,991,003 | ₱434,981,159 |
| Non-controlling interest | **(1,759,739)** | (2,101,001) | (401,383) |
| | **₱579,538,191** | ₱415,890,002 | ₱434,579,776 |

*See accompanying Notes to Consolidated Financial Statements.*

# COL FINANCIAL GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019

| | Equity Attributable to the Equity Holders of the Parent Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Retained Earnings | | | | |
| | Capital Stock (Note 15) | Capital In Excess of Par Value | Accumulated Translation Adjustment | Loss on Remeasurement of Retirement Obligation (Note 18) | Appropriated (Note 15) | Unappropriated | Total | Non-controlling Interest (Note 15) | Total Equity |
| **Balances at January 1, 2021** | **₱476,000,000** | **₱53,219,024** | **₱4,340,450** | **(₱28,380,396)** | **₱380,579,722** | **₱922,983,187** | **₱1,808,741,987** | **₱19,997,616** | **₱1,828,739,603** |
| Total comprehensive income (loss) | – | – | **10,359,926** | **(12,276,715)** | – | **583,214,719** | **581,297,930** | **(1,759,739)** | **579,538,191** |
| Appropriation of retained earnings (Note 15) | – | – | – | – | **44,220,346** | **(44,220,346)** | – | – | – |
| Declaration of cash dividend (Note 15) | – | – | – | – | – | **(309,400,000)** | **(309,400,000)** | – | **(309,400,000)** |
| **Balances at December 31, 2021** | **₱476,000,000** | **₱53,219,024** | **₱14,700,376** | **(₱40,657,111)** | **₱424,800,068** | **₱1,152,577,560** | **₱2,080,639,917** | **₱18,237,877** | **₱2,098,877,794** |
| 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) | – | – | (10,175,974) | 3,856,459 | – | 424,310,518 | 417,991,003 | (2,101,001) | 415,890,002 |
| Appropriation of retained earnings (Note 15) | – | – | – | – | 48,072,591 | (48,072,591) | – | – | – |
| Declaration of cash dividend (Note 15) | – | – | – | – | – | (333,200,000) | (333,200,000) | – | (333,200,000) |
| Balances at December 31, 2020 | ₱476,000,000 | ₱53,219,024 | ₱4,340,450 | (₱28,380,396) | ₱380,579,722 | ₱922,983,187 | ₱1,808,741,987 | ₱19,997,616 | ₱1,828,739,603 |
| 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 |
| Non-controlling interest of newly acquired subsidiaries | – | – | – | – | – | – | – | 22,500,000 | 22,500,000 |
| Total comprehensive income (loss) | – | – | (7,364,731) | (16,430,269) | – | 458,776,159 | 434,981,159 | (401,383) | 434,579,776 |
| Appropriation of retained earnings (Note 15) | – | – | – | – | 56,003,356 | (56,003,356) | – | – | – |
| Declaration of cash dividend (Note 15) | – | – | – | – | – | (404,600,000) | (404,600,000) | – | (404,600,000) |
| Balances at December 31, 2019 | ₱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 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2021** | 2020 | 2019 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱759,101,345** | ₱576,036,890 | ₱630,397,387 |
| Adjustments for: | | | |
| Interest income (Notes 4, 5, 6, 7, 8, 16, and 20) | **(182,061,977)** | (246,449,713) | (527,716,977) |
| Depreciation and amortization (Notes 9, 10, 11 and 21) | **61,021,380** | 64,197,418 | 58,815,128 |
| Amortization of investment securities at amortized cost | **6,113,471** | – | – |
| Interest expense (Notes 18 and 21) | **5,080,618** | 6,726,005 | 6,201,084 |
| Other income from rent concessions (Note 21) | **(57,570)** | (565,113) | – |
| Loss on lease modification (Note 21) | **49,638** | – | – |
| Dividend income (Notes 6 and 16) | **(38,952)** | (38,044) | (30,721) |
| Gain on disposal of property and equipment (Note 9) | **(14,459)** | (25,785) | (8,409) |
| Loss on write-off of intangible assets (Note 12) | **–** | 12,414,396 | – |
| Operating income before working capital changes | **649,193,494** | 412,296,054 | 167,657,492 |
| Decrease (increase) in: | | | |
| Cash in a segregated account | **57,773,481** | 4,432,654 | (3,890,989) |
| Financial assets at fair value through profit or loss | **(118,362,094)** | (31,521,000) | (778,166) |
| Trade receivables | **191,971,879** | (288,419,825) | (68,416,845) |
| Other receivables | **37,453,315** | 29,700,293 | (8,360,464) |
| Prepayments | **(1,788,832)** | (979,452) | 1,059,017 |
| Other assets | **(12,200,682)** | (9,967,981) | (1,217,611) |
| Increase (decrease) in: | | | |
| Trade payables | **(917,534,390)** | 3,322,461,372 | (1,064,624,734) |
| Retirement obligation | **9,771,904** | (10,812,087) | 5,696,718 |
| Other current liabilities | **(57,227,086)** | 118,159,848 | (21,718,584) |
| Net cash generated from (used in) operations | **(160,949,011)** | 3,545,349,876 | (994,594,166) |
| Income taxes paid | **(183,513,363)** | (111,934,452) | (184,433,602) |
| Interest received | **112,412,968** | 216,817,241 | 541,244,758 |
| Dividends received | **38,952** | 38,044 | 30,721 |
| Net cash provided by (used in) operating activities | **(232,010,454)** | 3,650,270,709 | (637,752,289) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to investment securities at amortized cost | **(34,965,183,973)** | (10,517,919,164) | – |
| Proceeds from maturity of investment securities at amortized cost | **31,547,823,633** | 4,265,000,000 | – |
| Decrease in short-term time deposits | **200,000,000** | 200,000,000 | 426,000,000 |
| Acquisitions of property and equipment (Notes 9) | **(5,046,488)** | (14,059,301) | (44,582,863) |
| Acquisitions of software and licenses (Note 11) | **(537,147)** | (291,114) | (5,562,094) |
| Proceeds from disposal of property and equipment (Note 9) | **87,329** | 49,614 | 8,482 |
| Net cash used in investing activities | **(3,222,856,646)** | (6,067,219,965) | 375,863,525 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends declared and paid (Note 15) | **(309,400,000)** | (333,200,000) | (404,600,000) |
| Payment of principal portion of lease liabilities (Note 21) | **(26,843,394)** | (26,752,450) | (27,562,609) |
| Proceeds from issuance of shares to the non-controlling interest | **–** | – | 22,500,000 |
| Net cash used in financing activities | **(336,243,394)** | (359,952,450) | (409,662,609) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(3,791,110,494)** | (2,776,901,706) | (671,551,373) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **5,449,130,303** | 8,226,032,009 | 8,897,583,382 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 4) | **₱1,658,019,809** | ₱5,449,130,303 | ₱8,226,032,009 |

*See accompanying 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, Tektite Towers, Exchange Road, Ortigas Center, Pasig City, Philippines.

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

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

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

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

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

In 2019, the Parent Company has set up its own asset management firm to diversify its portfolio as a one-stop shop online platform for capital market products. The Parent Company has 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. As of March 16, 2022, these unitized funds are not yet operating.

The accompanying consolidated financial statements of the Group as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 were authorized for issue in accordance with a resolution by the BOD on March 16, 2022.

## 2. Basis of Preparation, Basis of Consolidation and Summary of Significant Accounting Policies

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 December 31, 2021, after eliminating significant intercompany balances and transactions. The following are the wholly and majority-owned foreign and domestic subsidiaries of COL Financial:

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

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

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

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

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

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

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

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

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

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

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

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

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Group adopted the amendment beginning April 1, 2021.

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

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Group adopted the amendments beginning January 1, 2021.

Standards and Interpretations Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial. statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2022*

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

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

*Deferred effectivity*

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

Summary of Significant Accounting Policies

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

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

Current versus Non-current Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as non-current.

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

All other liabilities are classified as non-current.

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

Cash and Cash Equivalents and Time Deposits
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.

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 and securities gain (loss) - net' in the consolidated statement of income. The expected credit losses (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit losses' in the consolidated statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the consolidated statement of income as 'Dividends' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gains or losses previously recognized in the consolidated statement of comprehensive income is reclassified to 'Retained earnings' 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 December 31, 2021 and 2020.

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

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income. Gains and losses are recognized in 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. Refer to the accounting policy for ‘Financial assets’ and ‘Financial liabilities’ for recognition and measurement. The related security valuation shows all positions as of clearance date.

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

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

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

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

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

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

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

The Group calculates ECL either on an individual or a collective basis. The Group performs collective impairment by grouping exposures into smaller homogeneous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculation provisions based on the ECL models.

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group uses a provision matrix that estimates provision rates per days past due bucket based on SEC requirements, which considers the collateral securities with market value adjusted by certain factor, as required in the Group's risk-based capital calculation and incorporates forward-looking information. A broad range of forward-looking factors are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and Philippine Stock Exchange Composite Index (PSEi) statistical indicators.

For cash and cash equivalents, cash in a segregated account and short-term time deposits, 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. Investment securities at amortized cost are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on an agreed settlement date, or request for moratorium.

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

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

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

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

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

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

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

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

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

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

The Group 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.

<u>Investment Property</u>
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.

<u>Intangibles</u>
*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 dividends are recognized as a liability and a deduction from equity when approved by the Parent Company’s BOD while stock dividends are recognized as a deduction from retained earnings when approved by the Parent Company’s BOD and stockholders. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

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

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

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

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

Revenue Recognition

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

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

*Commissions*

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

*Trail fees*

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

*Revenues outside the scope of PFRS 15*

*Interest*

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

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

*Trading gains (losses) - net*

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

Unrealized trading gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealized gains and losses for financial instruments which were realized in the reporting period. Realized gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the first-in, first-out (FIFO) method. They represent the difference between an instrument's initial carrying amount and disposal amount.

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

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

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

Retirement Costs
*Defined benefit plan*
The Parent Company has a noncontributory defined benefit retirement plan.

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

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

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

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

<u>Earnings per Share (EPS)</u>
Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

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

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

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

Taxes

*Current income tax*

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

*Deferred income tax*

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

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

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

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

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

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

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

Contingencies

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

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

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

## 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.

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments
*Offsetting of financial assets and liabilities*
The Group considers its compliance with the offsetting criteria as a significant judgment in presenting financial assets and liabilities in its statement of financial condition. In making such assessment, the Group determines at each financial asset and liability the existence of an enforceable legal right to offset and if there is an intention to settle on a net basis and to realize the assets and settle the liabilities simultaneously.

Estimates and Assumptions
*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 December 31, 2021 and 2020, the carrying values of intangibles are disclosed in Note 11.

*Estimating recoverability of deferred income tax assets*
The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In the case of the Parent Company, management has to assess annually, for income tax purposes, the method of deduction that it should use in order to determine the impact of the temporary differences and the applicable effective tax rate. As of December 31, 2021, the Company expected that it will be applying the Optional standard deduction in determining its taxable income in the next few years, which resulted in derecognition of certain deferred tax assets previously recognized. The Group and the Parent Company also considered the impact of the COVID-19 pandemic on future taxable income and on the recognition of deferred tax assets. The deferred income tax assets as at December 31, 2021 and 2020 are disclosed in Note 19.

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

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

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

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

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

*Cash and Cash Equivalents*

This account consists of:

| | **2021** | 2020 |
|---|---|---|
| Cash on hand and in banks | **₱1,058,019,809** | ₱1,490,850,873 |
| Short-term cash investments | **600,000,000** | 3,958,279,430 |
| | **₱1,658,019,809** | ₱5,449,130,303 |

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group's immediate cash requirements, and earn interest ranging from 0.12% to 0.75% per annum in 2021, from 0.50% to

4.00% per annum in 2020 and from 2.44% to 6.90% per annum in 2019. The Parent Company has United States dollar (US$)-denominated cash in banks amounting to US$2,073 and US$4,917 as at December 31, 2021 and 2020, respectively, while COLHK has US$-denominated cash in banks amounting to US$83,840 and US$214,631 as at December 31, 2021 and 2020, respectively.

In compliance with Securities Regulation Code (SRC) Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve accounts for its customers amounting to ₱10,056,125,322 and ₱10,740,745,524 as at December 31, 2021 and 2020, respectively. The special reserve accounts consist of cash in banks and short-term cash investments which are recorded as 'Cash and cash equivalents,' and short-term government debt securities recorded as 'Investment securities at amortized cost' (Note 8). The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at December 31, 2021 and 2020, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

*Short-term time deposits*
This account pertains to the Parent Company's time deposits in a local bank placed in 2016 with interest rate of 4.00% per annum and matured on June 24, 2021. Proceeds from the maturity of outstanding short-term time deposits amounted to ₱200,000,000 in 2021.

Interest income of the Group from cash and cash equivalents, cash in segregated account and time deposits amounted to ₱20,007,552, ₱176,203,750 and ₱472,314,661 in 2021, 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' (Notes 4 and 16).

## 6. Financial Assets at FVTPL

This account consists of:

| | **2021** | 2020 |
|---|---:|---:|
| Government debt securities | **₱79,278,380** | ₱– |
| Corporate debt securities | **70,281,844** | 29,950,710 |
| Equity securities | **3,791,601** | 5,035,163 |
| Mutual funds | **534,598** | 538,456 |
| | **₱153,886,423** | ₱35,524,329 |

The peso-denominated government debt securities pertain to investments in Treasury bills which bear nominal annual interest rates ranging from 1.33% to 1.69% per annum in 2021. Interest income earned from these investments amounted to ₱1,245,529 in 2021 (Note 16).

The Group also invested in peso-denominated corporate bonds which bear nominal interest rates ranging from 2.84% to 4.63% per annum in 2021 and 2020. Interest income earned from the investments amounted to ₱924,718 and ₱108,879 in 2021 and 2020, respectively (Note 16).

The dividend income included under 'Other revenues' received from investments in shares of stocks of companies listed in the PSE amounted to ₱38,952, ₱38,044 and ₱30,721 in 2021, 2020 and 2019, respectively (Note 16).

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

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Trading gains (losses) from sale | **₱51,581,004** | (₱263,849) | ₱846,711 |
| Unrealized trading gains (losses) | **734,415** | (299,180) | (805,210) |
| | **₱52,315,419** | (₱563,029) | ₱41,501 |

## 7. Trade Receivables and Other Receivables

**Trade Receivables**

This account consists of:

| | **2021** | 2020 |
|---|---|---|
| Customers (Note 20) | **₱860,712,635** | ₱772,054,897 |
| Clearing house | **84,593,705** | 314,422,659 |
| Other brokers | **13,712,755** | 45,006,711 |
| Trail fee receivables | **1,998,373** | 1,842,803 |
| | **961,017,468** | 1,133,327,070 |
| Less allowance for credit losses on trade receivables from customers | **2,197,613** | 3,397,455 |
| | **₱958,819,855** | ₱1,129,929,615 |

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

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Money Balance** | **Security Valuation-Long** | Money Balance | Security Valuation-Long |
| Fully secured accounts: | | | | |
| More than 250% | **₱496,639,511** | **₱5,751,191,917** | ₱473,811,876 | ₱5,269,246,814 |
| Between 200% and 250% | **188,685,228** | **416,079,630** | 220,019,722 | 510,953,734 |
| Between 150% and 200% | **90,528,703** | **171,969,413** | 12,359,086 | 23,559,378 |
| Between 100% to 150% | **4,552,621** | **4,624,200** | 14,938,342 | 17,280,000 |
| Less than 100% | **80,298,021** | **78,120,455** | 50,925,765 | 50,334,484 |
| Unsecured accounts (Note 20) | **8,551** | **–** | 106 | – |
| | **860,712,635** | **₱6,421,985,615** | 772,054,897 | ₱5,871,374,410 |
| Less allowance for credit losses on trade receivables from customers | **2,197,613** | | 3,397,455 | |
| | **₱858,515,022** | | ₱768,657,442 | |

As at December 31, 2021 and 2020, the Parent Company offered a credit line facility amounting to ₱5,507,975,950 and ₱5,361,091,950, respectively, to its customers who qualified for margin account.

Interest income from customers amounted to ₱57,339,924, ₱39,892,680 and ₱48,118,796 in 2021, 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 December 31, 2021 and 2020, ₱780,406,063 and ₱721,129,026, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at December 31, 2021 and 2020, were fully collected in January 2022 and 2021, respectively. These are noninterest-bearing and are collected on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

Receivables from other 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.

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

**Other Receivables**
This account consists of:

| | **2021** | 2020 |
|---|---|---|
| Accrued interest on investments | **₱52,627,212** | ₱10,238,969 |
| Mutual fund redemption proceeds (Note 14) | **7,569,162** | 17,484,152 |
| Employee salary loan and advances (Note 20) | **1,434,665** | 1,011,936 |
| Others | **8,593,133** | 9,293,420 |
| | **₱70,224,172** | ₱38,028,477 |

**Allowance for Credit Losses**
Movements in the allowance for credit losses follow:

| | **2021** | 2020 |
|---|---|---|
| Balances at beginning of year | **₱3,397,455** | ₱2,092,947 |
| Provision for (recovery from) credit losses | **(1,199,842)** | 1,304,508 |
| Balances at end of year | **₱2,197,613** | ₱3,397,455 |

8. **Investment Securities at Amortized Cost**

This account consists of:

| | **2021** | 2020 |
|---|---|---|
| Current: | | |
| Government debt securities | **₱9,274,253,871** | ₱6,163,007,003 |
| Corporate debt securities | **100,000,000** | – |
| | **9,374,253,871** | 6,163,007,003 |
| Non-current: | | |
| Government debt securities | **500,200,000** | 200,200,000 |
| Corporate debt securities | – | 100,000,000 |
| | **500,200,000** | 300,200,000 |
| | **₱9,874,453,871** | ₱6,463,207,003 |

The peso-denominated government debt securities bear a nominal interest rate of 0.80% to 6.38% per annum in 2021 and 1.01% to 4.38% per annum in 2020, with an EIR of 0.70% to 4.38% in 2021 and 0.53% to 4.38% in 2020. The peso-denominated investment in corporate debt securities bear a nominal interest rate of 4.41% per annum in 2021 and 2020.

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

The outstanding investments in short-term government debt securities amounting to ₱8.71 billion and ₱5.69 billion as at December 31, 2021 and December 31, 2020, respectively, are included in the Parent Company's special reserve accounts in compliance with SRC Rule 49.2 (Note 4).

Interest income earned from these investments amounted to ₱102,543,447, ₱30,244,404 and ₱7,283,520 in 2021, 2020 and 2019, respectively (Note 16).

## 9. Property and Equipment

The composition of and movements in this account follow:

| | 2021 | | | | |
|---|---|---|---|---|---|
| | **Online Trading Equipment and Facilities** | **Furniture, Fixtures and Equipment** | **Leasehold Improvements** | **Right-of-use Assets – Office Premises** | **Total** |
| **Cost** | | | | | |
| At beginning of year | **₱174,398,682** | **₱38,067,227** | **₱70,535,398** | **₱72,449,270** | **₱355,450,577** |
| Additions | **4,900,793** | **145,695** | **–** | **17,679,420** | **22,725,908** |
| Disposals | **–** | **(172,931)** | **(158,898)** | **(12,699,229)** | **(13,031,058)** |
| Lease modifications | **–** | **–** | **–** | **(276,482)** | **(276,482)** |
| Translation adjustments | **377,344** | **201,161** | **45,313** | **304,615** | **928,433** |
| At end of year | **179,676,819** | **38,241,152** | **70,421,813** | **77,457,594** | **365,797,378** |
| **Accumulated depreciation and amortization** | | | | | |
| At beginning of year | **138,606,765** | **28,877,127** | **42,605,524** | **30,552,941** | **240,642,357** |
| Depreciation and amortization (Note 21) | **19,957,827** | **3,085,868** | **8,409,905** | **24,724,300** | **56,177,900** |
| Disposals | | **(139,786)** | **(119,173)** | **(12,699,229)** | **(12,958,188)** |
| Translation adjustments | **377,344** | **160,884** | **45,313** | **294,606** | **878,147** |
| At end of year | **158,941,936** | **31,984,093** | **50,941,569** | **42,872,618** | **284,740,216** |
| **Net book value** | **₱20,734,883** | **₱6,257,059** | **₱19,480,244** | **₱34,584,976** | **₱81,057,162** |

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

As of December 31, 2021 and 2020, the cost of the Group’s fully depreciated property and equipment still in use amounted to ₱168,239,961 and ₱128,451,770, respectively. Disposal of property and equipment resulted in gains amounting ₱14,459, ₱25,785 and ₱8,409 in 2021, 2020 and 2019.

The depreciation and amortization were distributed as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Cost of services | **₱207,753** | ₱155,548 | ₱134,902 |
| Operating expenses | **55,970,147** | 58,918,847 | 54,364,914 |
| | **₱56,177,900** | ₱59,074,395 | ₱54,499,816 |

## 10. Investment Property

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

| | **2021** | 2020 |
|---|---|---|
| **Cost** | | |
| At beginning and end of year | **₱17,509,736** | ₱17,509,736 |
| **Accumulated depreciation** | | |
| At beginning of year | **2,626,461** | 1,750,974 |
| Depreciation | **875,487** | 875,487 |
| At end of year | **3,501,948** | 2,626,461 |
| **Net book value** | **₱14,007,788** | ₱14,883,275 |

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

The depreciation of investment property recorded in 'Depreciation and amortization' in the consolidated statements of income amounted to ₱875,487 in 2021, 2020 and 2019.

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

## 11. Intangibles

Stock Exchange Trading Rights
*Philippine Operations*
As at December 31, 2021 and 2020, the fair value less costs to sell of the exchange trading right amounted to ₱8,500,000, representing the transacted price of the exchange trading right of the most recent sale approved by the PSE on September 22, 2021. At as December 31, 2021 and 2020, the carrying value of the exchange trading right amounted to ₱5,000,000.

*Hong Kong Operations*
COLHK's exchange trading right is carried at its cost net of accumulated impairment losses. The carrying value of the exchange trading right is reviewed annually to ensure that this does not exceed the recoverable amount, whether or not an indicator of impairment is present. The stock exchange trading right is a non-transferable right with an indefinite useful life. It is closely associated with COLHK's business activities to have a right to trade the shares in the Hong Kong Stock Exchange (HKEX) in its continuing operation.

The Group has fully impaired the exchange trading right of COLHK amounting to HK$2,860,000 is in 2017.

Software Costs and Licenses

Movements in the software costs and licenses account follow:

| | 2021 | 2020 |
|---|---|---|
| **Cost** | | |
| At beginning of year | **₱48,533,226** | ₱48,242,112 |
| Additions | **537,147** | 291,114 |
| At end of year | **49,070,373** | 48,533,226 |
| **Accumulated amortization** | | |
| At beginning of year | **37,966,935** | 33,719,399 |
| Amortization | **3,967,993** | 4,247,536 |
| At end of year | **41,934,928** | 37,966,935 |
| **Net book value** | **₱7,135,445** | ₱10,566,291 |

The amortization of software costs and licenses recorded in 'Depreciation and amortization' in the consolidated statements of income amounted to ₱3,967,993, ₱4,247,536, and ₱3,439,825 in 2021, 2020, and 2019, respectively.

As of December 31, 2021 and 2020, the costs of the Group's fully amortized software still in use amounted to ₱25,719,905 and ₱22,119,652, respectively.

## 12. **Other Assets**

Other Current Assets

This account pertains to input VAT of the subsidiaries amounting to ₱484,349 and ₱309,925 as at December 31, 2021 and 2020, respectively.

Other Noncurrent Assets

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Deposit and refundable contributions to CTGF | **₱50,503,250** | ₱45,016,723 |
| Intangible assets under development | **7,849,571** | 6,533,571 |
| Refundable deposits: | | |
| Rental and utility deposits | **7,219,910** | 7,624,383 |
| Other refundable deposits | **4,015,220** | 3,548,386 |
| | **69,587,951** | 62,723,063 |
| Deferred input VAT | **4,433,032** | 6,319,963 |
| | **₱74,020,983** | ₱69,043,026 |

*Deposit and refundable contributions to CTGF*

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

The Parent Company recognized such contributions to the CTGF as noncurrent asset on the basis that the BOD of SCCP approved on August 1, 2007 the amendment to the SCCP 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 December 31, 2021 and 2020 as 'Other noncurrent assets' amounting to ₱50,503,250 and ₱45,016,723, respectively.

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

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

## 13. **Trade Payables**

This account consists of:

| | **2021** | 2020 |
|---|---|---|
| Customers (Note 20) | **₱10,556,530,999** | ₱11,464,048,995 |
| Clearing house | **33,651,717** | 36,839,509 |
| | **₱10,590,182,716** | ₱11,500,888,504 |

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

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Money Balance** | **Security Valuation-Long** | Money Balance | Security Valuation-Long |
| Payable to customers: | | | | |
| With money balances | **₱10,556,530,999** | **₱94,317,687,662** | ₱11,464,048,995 | ₱89,808,255,070 |
| No money balances | **–** | **2,443,357,781** | – | 1,384,135,730 |
| | **₱10,556,530,999** | **₱96,761,045,443** | ₱11,464,048,995 | ₱91,192,390,800 |

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

Payable to customers with money balances amounting to ₱75,443,933 and ₱133,584,796 as at December 31, 2021 and 2020, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of conduct of regulated activities. These balances are payable on demand.

Trade payables to clearing house as at December 31, 2021 and 2020 were subsequently paid in January 2022 and 2021, respectively. These are noninterest-bearing and are settled on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

## 14. **Other Current Liabilities**

This account consists of:

| | **2021** | 2020 |
|---|---|---|
| Accrued expenses | **₱41,806,292** | ₱36,695,381 |
| Due to BIR | **38,921,158** | 62,396,446 |
| Accrued management bonus | **32,779,925** | 23,971,842 |
| Unposted customers' deposits | **9,671,703** | 43,429,288 |
| Mutual fund redemption proceeds (Note 7) | **7,699,370** | 17,994,037 |
| Trading fees | **2,879,601** | 7,125,700 |
| Others | **12,022,657** | 10,611,170 |
| | **₱145,780,706** | ₱202,223,864 |

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

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

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

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

'Others' consist mostly of withdrawal proceeds in the form of check, issued and released to the customers of the Parent Company which are outstanding beyond six (6) months.

15. **Equity**

Capital Stock
The details and movements of the Parent Company's capital stock (number and amounts of shares in thousands) follow:

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

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

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2021 and 2020 there were 34 holders of the listed shares of the Parent Company, with its share price closing at ₱4.15 and ₱3.00* per share, respectively.

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

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

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

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

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

In 2021 and 2020, the BOD approved the appropriation of retained earnings amounting to ₱44.22 million and ₱48.07 million, respectively, in compliance with such requirement.

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

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

On March 29, 2019, the BOD declared a regular and a special dividend amounting to ₱0.210 per share held or ₱99,960,000 (476,000,000 shares multiplied by ₱0.210 cash dividend per share) and ₱0.640 per share held or ₱304,640,000 (476,000,000 shares multiplied by ₱0.640 cash dividend per share), respectively, to stockholders as of record date of April 16, 2019. These dividends were paid on May 3, 2019.

As of December 31, 2021 and 2020, the consolidated retained earnings includes the retained earnings of COLHK amounting to ₱110,445,875 and ₱133,047,343, respectively, which are not available for dividend declaration until such amounts are declared to the Parent Company (see Note 19) .

Non-Controlling Interest

The Parent Company formed CIMI in 2019 and as of December 31, 2021 and 2020, 30.00% of its equity interest is being 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 statements of financial position as of December 31, 2021 and 2020*

| | **2021** | 2020 |
|---|---|---|
| Cash and cash equivalents (current) | **₱1,380,082** | ₱53,995,047 |
| Financial assets at FVTPL | **56,661,998** | 9,983,570 |
| Other receivables (current) | **205,570** | 40,380 |
| Other assets (current) | **546,812** | 304,408 |
| Property and equipment (non-current) | **3,103,039** | 4,491,506 |
| Other assets (non-current) | **53,133** | 86,860 |
| Accrued expenses (current) | **(92,674)** | (439,894) |
| Other liabilities (current) | **(89,601)** | (173,463) |
| Lease liability (current) | **(722,687)** | (654,256) |
| Lease liability (non-current) | **(252,750)** | (975,437) |
| Total equity | **₱60,792,922** | ₱66,658,721 |
| Attributable to: | | |
| Equity holders of the Parent Company | **₱42,555,045** | ₱46,661,105 |
| Non-controlling interest | **18,237,877** | 19,997,616 |

*Summarized statements of income for the years ended December 31, 2021, 2020 and 2019*

| | **2021** | 2020 | 2019* |
|---|---|---|---|
| Interest income | **₱883,523** | ₱1,275,121 | ₱884,156 |
| Trading gains (losses) - net | **252,877** | (16,430) | – |
| Operating expenses | **(6,815,646)** | (8,037,188) | (2,045,268) |
| Loss before income tax | **(5,679,246)** | (6,778,497) | (1,161,112) |
| Provision for income tax | **186,554** | 224,839 | 176,831 |
| Net loss | **(₱5,865,800)** | (₱7,003,336) | (₱1,337,943) |

(Forward)

| | 2021 | 2020 | 2019* |
|---|---|---|---|
| Attributable to: | | | |
| Equity holders of the Parent Company | **(₱4,106,061)** | (₱4,902,335) | (₱936,560) |
| Non-controlling interest | **(1,759,739)** | (2,101,001) | (401,383) |

*Summarized cash flow information for the years ended December 31, 2021, 2020 and 2019*

| | 2021 | 2020 | 2019* |
|---|---|---|---|
| Operating activities | **(₱51,750,323)** | (₱15,852,377) | (₱666,976) |
| Investing activities | **(146,915)** | – | (4,094,212) |
| Financing activities | **(717,727)** | (391,388) | 75,000,000 |
| Net increase (decrease) in cash and cash equivalents | **(₱52,614,965)** | (₱16,243,765) | ₱70,238,812 |

**CMI was incorporated on September 6, 2019*

16. **Revenues**

Breakdown of the Group's revenues are as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Revenue from contracts with customers | | | |
| Commissions | **₱1,013,013,332** | ₱793,886,384 | ₱539,049,838 |
| Trail fees | **21,484,857** | 17,255,849 | 17,365,097 |
| Others | **53,797,890** | 28,709,592 | 19,262,541 |
| | **1,088,296,079** | 839,851,825 | 575,677,476 |
| Other revenues (losses) | | | |
| Interest income | **182,061,977** | 246,449,713 | 527,716,977 |
| Trading gains (losses) - net | **52,315,419** | (563,029) | 41,501 |
| Others | **96,522** | 603,157 | 30,721 |
| | **234,473,918** | 246,489,841 | 527,789,199 |
| | **₱1,322,769,997** | ₱1,086,341,666 | ₱1,103,466,675 |

'Others' presented in the consolidated statements of income consists of:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Other income from customers | **₱52,413,284** | ₱26,245,345 | ₱17,531,742 |
| Income from rent concessions | **57,570** | 565,113 | – |
| Dividend income | **38,952** | 38,044 | 30,721 |
| Miscellaneous | **1,384,606** | 2,464,247 | 1,730,799 |
| | **₱53,894,412** | ₱29,312,749 | ₱19,293,262 |

Other income from customers pertains to the regular transaction fees that are normally charged to customers upon execution and completion of trade orders. Since the Parent Company is primarily responsible to its counterparties for the settlement of trading fees charged to its customers, it has concluded that it is acting as a principal and is, therefore, required to book the fees collected from its customers as revenue under "Others" and to treat the subsequent remittance as expense recognized as part of "Stock exchange dues".

Stock exchange dues and fees consists of:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Stock trading costs charged to customers | **₱52,413,284** | ₱26,245,345 | ₱17,531,742 |
| Membership fees and dues | **23,569,157** | 17,764,824 | 11,910,252 |
| Dealer trades and other transaction costs | **158,890** | 7,168,824 | 1,887,906 |
| Miscellaneous | **864,925** | 838,419 | 973,757 |
| | **₱77,006,256** | ₱52,017,412 | ₱32,303,657 |

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

| | **2021** | | | |
|---|---|---|---|---|
| | **Commissions** | **Trail fees** | **Other income** | **Total** |
| Primary geographical markets | | | | |
| Philippines | **₱1,007,379,492** | **₱21,484,857** | **₱ 53,105,721** | **₱1,081,970,070** |
| Hong Kong | **5,633,840** | **–** | **692,169** | **6,326,009** |
| | **₱1,013,013,332** | **₱21,484,857** | **₱53,797,890** | **₱1,088,296,079** |

| | 2020 | | | |
|---|---|---|---|---|
| | Commissions | Trail fees | Other income | Total |
| Primary geographical markets | | | | |
| Philippines | ₱781,817,457 | ₱17,255,849 | ₱26,916,918 | ₱825,990,224 |
| Hong Kong | 12,068,927 | – | 1,792,674 | 13,861,601 |
| | ₱793,886,384 | ₱17,255,849 | ₱28,709,592 | ₱839,851,825 |

| | 2019 | | | |
|---|---|---|---|---|
| | Commissions | Trail fees | Other income | Total |
| Primary geographical markets | | | | |
| Philippines | ₱529,163,152 | ₱17,365,097 | ₱18,314,624 | ₱564,842,873 |
| Hong Kong | 9,886,686 | – | 947,917 | 10,834,603 |
| | ₱539,049,838 | ₱17,365,097 | ₱19,262,541 | ₱575,677,476 |

Interest income earned consists of income from:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Debt securities (Note 8) | **₱102,543,447** | ₱30,244,404 | ₱7,283,520 |
| Customers (Note 7) | **57,339,924** | 39,892,680 | 48,118,796 |
| Banks (Notes 4 and 5) | **20,007,552** | 176,203,750 | 472,314,661 |
| Financial assets at FVTPL (Note 6) | **2,170,247** | 108,879 | – |
| Others | **807** | – | – |
| | **₱182,061,977** | ₱246,449,713 | ₱527,716,977 |

## 17. **Personnel Costs**

This account consists of:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Salaries and wages | **₱144,833,804** | ₱142,828,370 | ₱134,280,836 |
| Management bonus | **57,774,403** | 32,987,417 | 16,889,521 |
| Retirement costs (Note 18) | **9,771,904** | 8,343,149 | 5,696,718 |
| Other benefits (Note 18) | **18,734,514** | 17,682,743 | 15,695,331 |
| | **₱231,114,625** | ₱201,841,679 | ₱172,562,406 |

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

The above accounts were distributed as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Cost of services | **₱70,900,503** | ₱81,116,939 | ₱93,662,645 |
| Operating expenses | **160,214,122** | 120,724,740 | 78,899,761 |
| | **₱231,114,625** | ₱201,841,679 | ₱172,562,406 |

## 18. **Employee Benefits**

Retirement Benefits

The Parent Company has a funded, non-contributory 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 employees. The defined benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement for the years ended December 31, 2021, 2020 and 2019. The Parent Company's retirement fund is being held in trust by a trustee bank.

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.

The following tables summarize the components of the Parent Company's net retirement costs recognized in the consolidated statements of income and the amounts recognized in the consolidated statements of financial position:

Retirement costs consist of:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Current service cost (Note 17) | **₱9,771,904** | ₱8,343,149 | ₱5,696,718 |
| Net interest expense | **2,763,007** | 3,621,811 | 3,263,837 |
| | **₱12,534,911** | ₱11,964,960 | ₱8,960,555 |

Current service cost is shown under 'Personnel costs' in operating expenses while net interest expense is shown under 'Interest expense' in the consolidated statements of income.

Movements in the retirement obligation recognized in the consolidated statements of financial position follow:

| | **2021** | 2020 |
|---|---|---|
| Retirement obligation at beginning of year | **₱69,075,170** | ₱68,336,052 |
| Retirement costs | **12,534,911** | 11,964,960 |
| Net actuarial losses | **113,688** | 7,929,394 |
| Contributions | **–** | (19,155,236) |
| Retirement obligation at end of year | **₱81,723,769** | ₱69,075,170 |

Retirement obligation is the net of the present value of defined benefit obligation and fair value of plan assets computed as follows:

| | **2021** | 2020 |
|---|---|---|
| Present value of defined benefit obligation | **₱108,504,173** | ₱99,032,165 |
| Fair value of plan assets | **(26,780,404)** | (29,956,995) |
| | **₱81,723,769** | ₱69,075,170 |

Changes in the present value of defined benefit obligation are as follows:

| | **2021** | 2020 |
|---|---|---|
| Opening present value of defined benefit obligation | **₱99,032,165** | ₱78,027,472 |
| Current service cost | **9,771,904** | 8,343,149 |
| Interest cost | **3,961,287** | 4,135,456 |
| Remeasurement losses (gains) on: | | |
| Financial assumptions | **(13,389,291)** | 12,926,890 |
| Experience adjustments | **12,249,991** | (4,400,802) |
| Benefits paid | **(3,121,883)** | – |
| Closing present value of defined benefit obligation | **₱108,504,173** | ₱99,032,165 |

Changes in the fair value of plan assets follow:

| | **2021** | 2020 |
|---|---|---|
| Balances at beginning of year | **₱29,956,995** | ₱9,691,420 |
| Expected interest income | **1,198,280** | 513,645 |
| Contributions | **–** | 19,155,236 |
| Benefits paid | **(3,121,883)** | – |
| Remeasurement gain (loss) on plan assets | **(1,252,988)** | 596,694 |
| Balances at end of year | **₱26,780,404** | ₱29,956,995 |

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

| | **2021** | 2020 |
|---|---|---|
| Fixed income | **99.22%** | 99.76% |
| Cash in bank | **0.64%** | 0.01% |
| Others | **0.18%** | 0.27% |
| | **100.04%** | 100.04% |
| Accrued trust fees payable | **(0.04%)** | (0.04%) |
| | **100.00%** | 100.00% |

The principal assumptions used in determining retirement obligation for the Parent Company's plan are shown below:

| | **2021** | 2020 |
|---|---|---|
| Discount rate | 5.10% | 4.00% |
| Future salary increases | 5.00% | 5.00% |
| Mortality rates | | |
| Male | **0.08%-0.74%** | 0.08%-0.74% |
| Female | **0.07%-0.61%** | 0.07%-0.61% |

The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2021 and 2020 assuming all other assumptions were held constant.

| | Increase (decrease) in significant assumptions | Increase (decrease) in defined benefit obligation | |
|---|---|---|---|
| | | **2021** | 2020 |
| Discount rates | +0.50% | **(₱5,276,002)** | (₱5,328,777) |
| | -0.50% | **5,759,546** | 5,839,102 |
| Future salary increases | +0.50% | **5,394,352** | 5,437,627 |
| | -0.50% | **(4,991,306)** | (5,018,723) |
| Mortality rate | +1 year | **(253,937)** | 291,952 |
| | -1 year | **237,118** | (326,277) |

The Parent Company does not perform any asset-liability matching strategy. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trust bank, in accordance with the requirements of the Bangko Sentral ng Pilipinas. It does not, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan.

The Parent Company assesses the funding requirements of the retirement plan annually. Once it deems that the retirement plan needs additional funds, it engages the services of an actuarial expert to quantify the required amount of funds to be contributed. The Parent Company contributed ₱19,155,236 to the retirement plan in 2020.

The Parent Company is currently assessing the contribution to be made in 2022.

Shown below is the maturity analysis of the undiscounted benefit payments:

| | **2021** | 2020 |
|---|---|---|
| Zero (0) to five (5) years | **₱38,597,894** | ₱34,072,414 |
| Six (6) to ten (10) years | **68,067,722** | 62,121,633 |
| Eleven (11) to fifteen (15) years | **58,171,730** | 48,445,880 |
| Beyond fifteen (15) years | **435,784,152** | 370,138,704 |
| | **₱600,621,498** | ₱514,778,631 |

The weighted average duration of the defined benefit obligation is 14 years in 2021, 2020 and 2019.

COLHK makes monthly contribution to a fund under the mandatory provident fund schemes ordinance enacted by the HK Government. The plan is a defined contribution retirement plan. Under the plan, COLHK should contribute five percent (5%) of the monthly relevant income of all its qualified employees. The contribution recognized as ‘Other benefits’ under ‘Personnel costs’ amounted to ₱311,894, ₱314,861 and ₱325,241 in 2021, 2020 and 2019, respectively.

## 19. Income Taxes

Income taxes include the corporate income tax, as discussed below, and final taxes paid at the rate of 20.00% for interest income on Peso cash deposits and short-term placements and 15.00% for interest income on foreign currency cash deposits and short-term placements. These income taxes, as well as the deferred tax benefits and provisions, are presented as ‘Provision for income tax’ in the consolidated statements of income.

Provision for income tax consists of:

| | **2021** | 2020 |
|---|---|---|
| Current: | | |
| RCIT | **₱135,419,186** | ₱118,879,946 |
| Final | **27,260,767** | 41,690,612 |
| Deferred | **14,966,412** | (6,743,185) |
| | **₱177,646,365** | ₱153,827,373 |

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

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

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

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. The current and deferred taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30.00% RCIT / 2.00% MCIT) for financial reporting purposes. The reduction in current income tax expense in 2020 amounting to ₱9,906,662 is recognized in 2021.

The regulations also provide that the MCIT and net operating loss carryover (NOLCO) may be applied against the Group’s income tax liability and taxable income, respectively, over a three-year period from the year of inception. However, on September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover as One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Group has incurred NOLCO which can be claimed as deduction from the regular taxable income with details as follows:

| Year Incurred | Amount | Used | Balance | Expiry Year |
|---|---|---|---|---|
| 2021 | ₱7,761,742 | ₱– | ₱7,761,742 | 2026 |
| 2020 | 8,235,603 | – | 8,235,603 | 2025 |
| 2019 | 3,612,778 | – | 3,612,778 | 2022 |
| | ₱19,610,123 | ₱– | ₱19,610,123 | |

A reconciliation of provision for income tax computed at the statutory income tax rates to net provision for income tax shown in the consolidated statements of income follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Income tax at statutory income tax rate | **₱189,775,336** | ₱172,811,067 | ₱189,119,216 |
| Additions to (reductions in) income tax resulting from: | | | |
| 40% OSD | **(20,594,270)** | – | 20,398,752 |
| Change in unrecognized DTA | **17,788,805** | (787,990) | 7,490,710 |
| Adjustment on tax expense due to change in enacted rates | **(7,445,377)** | – | – |
| Interest income subjected to final tax | **(4,012,571)** | (20,274,524) | (47,715,484) |
| Effect of lower income tax rate in HK | **1,921,345** | 1,950,174 | 2,760,848 |
| Effect of lower income tax rate for domestic subsidiaries | **234,068** | – | |
| Tax-exempt income | **(24,221)** | (324,408) | (31,431) |
| Non-deductible expense | **3,250** | 453,054 | – |
| Provision for income tax | **₱177,646,365** | ₱153,827,373 | ₱172,022,611 |

In 2021 and 2019, the Parent Company used the optional standard deduction (OSD) method in calculating the allowed deductions for income tax purposes, while in 2020, the Parent Company availed of the itemized deduction method.

Deferred Income Taxes

As of December 31, 2020, the components of net deferred tax assets of the Group follow:

| | |
|---|---|
| **Deferred tax assets:** | |
| Retirement obligation | ₱20,722,551 |
| Unamortized past service cost | 4,683,871 |
| Allowance for credit losses | 1,019,237 |
| Leases under PFRS 16 | 750,949 |
| Unrealized foreign exchange losses | 6,232 |
| | 27,182,840 |
| **Deferred tax liabilities:** | |
| Accumulated translation adjustment | (1,860,193) |
| Unrealized trading gains | (221,926) |
| Others | (110,882) |
| | (2,193,001) |
| | ₱24,989,839 |

Realization of the future tax benefits related to the net deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income, within the carry-over period (see Note 3).

As of December 31, 2021, the Group's deferred income tax liability comprise items from the Parent Company as follows.

| | |
|---|---|
| Accumulated translation adjustment | ₱4,900,125 |
| Unrealized trading gains | 188,280 |
| Others | 96,796 |
| | ₱5,185,201 |

*Unrecognized deferred tax liabilities*
As of December 31, 2021, the Parent Company did not recognize deferred tax liability amounting to ₱16,566,881 for temporary differences related to investment in a foreign subsidiary, as the Parent Company has effective control of the dividend policy upon the subsidiary and is satisfied that it will not be distributed in the foreseeable future. In addition, under the CREATE law, foreign-sourced dividends may be exempt from income tax if the criteria and related reportorial requirements are complied with.

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

| | **2021** | 2020 |
|---|---|---|
| Unused tax losses | **₱255,800,514** | ₱252,000,901 |
| Retirement obligation | **95,263,520** | – |
| NOLCO | **19,610,123** | 11,848,381 |
| Leases under PFRS 16 | **2,395,298** | – |
| Allowance for credit losses | **2,197,613** | – |
| Unrealized trading losses | – | 49,290 |
| | **₱375,267,068** | ₱263,898,572 |

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

## 20. Related Party Disclosures

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

| Category | Commission income | Interest income | Professional fees | Directors' fees | Capital expenditures | Condominium dues | Rental Payments | Other Expenses | Trade receivables | Trade payables |
|---|---|---|---|---|---|---|---|---|---|---|
| **2021** | **₱2,229,811** | **₱1,190,880** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱47,498,133** | **₱2,184,283** |
| 2020 | 1,383,035 | 716,039 | – | – | – | – | – | – | 52,239,716 | 4,055,643 |
| 2019 | 1,423,253 | 265,190 | – | – | – | – | – | – | 36,632,463 | 44,684,302 |
| ***Companies with common officers, directors and stockholders*** | | | | | | | | | | |
| **2021** | **5,642,869** | **2,733,461** | **3,789,633** | **–** | **17,857** | **441,000** | **3,326,400** | **16,714** | **53,711,788** | **–** |
| 2020 | 12,312,773 | 2,638,775 | 3,825,689 | – | 128,272 | 441,000 | 3,200,400 | 78,362 | 34,241,976 | 4,411,721 |
| 2019 | 7,217,069 | 2,606,146 | 4,798,621 | – | 3,951,426 | 441,000 | 3,326,400 | 180,116 | 28,793,203 | 18,637,782 |
| ***Directors*** | | | | | | | | | | |
| **2021** | **1,439,510** | **743,867** | **–** | **1,665,000** | **–** | **–** | **–** | **–** | **19,758,762** | **58,188,126** |
| 2020 | 1,200,084 | 1,202,715 | – | 1,750,000 | – | – | – | – | 9,559,081 | 55,542,824 |
| 2019 | 4,482,932 | 983,272 | – | 1,750,000 | – | – | – | – | 30,631,639 | 65,537,718 |

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 ₱8,551 and ₱106, which were unsecured as of December 31, 2021 and 2020, respectively (Note 7). The trade receivables from related parties are not impaired.

b. As of December 31, 2021 and 2020, the Group also has unsecured noninterest-bearing employee salary loans and advances amounting to ₱1,434,665 and ₱1,011,936 with remaining 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:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Short-term employee benefits | **₱99,889,672** | ₱83,164,049 | ₱70,924,936 |
| Retirement costs (Note 18) | **3,627,431** | 3,463,336 | 2,634,585 |
| Other benefits | **912,859** | – | – |
| | **₱104,429,962** | ₱86,627,385 | ₱73,559,521 |

Short-term employee benefits include management bonus.

Related party transactions are settled in cash.

## 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.

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:

| | 2021 | 2020 |
|---|---|---|
| At beginning of year | **₱44,129,430** | ₱57,222,118 |
| Additions | **17,679,420** | 11,318,653 |
| Accretion of interest | **2,317,611** | 3,104,194 |
| Payments | **(26,843,394)** | (26,752,450) |
| Lease modification | **(226,844)** | – |
| Rent concessions | **(57,570)** | (565,113) |
| Translation adjustment | **76,595** | (197,972) |
| At end of year | **₱37,075,248** | ₱44,129,430 |
| | | |
| Current | **₱17,845,909** | ₱18,737,554 |
| Non-current | **19,229,339** | 25,391,876 |
| | **₱37,075,248** | ₱44,129,430 |

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

| | 2021 | 2020 |
|---|---|---|
| Depreciation expense of right-of-use assets included in property and equipment (Note 9) | **₱24,724,300** | ₱25,634,358 |
| Interest expense on lease liabilities | **2,317,611** | 3,104,194 |
| Other revenue (Note 16) | **(57,570)** | (565,113) |
| Loss on lease modification | **49,638** | – |
| | **₱27,033,979** | ₱28,173,439 |

The Group also has lease contracts on low-value assets. The Group applies the recognition exemption for these leases. Rental costs charged to operations pertaining to leases of low-value assets amounted to ₱360,771, ₱364,679 and ₱207,015 in 2021, 2020 and 2019, respectively.

Shown below is the maturity analysis of the undiscounted lease payments:

| | **2021** | 2020 |
|---|---|---|
| Within one (1) year | **₱19,329,863** | ₱21,177,181 |
| More than 1 years to 2 years | **7,073,667** | 11,041,304 |
| More than 2 years to 3 years | **3,620,985** | 3,504,885 |
| More than 3 years to 4 years | **3,175,200** | 3,175,200 |
| More than 4 years to 5 years | **3,175,200** | 3,175,200 |
| After five (5) years | **6,350,400** | 9,525,600 |
| | **₱42,725,315** | ₱51,599,370 |

## 22. **Capital Management**

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2021, 2020 and 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 ₱2.50 million or 2.50% of aggregate indebtedness, whichever is higher, for broker dealers dealing only in proprietary shares and not holding securities, (b) to allow the SEC to set a different net capital requirement for those authorized to use the Risk-Based Capital Adequacy (RBCA) model, and (c) to require unimpaired paid-up capital of ₱100.00 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; ₱10.00 million plus a surety bond for existing broker dealers not engaged in market making transactions; and ₱2.50 million for broker dealers dealing only fin proprietary shares and not holding securities.

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

The Parent Company being a registered broker dealer in securities is subject to the stringent rules of the SEC and other regulatory agencies with respect to the maintenance of specific levels of RBCA ratios. RBCA is a ratio that compares the broker dealer's total measured risk to its liquid capital. As a rule, the Parent Company must maintain an RBCA ratio of at least one hundred ten percent (110.00%) and a net liquid capital (NLC) of at least ₱5.00 million or five percent (5.00%) of its aggregate indebtedness, whichever is higher. Also, the Aggregated Indebtedness (AI) of every broker dealer 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 dealer and shall notify the PSE and SEC. As at December 31, 2021 and 2020, the Parent Company is compliant with the foregoing requirements.

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

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

| | **2021** | 2020 |
|---|---|---|
| Equity eligible for NLC | **₱2,004,976,723** | ₱1,678,035,456 |
| Less ineligible assets | **584,692,937** | 630,584,805 |
| NLC | **₱1,420,283,786** | ₱1,047,450,651 |
| Position risk | **₱31,390,286** | ₱15,824,582 |
| Operational risk | **205,341,173** | 199,525,324 |
| Large exposure risk | **134,998,846** | 81,763,884 |
| Total Risk Capital Requirement (TRCR) | **₱371,730,305** | ₱297,113,790 |
| AI | **₱10,699,547,503** | ₱11,631,871,470 |
| 5.00% of AI | **₱534,977,375** | ₱581,593,574 |
| Required NLC | **₱534,977,375** | ₱581,593,574 |
| Net Risk-Based Capital Excess | **₱885,306,411** | ₱465,857,077 |
| Ratio of AI to NLC | **753**% | 1,110% |
| RBCA ratio (NLC/TRCR) | **382**% | 353% |

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

1. Ineligible assets
   These pertain to fixed assets and assets which cannot be readily converted into cash.

2. Operational risk requirement
   The amount required to cover a level of operational risk which is the exposure associated with commencing and remaining in business arising separately from exposures covered by other risk requirements.  It is the risk of loss resulting from inadequate or failed internal processes, people and systems which include, among others, risks of fraud, operational or settlement failure and shortage of liquid resources, or from external events.

3. Position risk requirement
   The amount necessary to accommodate a given level of position risk which is the risk a broker dealer is exposed to and arising from securities held by it as a principal or in its proprietary or dealer account.

4. AI
   Total money liabilities of a broker dealer arising in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities failed to receive, the market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from customers and margin securities borrowed from non-customers), customers' and non-customers' free credit balances, and credit balances in customers' and non-customers' account having short positions in securities subject to the exclusions provided in the said SEC Memorandum.

On May 28, 2009, the SEC approved the PSE's Rules Governing Trading Rights and Trading Participants, which supersede the Membership Rules of the PSE. Section 8(c) of Article III of the said rules requires trading participants to have a minimum unimpaired paid-up capital, as defined by the SEC, of ₱20.00 million effective December 31, 2009, and ₱30.00 million effective December 31, 2011 and onwards. In 2021 and 2020, the Parent Company is compliant with this capital requirement.

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

COLHK monitors capital using liquid capital as provided for under HK's Securities and Futures Ordinance (Cap. 571) and Securities and Futures (Financial Resources) Rules (Cap. 571N). COLHK's policy is to keep liquid capital at the higher of the floor requirement of HK$3.00 million and computed variable required capital. As at December 31, 2021 and 2020, 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 FVTPL, investment securities at amortized cost, trade receivables, other receivables, refundable deposits under other noncurrent assets, trade payables and other current liabilities, which arise from operations.

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

The BOD reviews and agrees on the policies for managing each of these risks which are 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 and are in stage 1 of the ECL model, due to its high probability of collection (i.e. the counterparty has the evident ability to satisfy its obligation).

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 December 31, 2021 and 2020, ₱860,704,084 and ₱772,054,791 of the total receivables from customers is secured by collateral comprising of equity securities of listed companies with a total market value of ₱6,421,985,615 and ₱5,871,374,410, respectively (Note 7).

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

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

| | **Days after trade date** | | | | |
|---|---|---|---|---|---|
| | **T+0 to T+2** | **T+3 to T+13** | **T+14 to T+30** | **T+31 to T+365** | **Total** |
| **2021** | | | | | |
| Expected loss rate | **0.00%** | **2.00%** | **0.00%** | **0.00%** | **0.25%** |
| Trade receivables | **₱153,331,934** | **₱109,862,656** | **₱164,589,503** | **₱432,928,542** | **₱860,712,635** |
| Expected credit loss | **–** | **2,197,253** | **–** | **360** | **2,197,613** |
| 2020 | | | | | |
| Expected loss rate | 0.00% | 2.00% | 0.00% | 0.00% | 0.44% |
| Trade receivables | ₱170,738,134 | ₱169,869,489 | ₱193,331,473 | ₱238,115,801 | ₱772,054,897 |
| Expected credit loss | – | 3,397,390 | – | 65 | 3,397,455 |

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.

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

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

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

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

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

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

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

*Maximum exposure to credit risk and collateral and other credit enhancements*
Except for receivable from customers, the carrying values of the Company's financial assets as reflected in the statements of financial condition as of December 31, 2021 and 2020 represent the financial asset's maximum exposure to credit risk as there are no collateral held or other credit enhancements related to these financial assets.

| | 2021 | | | |
|---|---|---|---|---|
| | **Gross Carrying Amount** | **Fair Value of Collateral*** | **Maximum Exposure to Credit Risk** | **Financial effect of collateral and other credit enhancements** |
| Receivable from customers | | | | |
| Unsecured | **₱8,551** | **₱–** | **₱8,551** | **₱–** |
| Partially secured | **80,298,021** | **78,120,455** | **2,177,566** | **78,120,455** |
| Fully secured | **780,406,063** | **6,343,865,160** | **–** | **780,406,063** |
| | **₱860,712,635** | **₱6,421,985,615** | **₱2,186,117** | **₱858,526,518** |

| | 2020 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Fair Value of Collateral* | Maximum Exposure to Credit Risk | Financial effect of collateral and other credit enhancements |
| Receivable from customers | | | | |
| Unsecured | ₱106 | ₱– | ₱106 | ₱– |
| Partially secured | 50,925,765 | 50,334,484 | 591,281 | 50,334,484 |
| Fully secured | 721,129,026 | 5,821,039,926 | | 721,129,026 |
| | ₱772,054,897 | ₱5,871,374,410 | ₱591,387 | ₱771,463,510 |

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

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as at December 31, 2021 and 2020 consist of cash and cash equivalents, short-term time deposits, financial assets at FVTPL, investment securities at amortized cost 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 for 2021 and 2020 is not significant.

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

The Group's exposure to foreign currency exchange risk arises from its US$-denominated cash in banks amounting to US$85,913 and US$219,548 as at December 31, 2021 and 2020, respectively (Note 4).

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

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

**2021**

| **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** | | **Net Exposure** |
|---|---|---|---|---|---|---|
| | | | | **Financial Instruments** | **Fair Value of Financial Collateral** | |
| | [a] | [b] | [c] = [a-b] | [d] | [e] | [f] = [c-d] |
| **Financial Assets** | | | | | | |
| Receivable from customers | **₱860,712,635** | **₱–** | **₱860,712,635** | **₱7,933,074** | **₱850,593,444** | **₱2,186,117** |
| Due from clearing house | **84,593,705** | **–** | **84,593,705** | **33,651,717** | **–** | **50,941,988** |
| | **₱945,306,340** | **₱–** | **₱945,306,340** | **₱41,584,791** | **₱850,593,444** | **₱53,128,105** |
| **Financial Liabilities** | | | | | | |
| Payable to customers | **₱10,556,530,999** | **₱–** | **₱10,556,530,999** | **₱7,933,074** | **₱–** | **₱10,548,597,925** |
| Due to clearing house | **33,651,717** | **–** | **33,651,717** | **33,651,717** | **–** | **–** |
| | **₱10,590,182,716** | **₱–** | **₱10,590,182,716** | **₱41,584,791** | **₱–** | **₱10,548,597,925** |

2020

| 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 | | Net Exposure |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Fair Value of Financial Collateral | |
| | [a] | [b] | [c] = [a-b] | [d] | [e] | [f] = [c-d] |
| Financial Assets | | | | | | |
| Receivable from customers | ₱772,054,897 | ₱– | ₱772,054,897 | ₱2,123,830 | ₱769,339,680 | ₱591,387 |
| Due from clearing house | 314,422,659 | – | 314,422,659 | 36,839,509 | | 277,583,150 |
| | ₱1,086,477,556 | ₱– | ₱1,086,477,556 | ₱38,963,339 | ₱769,339,680 | ₱1,047,514,217 |
| Financial Liabilities | | | | | | |
| Payable to customers | ₱11,464,048,995 | ₱– | ₱11,464,048,995 | ₱2,123,830 | ₱– | ₱11,461,925,165 |
| Due to clearing house | 36,839,509 | – | 36,839,509 | 36,839,509 | – | – |
| | ₱11,500,888,504 | ₱– | ₱11,500,888,504 | ₱38,963,339 | ₱– | ₱11,461,925,165 |

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 December 31, 2021 and 2020:

| | Carrying Values | | Fair Values | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Refundable deposits | **₱11,235,130** | ₱11,172,769 | **₱9,786,165** | ₱9,731,846 |
| Investment securities at amortized cost | **9,874,453,871** | 6,463,207,003 | **9,814,058,400** | 6,471,437,493 |
| Investment property | **14,007,788** | 14,883,275 | **39,567,000** | 35,610,300 |

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

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

*Financial assets at FVTPL*
The Group's financial assets at FVTPL are carried at their fair values as at December 31, 2021 and 2020. Fair value of financial assets at FVTPL is based on the closing quoted prices of stock investments published by the PSE. Fair value of mutual funds is based on net asset values computed and published by the mutual fund providers. Fair value of debt securities is based on the quoted market price in an active market as at December 31, 2021 and 2020.

*Refundable deposits*
The fair value of the refundable deposits is based on the present value of the future cash flows discounted using credit adjusted risk-free rates for a similar type of instrument using 2.80% as at December 31, 2021 and 2020. There are no changes in the valuation techniques in 2021 and 2020.

*Investment securities at amortized cost*
The fair value of the investment is based on the quoted market price in an active market as at December 31, 2021 and 2020.

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

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

| | | **2021** | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| *Asset measured at fair value:* | | | |
| Financial assets at FVTPL | **₱153,351,825** | **₱534,598** | **₱–** |
| *Asset for which fair values are disclosed:* | | | |
| Refundable deposits | – | – | **9,786,165** |
| Investment securities at amortized cost | **9,814,058,400** | – | – |
| Investment property | – | – | **39,567,000** |

| | 2020 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| *Asset measured at fair value:* | | | |
| Financial assets at FVTPL | ₱34,985,873 | ₱538,456 | ₱– |
| *Asset for which fair values are disclosed:* | | | |
| Refundable deposits | – | – | 9,731,846 |
| Investment securities at amortized cost | 6,471,437,493 | – | – |
| Investment property | – | – | 35,610,300 |

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

## 25. EPS Computation

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Net income attributable to the equity holders of the Parent Company | **₱583,214,719** | ₱424,310,518 | ₱458,776,159 |
| Weighted average number of shares for basic earnings per share* (Note 15) | **4,760,000,000** | 4,760,000,000 | 4,760,000,000 |
| Dilutive shares arising from stock options | **–** | – | – |
| Adjusted weighted average number of common shares for diluted earnings per share | **4,760,000,000** | 4,760,000,000 | 4,760,000,000 |
| Basic EPS | **₱0.12** | ₱0.09 | ₱0.10 |
| Diluted EPS | **₱0.12** | ₱0.09 | ₱0.10 |

* *Weighted average number of shares considered the retroactive effect of the ten-for-one stock split approved by the SEC in January 2021.*

## 26. Segment Information

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:

| | **2021** | | | |
|---|---|---|---|---|
| | **Stockbrokerage services** | **Others** | **Elimination** | **Total** |
| Revenue from external customers: | | | | |
| Commissions | **₱1,013,021,770** | **₱–** | **(₱8,438)** | **₱1,013,013,332** |
| Interest | **179,691,820** | **2,370,157** | **–** | **182,061,977** |
| Trail fees | **21,484,857** | **–** | **–** | **21,484,857** |
| Others | **105,532,132** | **677,265** | **434** | **106,209,831** |
| Segment revenue | **1,319,730,579** | **3,047,422** | **(8,004)** | **1,322,769,997** |
| Cost of services | **(240,403,351)** | **(88,668)** | **8,004** | **(240,484,015)** |
| Operating expenses, net of other income | **(251,085,710)** | **(6,041,250)** | **–** | **(257,126,960)** |
| Depreciation and amortization | **(59,278,245)** | **(1,535,382)** | **–** | **(60,813,627)** |
| Other losses | **(5,180,578)** | **(63,472)** | **–** | **(5,244,050)** |
| Income (loss) before income tax | **763,782,695** | **(4,681,350)** | **–** | **759,101,345** |
| Provision for income tax | **(177,162,484)** | **(483,881)** | **–** | **(177,646,365)** |
| Net income (loss) | **₱586,620,211** | **(₱5,165,231)** | **₱–** | **₱581,454,980** |

| | **2021** | | | |
|---|---|---|---|---|
| | **Stockbrokerage services** | **Others** | **Elimination** | **Total** |
| Segment assets | **₱13,104,748,565** | **₱163,325,259** | **(₱287,300,000)** | **₱12,980,773,824** |
| Segment liabilities | **10,880,671,562** | **1,224,468** | **–** | **10,881,896,030** |
| Capital expenditures: | | | | |
| Fixed assets | **(4,899,573)** | **(146,915)** | **–** | **(5,046,488)** |
| Cash flows arising from: | | | | |
| Operating activities | **(105,088,805)** | **(126,921,649)** | **–** | **(232,010,454)** |
| Investing activities | **(3,222,709,731)** | **(146,915)** | **–** | **(3,222,856,646)** |
| Financing activities | **(335,525,667)** | **(717,727)** | **–** | **(336,243,394)** |

| | 2020 | | | |
|---|---|---|---|---|
| | Stockbrokerage services | Others | Elimination | Total |
| Revenue from external customers: | | | | |
| Commissions | ₱793,886,384 | ₱– | ₱– | ₱793,886,384 |
| Interest | 243,269,413 | 3,180,300 | – | 246,449,713 |
| Trail fees | 17,255,849 | – | – | 17,255,849 |
| Others | 28,799,010 | (49,290) | – | 28,749,720 |
| Segment revenue | 1,083,210,656 | 3,131,010 | – | 1,086,341,666 |
| Cost of services | (207,232,049) | – | – | (207,232,049) |
| Operating expenses, net of other income | (213,096,528) | (6,995,378) | – | (220,091,906) |
| Depreciation and amortization | (62,756,154) | (1,285,716) | – | (64,041,870) |
| Other losses | (18,883,826) | (55,125) | – | (18,938,951) |
| Income (loss) before income tax | 581,242,099 | (5,205,209) | – | 576,036,890 |
| Provision for income tax | (153,221,498) | (605,875) | – | (153,827,373) |
| Net income (loss) | ₱428,020,601 | (₱5,811,084) | ₱– | ₱422,209,517 |
| Segment assets | ₱13,812,854,410 | ₱169,509,671 | (₱287,300,200) | ₱13,695,063,881 |
| Segment liabilities | 11,864,080,828 | 2,243,650 | (200) | 11,866,324,278 |
| Capital expenditures: | | | | |
| Fixed assets | 14,059,301 | – | – | 14,059,301 |
| Cash flows arising from: | | | | |
| Operating activities | (3,684,610,984) | (34,340,275) | – | 3,650,270,709 |
| Investing activities | (6,067,219,965) | – | – | (6,067,219,965) |
| Financing activities | (359,561,062) | (391,388) | – | (359,952,450) |

| | 2019 | | | |
|---|---|---|---|---|
| | Stockbrokerage services | Others | Elimination | Total |
| Revenue from external customers: | | | | |
| Commissions | ₱539,049,838 | ₱– | ₱– | ₱539,049,838 |
| Interest | 525,604,623 | 2,112,354 | – | 527,716,977 |
| Trail fees | 17,365,097 | – | – | 17,365,097 |
| Others | 19,334,763 | – | – | 19,334,763 |
| Segment revenue | 1,101,354,321 | 2,112,354 | – | 1,103,466,675 |
| Cost of services | (210,806,341) | – | – | (210,806,341) |
| 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) | ₱460,297,671 | (₱1,922,895) | ₱– | ₱458,374,776 |
| Segment assets | ₱10,263,068,214 | ₱174,178,409 | (₱288,154,504) | ₱10,149,092,119 |
| 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 | (636,080,797) | (1,671,492) | – | (637,752,289) |
| Investing activities | 223,390,613 | (27,088) | 152,500,000 | 375,863,525 |
| Financing activities | (432,162,609) | 175,000,000 | (152,500,000) | (409,662,609) |

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:

| | **2021** | | | |
|---|---|---|---|---|
| | **Philippines** | **Hong Kong** | **Elimination** | **Total** |
| Revenue from external customers: | | | | |
| Commissions | **₱1,007,387,930** | **₱5,633,840** | **(₱8,438)** | **₱1,013,013,332** |
| Interest | **182,061,708** | **269** | **–** | **182,061,977** |
| Trail fees | **21,484,857** | **–** | **–** | **21,484,857** |
| Others | **105,517,228** | **692,169** | **434** | **106,209,831** |
| Segment revenue | **1,316,451,723** | **6,326,278** | **(8,004)** | **1,322,769,997** |
| Cost of services | **(222,216,338)** | **(18,275,681)** | **8,004** | **(240,484,015)** |
| Operating expenses, net of other income | **(249,083,793)** | **(8,043,167)** | **–** | **(257,126,960)** |
| Depreciation and amortization | **(58,470,018)** | **(2,343,609)** | **–** | **(60,813,627)** |
| Other losses | **(4,978,761)** | **(265,289)** | **–** | **(5,244,050)** |
| Income (loss) before income tax | **781,702,813** | **(22,601,468)** | **–** | **759,101,345** |
| Provision for income tax | **(177,646,365)** | **–** | **–** | **(177,646,365)** |
| Net income (loss) | **₱604,056,448** | **(₱22,601,468)** | **₱–** | **₱581,454,980** |
| Segment assets | **₱12,922,223,878** | **₱345,849,946** | **(₱287,300,000)** | **₱12,980,773,824** |
| Segment liabilities | **10,795,992,335** | **85,903,695** | **–** | **10,881,896,030** |
| Capital expenditures: | | | | |
| Fixed assets | **5,046,488** | **–** | **–** | **5,046,488** |
| Cash flows arising from: | | | | |
| Operating activities | **(256,511,463)** | **24,501,009** | **–** | **(232,010,454)** |
| Investing activities | **(3,222,856,646)** | **–** | **–** | **(3,222,856,646)** |
| Financing activities | **(333,749,297)** | **(2,494,097)** | **–** | **(336,243,394)** |

| | 2020 | | | |
|---|---|---|---|---|
| | Philippines | Hong Kong | Elimination | Total |
| Revenue from external customers: | | | | |
| Commissions | ₱781,817,457 | ₱12,068,927 | ₱– | ₱793,886,384 |
| Interest | 246,443,133 | 6,580 | – | 246,449,713 |
| Trail fees | 17,255,849 | | – | 17,255,849 |
| Others | 26,957,046 | 1,792,674 | – | 28,749,720 |
| Segment revenue | 1,072,473,485 | 13,868,181 | – | 1,086,341,666 |
| Cost of services | (190,008,719) | (17,223,330) | – | (207,232,049) |
| Operating expenses, net of other income | (211,800,054) | (8,291,852) | – | (220,091,906) |
| Depreciation and amortization | (61,675,963) | (2,365,907) | – | (64,041,870) |
| Other losses | (18,914,760) | (24,191) | | (18,938,951) |
| Income (loss) before income tax | 590,073,989 | (14,037,099) | – | 576,036,890 |
| Provision for income tax | (153,681,609) | (145,764) | – | (153,827,373) |
| Net income (loss) | ₱436,392,380 | (₱14,182,863) | ₱– | ₱422,209,517 |
| Segment assets | ₱13,573,554,978 | ₱408,809,103 | (₱287,300,200) | ₱13,695,063,881 |
| Segment liabilities | 11,729,703,168 | 136,621,310 | (200) | 11,866,324,278 |
| Capital expenditures: | | | | |
| Fixed assets | 13,083,825 | 975,476 | – | 14,059,301 |
| Cash flows arising from: | | | | |
| Operating activities | 3,674,884,348 | (24,613,639) | – | 3,650,270,709 |
| Investing activities | (6,066,244,489) | (975,476) | – | (6,067,219,965) |
| Financing activities | (357,579,646) | (2,372,804) | – | (359,952,450) |

(Forward)

| | 2019 | | | |
|---|---|---|---|---|
| | 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 | 18,386,846 | 947,917 | – | 19,334,763 |
| Segment revenue | 1,092,621,839 | 10,844,836 | – | 1,103,466,675 |
| Cost of services | (190,890,414) | (19,915,927) | – | (210,806,341) |
| Operating expenses, net of other income | (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 | (649,452,377) | 11,700,088 | – | (637,752,289) |
| Investing activities | 227,457,737 | (4,094,212) | 152,500,000 | 375,863,525 |
| Financing activities | (254,757,955) | (2,404,654) | (152,500,000) | (409,662,609) |

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**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
COL Financial Group, Inc.
Unit 2401-B East Tower, PSE Centre
Exchange Road, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of COL Financial Group, Inc. and Subsidiaries (the Group) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 16, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso
Partner
CPA Certificate No. 92305
Tax Identification No. 193-975-241
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 92305-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-062-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8853462, January 3, 2022, Makati City

March 16, 2022

SyCip Gorres Velayo & Co.
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1226 Makati City
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**INDEPENDENT AUDITOR'S REPORT**
**ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
COL Financial Group, Inc.
Unit 2401-B East Tower, PSE Centre
Exchange Road, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of COL Financial Group, Inc. and Subsidiaries (the Group) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated March 16, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso
Partner
CPA Certificate No. 92305
Tax Identification No. 193-975-241
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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PTR No. 8853462, January 3, 2022, Makati City

March 16, 2022

# COL FINANCIAL GROUP, INC. AND SUBSIDIARIES
# INDEX TO THE SUPPLEMENTARY SCHEDULES
## FOR THE YEAR ENDED DECEMBER 31, 2020

**SUPPLEMENTARY SCHEDULES**

# SCHEDULE I
# COL FINANCIAL GROUP, INC. AND SUBSIDIARIES
# RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION PURSUANT TO REVISED SRC RULE 68 AND SEC MEMORANDUM CIRCULAR NO.11
## DECEMBER 31, 2021

| | | |
|---|---|---|
| **Unappropriated Retained Earnings of the Parent Company per 2021 audited financial statements, beginning of the year** | | ₱795,167,439 |
| **Adjustments:** | | |
| Add (Less): | | |
| Appropriations of retained earnings based on 10% of 2020 audited net income approved subsequently in 2021** | (₱44,220,346) | |
| Deferred tax assets (DTA) | (14,989,628) | |
| Fair value adjustment (FVTPL) | (739,750) | (59,949,724) |
| **Unappropriated Retained Earnings of the Parent Company, as adjusted, beginning of the year** | | 735,217,715 |
| **Net income during the period closed to retained earnings (Parent)** | 609,221,678 | |
| Less: Non-actual/unrealized income net of tax | | |
| Equity in net income of associate/joint venture | – | |
| Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents) | – | |
| Unrealized actuarial gain | – | |
| Fair value adjustment (FVTPL) | (13,368) | |
| Fair value adjustment of investment property resulting to gain | – | |
| Adjustment due to deviation from PFRS/GAAP – gain | – | |
| Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS | – | |
| Subtotal | 609,208,310 | |
| Add: Non-actual losses | | |
| Depreciation on revaluation increment (after tax) | – | |
| Adjustment due to deviation from PFRS/GAAP – loss | – | |
| Loss on fair value adjustment of investment property (after tax) | – | |
| Reversal of previously recognized DTA in prior years | 14,989,628 | |
| Subtotal | 14,989,628 | |
| **Net Income Actual/Realized** | 624,197,938 | 624,197,938 |
| Add (Less): | | |
| Dividend declarations during the period | (309,400,000) | |
| Appropriations of retained earnings based on 10% of 2021 audited net income to be approved subsequently in 2022** | (60,922,168) | |
| Reversals of appropriations | – | |
| Effects of prior period adjustments | – | |
| Treasury shares | – | |
| Subtotal | (370,322,168) | (370,322,168) |
| **Unappropriated Retained Earnings of the Parent Company, as adjusted, end of the year*** | | ₱989,093,485 |

** As of December 31, 2021, the amount of consolidated retained earnings shown in the accompanying consolidated financial statements includes the net accumulated earnings of the subsidiaries amounting to ₱97,546,666. The retained earnings shown in the above table represents the retained earnings of COL Financial Group, Inc. in the parent company financial statements.*

*** Appropriation of retained earnings is in compliance with SRC Rule 49.1 B Reserve Fund requiring the Parent Company to annually appropriate ten percent (10.00%) of its audited net income.*

# SCHEDULE II
# COL FINANCIAL GROUP, INC. AND SUBSIDIARIES
# SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
# PURSUANT TO REVISED SRC RULE 68
**DECEMBER 31, 2021**

**Schedule A. Financial Assets**

*Financial Assets at FVTPL*
Financial assets at FVTPL are carried at their fair values. Fair value of financial assets at FVTPL is based on closing quoted prices of stock investments published by the PSE and mutual funds are based on the published net asset value per share of the investment company where the investment was bought.

The Group did not present the schedule of financial assets since the aggregate cost or market value of financial assets at FVTPL as of the end of the reporting period did not constitute five percent (5%) or more of the total current assets.

**Schedule B. Amounts of Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

| Name and designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Not current | Balance at end of period |
|---|---|---|---|---|---|---|---|
| Various employees | ₱1,011,936 | ₱1,697,900 | ₱1,275,171 | ₱– | ₱1,434,665 | N/A | ₱1,434,665 |

**Schedule C. Amounts of Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements**

| Name and designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Not current | Balance at end of period |
|---|---|---|---|---|---|---|---|
| None | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

**Schedule D. Long Term Debt**

| Title of issue and type of obligation | Amount authorized by indenture | Amount shown under caption 'Current position of long term debt' in related statement of financial position | Amount shown under caption 'Long-Term Debt' in related statement of financial position |
|---|---|---|---|
| None | N/A | N/A | N/A |

**Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)**

| Name of related party | Balance at beginning of period | Balance at end of period |
|---|---|---|
| None | N/A | N/A |

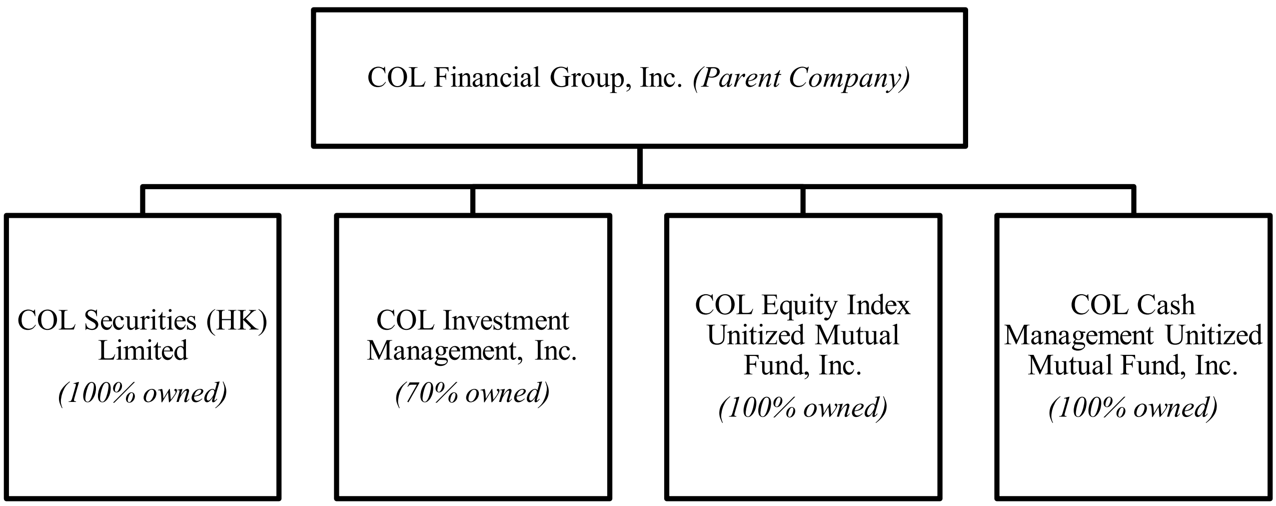
**Schedule F. Guarantees of Securities of Other Issuers**

| Name of issuing entity of securities guaranteed by the Group for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by a person for which statement is filed | Nature of guarantee |
|---|---|---|---|---|
| None | N/A | N/A | N/A | N/A |

**Schedule G. Capital Stock (Figures in Thousands)**

| | | | | No. of shares held by | | |
|---|---|---|---|---|---|---|
| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related financial condition caption | Number of shares reserved for options, warrants, conversion and other rights | Affiliates | Directors and Officers | Others |
| Common shares | 10,000,000 | 4,760,000 | – | – | 2,895,285 | 1,864,715 |

**SCHEDULE III**
**COL FINANCIAL GROUP, INC. AND SUBSIDIARIES**
**MAP OF THE RELATIONSHIPS OF THE COMPANIES**
**WITHIN THE GROUP**
**PURSUANT TO REVISED SRC RULE 68**
**DECEMBER 31, 2021**



# SCHEDULE IV
# COL FINANCIAL GROUP, INC. AND SUBSIDIARIES
# SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS PURSUANT TO REVISED SRC RULE 68
## DECEMBER 31, 2021

Below are the financial ratios that are relevant to the Group as of and for the years ended December 31, 2021 and 2020:

| Ratio | Formula | Current Year | Prior Year |
|---|---|---|---|
| Current ratio | Total current assets divided by Total current liabilities<br><br>Total current assets ₱12,299,352,446<br>Divide by Total current liabilities 10,775,757,721<br>Current ratio 1.14 | **1.14:1** | 1.12:1 |
| Debt-to-equity ratio | Total liabilities divided by Average equity<br><br>Total liabilities ₱10,881,896,030<br>Divide by Average equity 1,944,690,952<br>Debt-to-equity ratio 5.60 | **5.60:1** | 6.72:1 |
| Quick ratio | Total liquid assets divided by Total current liabilities<br><br>Total liquid assets ₱12,290,677,320<br>Divide by Total current liabilities 10,881,896,030<br>Current ratio 1.14 | **1.14:1** | 1.10:1 |
| Asset-to-equity ratio | Total assets divided by Average equity<br><br>Total assets ₱12,980,773,824<br>Divide by Average equity 1,944,690, 592<br>Asset-to-equity ratio 6.67 | **6.67** | 7.75 |
| Return on assets | Net income (loss) divided by Total assets<br><br>Net income ₱583,214,719<br>Divide by Total assets 12,980,773,824<br>Asset-to-equity ratio 5% | **5%** | 3% |

<table>
<tr><th>Ratio</th><th>Formula</th><th>Current Year</th><th>Prior Year</th></tr>
<tr><td>Return on average stockholder’s equity</td><td>Net income (loss) divided by Average stockholder’s equity<br><br>Net income ₱583,214,719<br>Divide by Average stockholder’s equity 1,944,690,952<br>Return on average stockholder’s equity 30%<br><br>Average stockholder’s equity is computed as follows:<br><br>Beg. total stockholder’s equity ₱2,080,639,917<br>Ending total stockholder’s equity 1,808,741,987<br>Total 3,889,381,904<br>Divide by 2<br>Average total stockholder’s equity ₱1,944,690,952</td><td>30%</td><td>24%</td></tr>
<tr><td>Net profit (loss) margin</td><td>Net income (loss) divided by Total revenues<br><br>Net income ₱583,214,719<br>Total revenues 1,322,769,997<br>Net profit (loss) margin 44%</td><td>44%</td><td>39%</td></tr>
</table>

# COL FINANCIAL GROUP, INC.

## SUSTAINABILITY REPORT

### Year 2021

## Table of Contents

# A. CONTEXTUAL INFORMATION

## 1. Company Details

| | |
|---|---|
| ***Name of Organization*** | **COL Financial Group, Inc.** (“COL”, the “Corporation”, the “Company”) |
| ***Location of Headquarters*** | Pasig City, Metro Manila, Philippines |
| ***Location of Operations*** | Pasig City, Metro Manila, Philippines |
| ***Report Boundary: Legal entities included in this report*** | COL Financial Group, Inc.<br>(parent company only) |
| ***Business Model, including Primary Activities, Brands, Products, and Services*** | Broker/ Dealer of Securities |
| ***Reporting Period*** | Calendar year ending 31 December 2021 |
| ***Highest Ranking Person responsible for this Report*** | Sharon T. Lim / Corporate Secretary |

## 2. Materiality Process

To create this report, the Company’s management identified key areas that are materially relevant for COL to reach long-term sustainable operations. It likewise endeavoured to identify the expectations and interests of its various stakeholders comprising of, among others, its personnel (directors, officers, employees, agents, consultants, and other persons assigned to COL by their respective employers), clients, service providers, regulators, investors and shareholders, and competitors.

Out of the 33 GRI topics, the following are material to Company stakeholders upon initial review. These topics will need to be validated against stakeholder interviews:

- Economic Performance;
- Indirect Economic Impacts;
- Employee Hiring and Benefits;
- Employee Training and Development;
- Customer Satisfaction;
- Customer Privacy;
- Data Security; and
- Local Communities; Financial Inclusion, Accessibility and Financial Education.

## B. ECONOMIC

### 1. Economic Performance

#### *a. Direct Economic Value Generated and Distributed*

The following figures are based on the 2021 Audited Financial Statements of COL Financial Group, Inc. (parent company only).

| Disclosure | Amount (in PhP) |
|---|---|
| ***Direct economic value generated (revenue)*** | 1,313,404,301 |
| ***Direct economic value distributed:*** | |
| ***a. Operating costs*** | 299,977,180 |
| ***b. Employee wages and benefits*** | 215,606,806 |
| ***c. Payments to suppliers, other operating costs*** | 244,263,214 |
| ***d. Dividends given to stockholders and interest payments to loan providers*** | 309,400,000 |
| ***e. Taxes given to government**** | 368,324,676 |
| ***f. Investments to community (e.g. donations, CSR)***** | 662,840 |

**COL also remitted to the government sales transactions tax collected from its customers amounting to PhP1,136,784,161.*
***Investments to community for 2021 consist primarily of financial literacy campaigns.*

**(1) Impact**

COL is the leading online financial services provider in the Philippines. 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.

As part of COL's commitment to provide more useful products and services to help its customers build genuine wealth, it has an online stock brokerage platform where clients may purchase stocks listed in the Philippine Stock Exchange. COL also created 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. In 2019, to diversify COL's portfolio as a one-stop shop online platform for capital market products, it set up its own asset management firm, COL Investment Management, Inc. to serve as the asset management firm for COL Equity Index Unitized Mutual Fund, Inc. and COL Cash Management Unitized Mutual Fund, Inc.

The economic performance of COL affects the following stakeholders: its own personnel (consisting of its directors, officers, full-time employees, agents, consultants, and personnel who are employed by COL's service providers but are assigned to the Company), the Company's more than 500,000 clients, its investors and shareholders, its regulators consisting of, among others, the Securities and Exchange Commission, the Philippine Stock Exchange, Inc., and the Capital Markets Integrity Corporation, and the capital markets in general.

To manage its economic performance, COL is committed to maximizing its profitability through the efficient use of its capital 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. Below are some of the Company's key performance indicators which are measured from time to time:

- Number of Customer Accounts;
- Customers' Net Equity;
- Revenues;
- Return on Average Equity;
- Risk Based Capital Adequacy Ratio; and
- Liquid Capital.

**(2) <u>Identified Risks</u>**

Philippine stocks had a volatile performance in 2021.

After climbing to as high as 7,304.79 early during the year, the Philippine Stock Exchange index (PSEi) fell to a low of 6,164.89 in May. Sentiment for stocks deteriorated after the inflation rate exceeded the 2% to 4% target range of the Bangko Sentral ng Pilipinas (BSP). Appetite for stocks was also negatively affected by the surge in the number of COVID-19 infections, forcing the government to re-impose the enhanced community quarantine (ECQ), which is the strictest form of lockdown, in the national capital region (NCR) and four neighbouring provinces beginning the last week of March.

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

However, the PSEi began to recover in the middle of August. Although the number of infections in the country had not yet peaked, the market benefited from the growing interest in ASEAN stocks as foreign investors shifted away from Chinese stocks due to heightened regulatory concerns. Sentiment likewise improved as ASEAN countries were reopening their economies due to the falling number of COVID-19 cases brought about by the spread of the delta variant earlier during the year. The improving performance of Philippine stocks was sustained up to November as the number of COVID-19 cases in the country also started trending lower. The stronger than expected third quarter GDP growth likewise helped boost investor sentiment.

Unfortunately, the market's strong performance was not sustained. In December, the market started falling again. This time, due to the emergence of the more transmissible omicron COVID-19 variant and growing concern that the U.S. Fed would withdraw monetary stimulus at a faster than expected pace.

The volatility in the stock market is a risk that affects the Company's personnel, clients, shareholders, and the capital markets in general.

The Company continues to conduct free online investor education seminars to help clients navigate through these volatile times. It also tries to maximize the use of its resources to avoid unnecessary spending.

As a trading participant of the Philippine Stock Exchange, the Corporation is also required to comply with the risk-based capital adequacy ratios (RBCA) imposed by the Securities and Exchange Commission. These RBCA ratios, in general, ensure that broker dealers such as the Company have sufficient capital to sustain operating losses while maintaining a safe and efficient market.

The scale and duration of developments arising from the COVID-19 pandemic remain uncertain as of the report date. However, the Company exhibited resilience due to the online nature of its business and operations. The Company has necessary business continuity processes in place that specifically address the disruptions and risks brought by the pandemic.

**(3) Identified Opportunities**

Volatile market conditions lead to heightened interest among Filipinos to invest outside of traditional fixed income instruments. To address this, COL launched an online account opening portal that would allow Filipinos from different parts of the world to open their accounts remotely. The Company also leveraged its use of social media and assigned personnel devoted to managing its various social media accounts and address any customer concerns raised through these platforms. These avenues provide COL with a wider reach, allowing it to address the needs of more clients more effectively.

COL also remains active in educating and encouraging Filipinos to save and invest through its market forums and investor education seminars. It continues to improve its processes, moving most of it online to allow for greater convenience of its customers.

These opportunities affect the Company's personnel, clients, shareholders and the capital markets in general.

## 2. Climate-Related Risks and Opportunities

Although environmental concerns rank lower in the Company's materiality assessment, the Company is cognizant of the integral role of environmental issues in its business and operations. To show its commitment to mitigating climate change, COL has been taking concrete actions to raise environmental awareness the past few years by conducting different activities for its personnel. These include the following activities: tree planting, ocean clean-up, and hosting of environment-related talks and partnering with organizations such as the Haribon Foundation for the Conservation of Natural Resources, Inc. (Haribon Foundation), which advocates for biodiversity conservation through building constituencies, empowering communities, and applying multi-disciplinary approaches.[1] While in 2021, due to the limitations of the pandemic, Haribon Foundation was unable to offer its partnership program to the Company, COL is looking forward to partnering once again with Haribon Foundation or another environmental foundation in the future.

## 3. Procurement Practices

### *a. Proportion of Spending on Local Suppliers*

While COL dealt only with Philippine-based suppliers, there is no data available to confirm whether the products sourced were locally made or manufactured or were sourced by said suppliers overseas.

#### (1) Impact

The Company's procurement practices affect its personnel, suppliers, and service providers.

Being an online broker / dealer in securities, the Company relies on its suppliers only for its internal requirements. Most items sourced from suppliers involve office equipment, which, while necessary to allow its personnel to work more effectively, is not critical to the actual operations of the business. The only items sourced from suppliers which are critical to the Company's performance are those related to its technical equipment, such as its computer servers. In terms of services, the most critical would involve the Company's internet / web connection. The Company sources these critical pieces of equipment from established suppliers, with reputations for implementing sound business practices and meet the quality requirements set by the Company.

All supplier procurement is coursed through the Company's procurement team, working under its Admin Department. They work closely with the department requesting the procurement, to ensure that the quality standards are met. Procurement of critical equipment and/or services is likewise approved by the Company's management.

#### (2) Identified Risks

The identified risks would affect the Corporation's personnel, suppliers, and service providers.

Getting the wrong vendor or supplier may result in losses to the Company. These involve financial losses as well as time lost. This means that time that could have been spent providing improved services to customers may have to be reallocated to fixing the issues caused by the vendor or supplier.

To address the abovementioned risks, the Company implements quality control checks for supplies and services received. The procurement team is required to obtain quotes from multiple potential suppliers, to ensure that it is getting the best deal in the market. The

[1] https://haribon.org.ph/about-us/

Company has likewise streamlined its supplier contracts to include, among others, warranties on quality of materials and/or supplies, as well as structuring the compensation to supplier to allow the Company an opportunity to withhold partial payment in case of defective materials.

**(3) <u>Identified Opportunities</u>**

The identified opportunities involve the Corporation's personnel, suppliers, and service providers.

The Company is continuously studying additional ways it can improve its procurement system and processes. These present an opportunity for the Company to find better suppliers and service providers which are aligned with the Company's objectives. In improving its procurement processes, the Company may have potential savings or may be able to obtain better products or services.

## 4. Anti-Corruption

### *a. Training on Anti-Corruption Policies and Procedures*

| Disclosure | Quantity |
|---|---|
| ***Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to*** | *100%* |
| ***Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to*** | *(see note below)* |
| ***Percentage of directors and management that have received anti-corruption training*** | *(see note below)* |
| ***Percentage of employees that have received anti-corruption training*** | *(see note below)* |

The Company has a zero-tolerance policy for Corruption and Bribery. It has put in place and implemented an Anti-Bribery and Anti-Corruption Policy which is integrated in both its Office Handbook and Code of Business Conduct and Ethics. Said policy is also publicly available in the Company's website. This policy is relayed to all employees and directors as part of their Company orientation. As this is not an issue being experienced by the Company, the incorporation of anti-corruption and anti-bribery training in its general policy training is adequate, and there may be no need to have a separate training on this topic.

### *b. Incidents of Corruption*

| Disclosure | Quantity |
|---|---|
| ***Number of incidents in which directors were removed or disciplined for corruption*** | 0 |
| ***Number of incidents in which employees were dismissed or disciplined for corruption*** | 0 |
| ***Number of incidents when contracts with business partners were terminated*** | 0 |

| ***due to incidents of corruption*** |
|---|

**(1) <u>Impact (for both items (a) and (b)</u>**

The actions of its people reflect on the Company. As such, it is the Company's responsibility to ensure that each person acts with integrity and is above reproach.

The Company is aware that the adequacy or inadequacy of its anti-corruption training will affect its own personnel, the regulators with whom it engages with, its suppliers and service providers, as well as its clients.

To address potential incidents of corruption, the Company has instituted an Anti-Bribery and Anti-Corruption policy to clarify and strengthen the Company's stance against these unethical practices. The policy puts in place the proper procedures for the handling of complaints of this nature. The procedures are flexible – in that complaints may be submitted by various means. It likewise empowers several offices to make the investigation to provide complainants with various avenues to seek redress of their grievances.

All Company personnel are required to review the Company's Anti-Bribery and Anti-Corruption policy incorporated in its Office Manual. These policies are discussed during the personnel's on-boarding with the Company and supported through the Company's processes and procedures which reduce the possible instances of violation. The Company's Anti-Bribery and Anti-Corruption policy is supported by its Grievance and Whistleblowing mechanisms, which provides avenues for Company personnel to report any untoward incidents.

**(2) <u>Identified Risks (for both items (a) and (b)</u>**

No significant risks have been identified.

**(3) <u>Identified Opportunities (for both items (a) and (b)</u>**

There are always opportunities to strengthen the Company's adherence to its existing policies through the conduct of personnel and supplier training.

The Company is currently studying how to further strengthen and support its Anti-Bribery and Anti-Corruption Policy. Potential programs being reviewed include additional training for concerned personnel, and inclusion of anti-bribery and anti-corruption terms in all supplier and service contracts.

These identified opportunities affect the Company's personnel, suppliers and service providers, and regulators.

## C. ENVIRONMENT

### 1. Resource Management

#### *a. Energy Consumption within the Organization*

| Disclosure | Quantity |
|---|---|
| ***Energy consumption (renewable sources)*** | *0 GJ* |
| ***Energy consumption (gasoline)*** | *0 GJ* |
| ***Energy consumption (LPG)*** | *0 GJ* |
| ***Energy consumption (diesel)*** | *0 GJ* |
| ***Energy consumption (electricity)*** | *341,806.30 kWh* |

Given the nature of the Company's business, it does not utilize energy other than electricity. As for its electricity consumption, it sources its electricity from the local distribution utilities.

#### *b. Reduction of Energy Consumption*

| Disclosure | Quantity |
|---|---|
| ***Energy reduction (renewable sources)*** | *0 GJ* |
| ***Energy reduction (gasoline)*** | *0 GJ* |
| ***Energy reduction (LPG)*** | *0 GJ* |
| ***Energy reduction (diesel)*** | *0 GJ* |
| ***Energy reduction (electricity)*** | *0 kWh* |

Given the nature of the Company's business, it does not utilize energy other than electricity. As for its electricity consumption, the Company does not have sufficient data on hand regarding its electricity consumption on a year on year basis.

**(1) <u>Impact</u>**

The Company's energy consumption affects its personnel, suppliers, clients, and the community at large.

The Company consumes energy, in the form of electricity, to support its business operations. It obtains the electricity supply from the local distribution utility, and thus is dependent on such distribution utility on the source of such power supply (e.g. whether from renewable or non-renewable sources). Given that it is a financial services company, its use of the other forms of energy (such as from LPG, diesel, and gasoline), if any, is very insignificant.

As part of its efforts to help conserve energy, the Company tries to use energy efficient equipment. Employees are also reminded to be conscientious of their energy consumption.

**(2) <u>Identified Risks and Opportunities</u>**

No significant risks and/or opportunities have been identified with respect to this matter.

***c. Water Consumption within the Organization***

| **Disclosure** | **Quantity** |
|---|---|
| *Water withdrawal* | - *Cubic meters* |
| ***Water consumption*** | *61 Cubic meters* |
| ***Water recycled and reused*** | - *Cubic meters* |

**(1) <u>Impact</u>**

As the Company is in the financial services industry, it uses tap water mainly for cleaning and personal hygiene purposes of its personnel and clients who visit its investor centers.

Aware that the Company's water consumption affects its personnel and community at large, the Company promotes conscientious use of water through giving its personnel reminders and issuing guidelines on use of water.

**(2) <u>Identified Risks and Opportunities</u>**

No significant risks and/ or opportunities have been identified with respect to this matter.

***d. Materials Used by the Organization***

| **Disclosure** | **Quantity** |
|---|---|
| ***Materials used by weight or volume*** | |
| • ***renewable*** | * |
| • ***non-renewable*** | * |
| ***Percentage of recycled input materials used to manufacture the organization's primary products and services*** | * |

**These do not apply as the Company is not in the manufacturing business.*

**(1) <u>Impact</u>**

While the Company is not involved in manufacturing, and thus, concerns with respect to materials it uses does not rank high in its materiality assessment, the Company understands its responsibility to ensure that it does its part to protect the environment.

Prior to the COVID-19 pandemic, the Company has been a consistent corporate partner of the Haribon Foundation. As an affiliate of the Haribon Foundation, the Company is able to support its mission of advocating for biodiversity through building constituencies, empowering communities, and applying multi-disciplinary approaches. While this partnership was not renewed in 2021 the Company intends to enter into a partnership with a like-minded organization in the coming years.

On an operational level, the Company conducts most of its processes online and refrains from using paper unless the same is necessary. Personnel are also discouraged from printing unnecessary items and without compromising data security, encouraged to recycle paper. For items that need to be printed for internal purposes, they are printed in newsprint rather than white paper.

The Company also has an on-going garbage segregation project where personnel are encouraged to segregate their garbage between renewable and non-renewable materials.

**(2) <u>Identified Risks</u>**

The Company has not identified any significant risks with respect to this matter.

**(3) <u>Identified Opportunities</u>**

There is an opportunity to deepen the participation of the Company's personnel in its environmental conservation efforts. Aside from increasing its recycling and garbage segregation efforts, the Company can also encourage its employees to attend and actively participate in the different environmentally themed activities and educational campaigns.

***e. Ecosystem and Biodiversity (Upland / Watershed or Coastal / Marine)***

| Disclosure | Quantity |
|---|---|
| ***Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas*** | *None identified* |
| ***Habitats protected or restored*** | *None identified* |
| ***IUCN Red List species and national conservation list species with habitats in areas affected by operations*** | *None identified* |

**(1) <u>Impact</u>**

All of the Company's leased offices, namely its primary office, investor centers, data centers, and units in the Philippine Stock Exchange Tower in Bonifacio High Street, Taguig, are situated in business district areas. As none of these locations are in, or adjacent to, any protected areas, there are currently no identified impacts of the Company's operations on biodiversity and ecosystems.

**(2) <u>Identified Risks and Opportunities</u>**

As of the moment, there are no significant risks or opportunities identified with respect to the above matter.

## 2. Environmental Impact Management

### *a. Air Emissions*

#### (1) GHG

| Disclosures | Quantity |
|---|---|
| ***Direct (Scope 1) GHG Emissions*** | - *Tonnes CO2e* |
| ***Energy indirect (Scope 2) GHG Emissions*** | - *Tonnes CO2e* |
| ***Emissions of ozone-depleting substances (ODS)*** | - *Tonnes* |

#### (2) Air Pollutants

| Disclosure | Quantity |
|---|---|
| ***$NO_X$*** | - *kg* |
| ***$SO_X$*** | - *kg* |
| ***Persistent organic pollutants (POPs)*** | - *kg* |
| ***Volatile organic compounds (VOCs)*** | - *kg* |
| ***Hazardous air pollutants (HAPs)*** | - *kg* |
| ***Particulate matter (PM)*** | - *kg* |

#### (3) Impact for both (1) and (2)

As previously shown, the nature of the business of the Company does not result in as much direct material environmental impact as opposed to a business that is part of the manufacturing industry, for instance. As such, the Company's impact on greenhouse gas emissions is insignificant, and mainly results from business travel and/or courier services. However, there is currently no data available on the greenhouse gas emissions resulting from these activities.

Internally, the Company encourages employees to help in reducing greenhouse gas emissions by doing simple practices to conserve electricity and water. The Company has also replaced its fluorescent bulbs into LED.

Further, the nature of the Company's business does not lead to distinct or identifiable sources of emissions involving pollutants detrimental to public health or the environment.

#### (4) Identified Risks and Opportunities for both (1) and (2)

There are no significant risks or opportunities identified for the matters above.

### *b. Solid and Hazardous Wastes*

#### (1) <u>Solid Waste</u>

| **Disclosure** | **Quantity** |
|---|---|
| ***Total solid waste generated*** | - *kg* |
| ***Reusable*** | - *kg* |
| ***Recyclable*** | - *kg* |
| ***Composted*** | - *kg* |
| ***Incinerated*** | - *kg* |
| ***Residuals/Landfilled*** | - *kg* |

#### (2) <u>Hazardous Waste</u>

| **Disclosure** | **Quantity** |
|---|---|
| ***Total weight of hazardous waste generated*** | - *kg* |
| ***Total weight of hazardous waste transported*** | - *kg* |

#### (3) <u>Effluents</u>

| **Disclosure** | **Quantity** |
|---|---|
| ***Total volume of water discharges*** | - *cubic meters* |
| ***Percent of wastewater recycled*** | - *%* |

#### (4) <u>Impact for Solid and Hazardous Waste and Effluents</u>

The Company's operations generate, for the most part, commercial waste consisting mostly of paper and plastic waste. No hazardous waste has been identified within the operations of the Company, as the term is defined by Republic Act No. 6969 (Toxic Substances and Hazardous Nuclear Waste Control Act of 1990). With respect to effluents, as previously mentioned, the Company uses tap water mainly for personal hygiene of its employees and clients. This water is sourced from the water utility provider in its building.

To help maintain the cleanliness of the premises, the Company provides trash bins within the office areas which are collected daily by the janitors of the building. Segregation into biodegradable, non-biodegradable and organic waste is also being observed.

#### (5) <u>Identified Risks and Opportunities for all items</u>

There are no significant risks or opportunities identified for the matters above.

### *c. Environmental Compliance*

#### (1) Non-Compliance with Environmental Laws and Regulations

| Disclosure | Quantity |
|---|---|
| ***Total amount of monetary fines for non-compliance with environmental laws and/or regulations*** | *0* |
| ***No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations*** | *0* |
| ***No. of cases resolved through dispute resolution mechanism*** | *0* |

#### (2) Impact

Given the nature of the Company's business, any changes in environmental laws or regulations would not affect it more significantly than how it would affect any other business. Such amendment of regulation or law may have an impact on the Company's personnel, clients, investors, and suppliers or service providers.

#### (3) Identified Risks and Opportunities for all items

There are no significant risks or opportunities identified for the matters above.

## D. SOCIAL

### 1. Employee Management

#### *a. Employee Hiring and Benefits*

**(1) Employee Data**

| Disclosure | Quantity |
|---|---|
| ***Total number of employees*** | *140* |
| ***a. Number of female employees*** | *105* |
| ***b. Number of male employees*** | *35* |
| ***Attrition rate*** | *0%* |
| ***Ratio of lowest paid employee against minimum wage*** | - |

The attrition rate was computed by deducting the number of resigned employees against the number of newly hired employees and dividing the difference by the average between the total number of employees for 2020 and 2021. For the calendar year ending 31 December 2020, the number of new hires and resigned employees are equal at 14 persons.

All COL full time employees are paid above the minimum wage.

**(2) Employee Benefits**

| List of Benefits | Y/N | % Female Employee Availment | % Male Employee Availment |
|---|---|---|---|
| ***SSS*** | *Y* | *100.0%* | *100.0%* |
| ***PhilHealth*** | *Y* | *100.0%* | *100.0%* |
| ***Pag-ibig*** | *Y* | *100.0%* | *100.0%* |
| ***Parental leaves*** | *Y* | *100.0%* | *100.0%* |
| ***Vacation leaves*** | *Y* | *100.0%* | *100.0%* |
| ***Sick leaves*** | *Y* | *100.0%* | *100.0%* |
| ***Medical benefits (aside from PhilHealth)*** | *Y* | *100.0%* | *100.0%* |
| ***Housing assistance (aside from Pag-ibig)*** | *N* | - | - |
| ***Retirement fund (aside from SSS)*** | *Y* | *100.0%* | *100.0%* |
| ***Further education support*** | *Y* | | |
| ***Company stock options*** | *N* | - | - |
| ***Telecommuting*** | *N* | - | - |
| ***Flexible-working Hours*** | *Y* | *100.0%* | *100.0%* |
| ***Emergency Salary Loan*** | *Y* | *8.5%* | *1.4%* |

*SSS, Philhealth, and Pag-Ibig Benefits:* The Company regularly remits the monthly contributions for SSS, Philhealth, and Pag-Ibig. The Company, through its Human Resources Department, processed the benefit applications of all employees who have applied for these benefits and have met the minimum conditions for availment. These benefits include maternity and sickness benefits for SSS, Philhealth deductions on medical expenses, SSS and Pag-Ibig loans, among others.

*Parental, Vacation, and Sick Leaves:* All employees who are qualified to avail of said leaves have been granted them. All employees are granted a certain number of sick and vacation leaves per calendar year, which amount of leaves would depend on the employee's rank and tenure with the Company.

*Medical Benefits (aside from SSS):* The Company gives a health card to all regular employees. Further, the Company sponsors the annual physical examination of its personnel. In light of the COVID-19 pandemic, this benefit was extended to all personnel, including probationary employees and even agency hires assigned to the Company.

*Retirement Fund (aside from SSS):* The Company has a retirement program which may be availed of by employees who have rendered at least five (5) years of service.

*Further Education Support:* The Company has a training and development program to support the training needs of its personnel.

*Housing Assistance (aside from Pag-Ibig); Company Stock Options:* The Company does not have a housing assistance program (other than Pag-Ibig). It also does not currently have an employee stock option program.

*Flexible Working Hours and Telecommuting:* As Company employees need to be accessible during the hours that trading in the Philippine Stock Exchange are open, the Company cannot adopt flexible working hours for all positions. However, some employees, depending on their rank and role, have been granted flexible or semi-flexible working hours.

In 2021, due to the COVID-19 pandemic, most employees worked from home, while a skeletal team reports to work in the office premises.

*Emergency Salary Loan:* The Company grants an emergency salary loan to all regular employees. The loanable amount as well as repayment terms depend on several factors including, among others, tenure and purpose for the loan.

### (3) Impact

Among the missions of COL is to provide a conducive and rewarding work environment for its employees. The Company values the contribution of each and every employee of COL and has crafted its human resources policies with the aim of attracting and retaining key talent in the organization. These policies are constantly being reviewed in line with the changing circumstances as well as the changing needs of the Company's employees over time.

To attract and retain its talents, the Company has adopted, among others, the following human resources benefits and programs:

i. Competitive salary which is regularly benchmarked against market rates;
ii. Annual performance review to determine salary adjustments and promotions;
iii. Annual review of job functions and needed skills and training to ensure career growth;
iv. At least 24 annual leave credits, which may be increased to up to 30 annual leave credits, depending on tenure;
v. HMO health benefits;
vi. Group life insurance;
vii. Meal and transportation allowances;
viii. Emergency salary loans;
ix. Employee training / study grant;
x. Maternity benefit;
xi. Personal Investment Plan;
xii. Service Awards; and
xiii. Retirement and separation pay.

In 2021, the Company purchased COVID-19 vaccines and sponsored vaccinations and boosters for Company personnel and their dependents. The Company further encouraged its employees to avail of the vaccination program by providing them with paid time off on the days of their vaccination.

**(4) <u>Identified Risks</u>**

A critical risk is employee disengagement. Disengaged employees are "not poised to put in extra effort for success. They don't like going to work most days. They're unlikely to recommend the products of, or employment with, their employer."[2] A disengaged employee will only do the minimum, which performance will affect the overall performance of the Company.

Another risk is the resignation or separation of employees who then shift to either direct competitors or other companies within the same industry.

The Company shares its advocacy of a "richer life" for all Filipinos to its personnel. COL believes that it is important that its employees share in its advocacy or "just cause" in order to understand the direction and the overall focus of the Company.

To address engagement and foster a spirit of community within COL, the Company hosts various employee related events including teambuilding, a year-end party, and quarterly town halls, to name a few. With the imposition of the community quarantine, the Company had to transition these events online.

[2] Zayed, Leila; Talent Culture, "Four Tips for Measuring Employee Engagement" at https://talentculture.com/four-tips-for-measuring-employee-engagement/ (last visited, 19 March 2021)

The Company's leaders also practice an "open door" policy which allows personnel to approach them directly in case of any concerns. The Company also has a grievance mechanism and has implemented a whistleblowing policy that provides additional avenues for personnel to forward their grievances. The Company has also started measuring its employee net promoter score, which will allow COL to keep track of the employee's happiness and engagement and address any issues that arise.

**(5) <u>Identified Opportunities</u>**

There are many new developments in human resources that provide the Company with opportunities to deepen employee engagement and drive employment retention. Further, each interaction with the employee also provides the Company with an opportunity of understanding his/ her needs and seeing how COL can properly address them.

The Company studies each trend in human resources against the needs of the employees to see how the former can address the latter. The Company does this by sending its human resources team for continuous learning and through its memberships in HR organizations. The Company also encourages employees to make suggestions and explores these ideas to see if they can be applied.

***b. Employee Training and Development***

| **Disclosure** | **Quantity** |
|---|---|
| ***Total training hours provided to employees*** | - |
| ***a. Female employees*** | - |
| ***b. Male employees*** | - |
| ***Average training hours provided to employees*** | - |
| ***a. Female employees*** | - |
| ***b. Male employees*** | - |

The above information is not available. While the Company has a list of employees who underwent training programs in 2021, it does not have on file the total number of hours of training of each employee.

For 2021, select personnel of the Company attended the following seminars:

| ***Training*** | ***In-house / External Trainer*** | ***Department Concerned*** |
|---|---|---|
| ***January*** | | |
| *SSS Contribution Schedule 2021 and WISP* | *External* | *Human Resources* |
| *PRN for Loans* | *External* | *Human Resources* |
| *Employer Update Contact Information thru the SSS Mobile Application* | *External* | *Human Resources* |
| *Disbursement Account Enrollment Module* | *External* | *Human Resources* |

| ***Training*** | ***In-house / External Trainer*** | ***Department Concerned*** |
|---|---|---|
| *Market Outlook* | *In-house* | *All Departments* |
| *Wellness Wednesday: 5 Key Steps to Managing your Emergency Needs* | *In-house* | *All Departments* |
| ***February*** | | |
| *IT Security Awareness* | *External* | *IT* |
| *COL Conversations with Cebu Pacific: Preparing the Runway for Recovery* | *In-house* | *All Departments* |
| *Personal Online Security: An IT Security Awareness Webinar* | *External* | *All Departments* |
| ***March*** | | |
| *Briefing on PDTC's Name-on-Central-Depository (NoCD) for Real Estate Investment Trust (REIT)* | *External* | *Operations* |
| *Personal Online Security: An IT Security Awareness Webinar* | *External* | *All Departments* |
| *Multiple Opportunities to Grow your Money with Mutual Funds* | *In-house* | *All Departments* |
| *COL Expert Huddle: Finding Opportunities in the Market Correction* | *In-house* | *All Departments* |
| *Keeping the Workplace a Safe Space: Employers at the Forefront* | *External* | *Human Resources* |
| *Safety in the Workplace: Why COVID-19 Vaccination is Important* | *External* | *Human Resources* |
| ***April*** | | |
| *Level Up Leadership Seminar* | *External* | *Sales & Customer Support* |
| ***May*** | | |
| *COL Conversations: AC Energy, The Making of the Largest Listed Renewables Platform in Southeast Area* | *In-house* | *All Departments* |
| *Training Invitation for PDTC NoCD REIT Maker and Checker* | *External* | *Operations* |
| *FQ Book 2: Financial Education Does Not Work, a crash course in Behavioral Economics* | *External* | *All Departments* |
| *Financial Modeling and Valuation Workshop* | *External* | *Research* |
| *Level Up Leadership Seminar* | *External* | *Sales & Customer Support* |
| *COL Conversations with Monde Nissin: Tasty, Healthy and Sustainably Produced Food* | *In-house* | *All Departments* |
| *2021 Trading Participants' Seminar* | *External* | *Legal & Compliance* |

| ***Training*** | ***In-house / External Trainer*** | ***Department Concerned*** |
|---|---|---|
| *COL Conversations: Fund Managers 2021 Outlook: Investing Opportunities in a Period of Uncertainty* | *In-house* | *All Departments* |
| ***June*** | | |
| *MCLE Online - MCLE VII* | *External* | *Legal & Compliance* |
| *2021 Trading Participants' Seminar* | *External* | *Legal & Compliance* |
| *COL Expert Huddle: Is the Stock Market turning for the better?* | *In-house* | *All Departments* |
| *Corporate Actions Training* | *In-house* | *Operations, Sales & Customer Support* |
| *Level Up Leadership Seminar* | *External* | *Sales & Customer Support* |
| *SEC Certification Webinar for Compliance Officers/ Associated Persons* | *External* | *Legal & Compliance* |
| *Compliance Training* | *In-house* | *All Departments* |
| ***July*** | | |
| *Top Level Anti-Money Laundering/Counter-Terrorist Financing* | *External* | *Directors and Officers* |
| *Training Session for Real Estate Investment Trusts* | *External* | *All Departments* |
| *Trading Participants Briefing on REIT IPOs Settlement and Application* | *External* | *Operations* |
| *COL Conversations: Filinvest REIT, Positioned for Steady Growth* | *In-house* | *All Departments* |
| *Mid-year Market Outlook: Investing in the Uneven Recovery* | *In-house* | *All Departments* |
| *Experience Coaching: How Coaching Can Benefit You and Your Organization in the Pandemic and Beyond* | *External* | *Officers* |
| ***August*** | | |
| *Basic Occupational Safety and Health* | *External* | *Human Resources* |
| *DPO ACE Level 1 Training Program* | *External* | *Legal & Compliance* |
| *ALERT Training* | *External* | *Operations* |
| *CTM Manual Training* | *External* | *Operations* |
| *Targeted Financial Sanctions Related to Proliferation Financing Webinar* | *External* | *Legal & Compliance* |
| *COL Conversations with Robinsons Land REIT: Larger, Better, Wider Opportunities* | *In-house* | *All Departments* |

| Training | In-house / External Trainer | Department Concerned |
|---|---|---|
| Basic Occupational Safety and Health | External | Admin |
| **September** | | |
| Wellness Wednesday: Intellicare Benefits Orientation | External | All Departments |
| Standard First Aid and CPR AED Course | External | IT |
| COL Conversations with Megaworld REIT: The REIT Platform with a Long Runway for Growth | In-house | All Departments |
| Social Media Certification | External | Marketing |
| COL Conversations: Is there more to Converge | In-house | All Departments |
| COL Conversations with Jollibee Foods: Delivering Joy Globally | In-house | All Departments |
| EQ Depository System (ECS Equity) | External | Operations |
| **October** | | |
| Standard First Aid and CPR AED Course | External | Human Resources |
| COL Conversations with BlackRock: Earning Regular Income through Global Investing | In-house | All Departments |
| COL Conversations with Megawide: Key Player in the PH Infrastructure Play | In-house | All Departments |
| COL Conversations with All Day: Transforming the Supermarket Landscape | In-house | All Departments |
| COL Conversations with Synergy Grid: Powering the Philippines' Industrial Boom | In-house | All Departments |
| **November** | | |
| Manager Development: The Key to Building Resilience and Better Business Performance | External | Human Resources |
| COL Conversations with The Keepers Holdings: In High Spirits for Rapid Growth | In-house | All Departments |
| SCCP Administrator User Lecture Training for the New Clearing and Settlement System | External | Operations |
| SCCP Maker User Lecture Training for the New Clearing and Settlement System | External | Operations |
| 49th MGM: SSS, Pag-IBIG, Philhealth, and ECC Updates, Plans, and Programs for 2022 | External | Human Resources |
| SCCP Approver User Lecture Training for the New Clearing and Settlement System | External | Operations |
| Practical Eating | External | All Departments |
| Advanced Corporate Governance:<br>Building Business Resilience in the Corporate Strategy<br>Fraud Strengthening of Internal Controls | External | Directors and Officers |

| Training | In-house / External Trainer | Department Concerned |
|---|---|---|
| COL Conversations with Medilines on Healthcare IPO: Leading the Growth of Quality Healthcare | In-house | All Departments |
| SCCP New C&S Administrator Hands-On Training | External | Operations |
| The Magic of Better Breathing and Sleep | External | All Departments |
| **December** | | |
| Gearing Up for the Next Chapter: COL Multi-Asset Investing Summit | External | All Departments |
| Practical Personal IT Security in the Pandemic & Protecting your Enterprise Against Business Email Compromise | External | All Departments |
| AMLA Webinar | In-house | All Departments |

| **Training** | In-house / External Trainer | Department Concerned |
|---|---|---|
| **January** | | |
| SSS Contribution Schedule 2021 and WISP | External | Human Resources |
| PRN for Loans | External | Human Resources |
| Employer Update Contact Information thru the SSS Mobile Application | External | Human Resources |
| Disbursement Account Enrollment Module | External | Human Resources |
| Market Outlook | In-house | All Departments |
| Wellness Wednesday: 5 Key Steps to Managing your Emergency Needs | In-house | All Departments |
| **February** | | |
| IT Security Awareness | External | IT |
| COL Conversations with Cebu Pacific: Preparing the Runway for Recovery | In-house | All Departments |
| Personal Online Security: An IT Security Awareness Webinar | External | All Departments |
| **March** | | |
| Briefing on PDTC's Name-on-Central-Depository (NoCD) for Real Estate Investment Trust (REIT) | External | Operations |
| Personal Online Security: An IT Security Awareness Webinar | External | All Departments |
| Multiple Opportunities to Grow your Money with Mutual Funds | In-house | All Departments |
| COL Expert Huddle: Finding Opportunities in the Market Correction | In-house | All Departments |

| ***Training*** | ***In-house / External Trainer*** | ***Department Concerned*** |
|---|---|---|
| *Keeping the Workplace a Safe Space: Employers at the Forefront* | *External* | *Human Resources* |
| *Safety in the Workplace: Why COVID-19 Vaccination is Important* | *External* | *Human Resources* |
| ***April*** | | |
| *Level Up Leadership Seminar* | *External* | *Sales & Customer Support* |
| ***May*** | | |
| *COL Conversations: AC Energy, The Making of the Largest Listed Renewables Platform in Southeast Area* | *In-house* | *All Departments* |
| *Training Invitation for PDTC NoCD REIT Maker and Checker* | *External* | *Operations* |
| *FQ Book 2: Financial Education Does Not Work, a crash course in Behavioral Economics* | *External* | *All Departments* |
| *Financial Modeling and Valuation Workshop* | *External* | *Research* |
| *Level Up Leadership Seminar* | *External* | *Sales & Customer Support* |
| *COL Conversations with Monde Nissin: Tasty, Healthy and Sustainably Produced Food* | *In-house* | *All Departments* |
| *2021 Trading Participants' Seminar* | *External* | *Legal & Compliance* |
| *COL Conversations: Fund Managers 2021 Outlook: Investing Opportunities in a Period of Uncertainty* | *In-house* | *All Departments* |
| ***June*** | | |
| *MCLE Online - MCLE VII* | *External* | *Legal & Compliance* |
| *2021 Trading Participants' Seminar* | *External* | *Legal & Compliance* |
| *COL Expert Huddle: Is the Stock Market turning for the better?* | *In-house* | *All Departments* |
| *Corporate Actions Training* | *In-house* | *Operations, Sales & Customer Support* |
| *Level Up Leadership Seminar* | *External* | *Sales & Customer Support* |
| *SEC Certification Webinar for Compliance Officers/ Associated Persons* | *External* | *Legal & Compliance* |
| *Compliance Training* | *In-house* | *All Departments* |

| ***Training*** | ***In-house / External Trainer*** | ***Department Concerned*** |
|---|---|---|
| ***July*** | | |
| *Top Level Anti-Money Laundering/Counter-Terrorist Financing* | *External* | *Directors and Officers* |
| *Training Session for Real Estate Investment Trusts* | *External* | *All Departments* |
| *Trading Participants Briefing on REIT IPOs Settlement and Application* | *External* | *Operations* |
| *COL Conversations: Filinvest REIT, Positioned for Steady Growth* | *In-house* | *All Departments* |
| *Mid-year Market Outlook: Investing in the Uneven Recovery* | *In-house* | *All Departments* |
| *Experience Coaching: How Coaching Can Benefit You and Your Organization in the Pandemic and Beyond* | *External* | *Officers* |
| ***August*** | | |
| *Basic Occupational Safety and Health* | *External* | *Human Resources* |
| *DPO ACE Level 1 Training Program* | *External* | *Legal & Compliance* |
| *ALERT Training* | *External* | *Operations* |
| *CTM Manual Training* | *External* | *Operations* |
| *Targeted Financial Sanctions Related to Proliferation Financing Webinar* | *External* | *Legal & Compliance* |
| *COL Conversations with Robinsons Land REIT: Larger, Better, Wider Opportunities* | *In-house* | *All Departments* |
| *Basic Occupational Safety and Health* | *External* | *Admin* |
| ***September*** | | |
| *Wellness Wednesday: Intellicare Benefits Orientation* | *External* | *All Departments* |
| *Standard First Aid and CPR AED Course* | *External* | *IT* |
| *COL Conversations with Megaworld REIT: The REIT Platform with a Long Runway for Growth* | *In-house* | *All Departments* |
| *Social Media Certification* | *External* | *Marketing* |
| *COL Conversations: Is there more to Converge* | *In-house* | *All Departments* |
| *COL Conversations with Jollibee Foods: Delivering Joy Globally* | *In-house* | *All Departments* |
| *EQ Depository System (ECS Equity)* | *External* | *Operations* |
| ***October*** | | |

| ***Training*** | ***In-house / External Trainer*** | ***Department Concerned*** |
|---|---|---|
| *Standard First Aid and CPR AED Course* | *External* | *Human Resources* |
| *COL Conversations with BlackRock: Earning Regular Income through Global Investing* | *In-house* | *All Departments* |
| *COL Conversations with Megawide: Key Player in the PH Infrastructure Play* | *In-house* | *All Departments* |
| *COL Conversations with All Day: Transforming the Supermarket Landscape* | *In-house* | *All Departments* |
| *COL Conversations with Synergy Grid: Powering the Philippines' Industrial Boom* | *In-house* | *All Departments* |
| ***November*** | | |
| *Manager Development: The Key to Building Resilience and Better Business Performance* | *External* | *Human Resources* |
| *COL Conversations with The Keepers Holdings: In High Spirits for Rapid Growth* | *In-house* | *All Departments* |
| *SCCP Administrator User Lecture Training for the New Clearing and Settlement System* | *External* | *Operations* |
| *SCCP Maker User Lecture Training for the New Clearing and Settlement System* | *External* | *Operations* |
| *49th MGM: SSS, Pag-IBIG, Philhealth, and ECC Updates, Plans, and Programs for 2022* | *External* | *Human Resources* |
| *SCCP Approver User Lecture Training for the New Clearing and Settlement System* | *External* | *Operations* |
| *Practical Eating* | *External* | *All Departments* |
| *Advanced Corporate Governance:*<br>*Building Business Resilience in the Corporate Strategy*<br>*Fraud Strengthening of Internal Controls* | *External* | *Directors and Officers* |
| *COL Conversations with Medilines on Healthcare IPO: Leading the Growth of Quality Healthcare* | *In-house* | *All Departments* |
| *SCCP New C&S Administrator Hands-On Training* | *External* | *Operations* |
| *The Magic of Better Breathing and Sleep* | *External* | *All Departments* |
| ***December*** | | |
| *Gearing Up for the Next Chapter: COL Multi-Asset Investing Summit* | *External* | *All Departments* |
| *Practical Personal IT Security in the* | *External* | *All Departments* |

| ***Training*** | ***In-house / External Trainer*** | ***Department Concerned*** |
|---|---|---|
| *Pandemic & Protecting your Enterprise Against Business Email Compromise* | | |
| *AMLA Webinar* | *In-house* | *All Departments* |

**(1) <u>Impact</u>**

The continued improvement and learning of the Company's personnel directly impacts the organization. The Company further believes in the capabilities of each individual member of the organization, and thus seeks different methods to help them reach their full potential.

On an annual basis, during the performance evaluation, Company managers provide recommendations on how their team members may continue their professional development. These may be in the form of learning a new set of skills, attending a training program, or exposure to a different facet of the job to help them have a more meaningful understanding of their role in the Company. These trainings are Company sponsored and all concerned employees are highly encouraged to attend.

The Company also encourages the employees to join outside organizations related to their tasks to help deepen their networks and expose them to the best practices of other companies.

The Company also allows its employees to take long leaves (sabbaticals) to give them an opportunity to pursue further studies. As long as allowed by the individual's role, the Company is also amenable to adjusting the work schedule of employees who are taking additional studies to fit their school schedule.

Employee training may also involve topics for personal development, such as leadership training and strengths training.

Aside from the above, the Company culture also encourages employees to approach their managers, department heads, or the human resources department if they have any suggestions, including possible topics for further study.

**(2) <u>Identified Risks</u>**

Each learning and development training or activity is an investment in the employee, requiring resources on the part of the Company. There is a risk that the employee leaves the Company after completion of his training, bringing his upgraded skills to a competitor or other organization.

However, for the Company to move to the next level and meet new challenges, it cannot stop from and must continue to invest in the learning, training, and development of its personnel. The risk of employee resignation, after investment on his training, may be mitigated as follows:

i. For training requiring a substantial investment on the part of the Company, the employee is required to sign a training bond;
ii. The Company employs a selection mechanism to determine who will receive training which includes the consideration of, among others, the following factors: tenure and employee performance; and
iii. Employment of employee retention / employee engagement strategies as listed previously.

**(3) <u>Identified Opportunities</u>**

Technology is breaking barriers in terms of accessibility – programs that used to be only available overseas may be accessed remotely, some courses by renowned institutions are available online, and what used to be classroom only type lectures may now be translated to an online platform. All of these present opportunities to the Company and give it and its employees more options in finding the training most suited to them.

The Company's human resources department is continually exploring which learning methodologies, courses, platforms, etc. fit the needs and profile of the employees.

***c. Labor Management Relations***

| **Disclosure** | **Quantity** |
|---|---|
| ***% of employees covered with Collective Bargaining Agreements*** | *0* |
| ***Number of consultations conducted with employees concerning employee-related policies*** | - |

The Company does not have formal data on this. However, prior to implementation of any policy, consultations are done with employee representatives of different departments to obtain their views on the proposed policy.

**(1) <u>Impact</u>**

The Company believes that its people are its most valuable resource. Any issue that directly affects the Company's personnel will have an impact on the organization. Likewise, most Company decisions will impact its employees, directly or indirectly.

As part of its mission to provide a conducive and rewarding work environment to all personnel, the Company strives to provide employees with compensation, benefits, and a work environment that are at least at par with, or better, than what is required by labor laws and best practices of other corporations.

Given the relatively small size of the Company, the employees are not unionized. Thus, to ensure transparency and open dialogue with the employees, the Company seeks many ways to engage them. These include the imposition of an "open door" policy for all officers, the hosting of events such as townhall meetings where employees may openly ask their questions to management, the seeking of employee feedback and employee representatives in certain human resources initiatives.

**(2) Identified Risks and Opportunities**

The Company has not identified any significant risks and/or opportunities with regards to this matter.

***d. Diversity and Equal Opportunity***

| **Disclosure** | **Quantity** |
|---|---|
| ***% of female workers in the workforce*** | *75%* |
| ***% of male workers in the workforce*** | *25%* |
| ***Number of employees from indigenous communities and/or vulnerable sector*** | - |

While the Company employs persons from the vulnerable sector, it does not monitor the headcount from such sectors. The term "vulnerable sector" includes elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

**(1) Impact**

The gender ratio affects the predominant needs of the employees as well as defines the approach taken by Management to respond to them. It should be noted that unlike traditional institutions, COL is a predominantly female organization. Seventy-five percent (75%) of its employees are female. While only one (1) out of its eleven (11) directors is female, it is worth noting that seven (7) out of its eleven (11) officers (defined as those with rank of at least Assistant Vice President), or sixty-four percent (64%), are female.

Preliminarily, it bears stressing that the Company employs a merit-based approach in hiring and employee movements (e.g. promotions). While there are certain departments that are predominantly male or female, this was not a result of a deliberate preference by the Company of one gender over another. An applicant or employee is evaluated only against factors that affect his or her job performance, ignoring aspects which have no bearing on them such as their gender, age, race, religion, or social status.

Given the predominant female population of the Company, the Company has developed programs catered to women – such as the company maternity benefit policy. However, Department Heads are also given some degree of flexibility in defining some of their programs to suit their employees.

**(2) Identified Risks**

There is a risk that the needs of the minority may be ignored or not given the proper priority. The Human Resources Department must continually exert efforts to interact with all employees and keep itself updated on ongoing issues, to avoid becoming tone-deaf and inadvertently exclude the needs of a minority group.

The Company encourages accessibility of all officers and the Human Resources Department. Further, prior to implementation of policies, the Company seeks the opinion of its personnel, and tries to ensure that all interests and groups are represented.

**(3) <u>Identified Opportunities</u>**

There is an opportunity in understanding what makes each member of the organization unique. Diversity should not be understood only in the limited male-female dichotomy. Rather, there is a need for the Company to look at diversity in terms of age, sexual orientation, religion, experiences, roles, and skill sets, among others.

The Company engages in constant dialogue between the human resources team, Management, and the personnel to understand what makes each individual unique, what binds all of them together, and how the Company may best address their needs.

***e. Occupational Health and Safety***

| **Disclosure** | **Quantity** |
|---|---|
| ***Safe Man-Hours*** | **-** |
| ***No. of work-related injuries*** | *0* |
| ***No. of work-related fatalities*** | *0* |
| ***No. of work-related ill-health*** | *0* |
| ***No. of safety drills*** | - |

**(1) <u>Impact</u>**

Given the nature of the Company's business as a financial institution, work-related hazards are limited to occasional accidents, such as slipping, falling, or contact with sharp objects, as well as those that affect the community as a whole.

The Company has tasked its Admin department, together with select personnel who are Occupational Safety and Health (OSH) certified to ensure that the work premises are safe for its personnel, clients, and guests. Work areas are routinely checked and items deemed to be hazardous or with a potential to cause injury are immediately remedied.

The Company likewise is in close coordination with the building administration office to ensure that any building-related issues affecting the health and safety of the personnel are immediately raised and addressed.

As part of its benefits, the Company sponsors the health card of its employees. With the help of its HMO provider, the Company regularly reviews the common illnesses, if any, of its employees, and finds solutions to address them. On an annual basis, the Company also sponsors the annual physical exam of all personnel to ensure their continued health and safety. Prior to reporting for their first day in the office, new employees are required to complete a pre-employment examination and receive cleared results. Those who are not cleared by the doctor are given additional time to address their medical issues before joining the Company. In terms of its employees, the Company requires employees who have been on sick leave for at least two (2) days to obtain a fit to work prior to reporting for office.

**(2) <u>Identified Risks</u>**

The Company manages all applicable risks using the approaches mentioned above.

In addition to the risks that have been discussed above, the onset of the novel coronavirus (COVID-19) pandemic is an unprecedented black swan event. The health crisis has affected the Company as a Luzon-wide lockdown was implemented and public transportation was curtailed.

With respect to the situation caused by the COVID-19 pandemic, the Company instituted its business continuity protocols which allowed most employees to work remotely, and the implementation of a skeletal staff and rotational staff system. The Company has also complied with the recommended protocols of the Department of Health and the World Health Organization, such as the more frequent disinfection and sanitation of its office spaces, conduct of temperature checks, and making alcohols, vitamins, face masks, and face shields available for its employees. Additional prevention and control measures were also established such as (a) installation acrylic barriers at workstations where face-to-face transactions take place; (b) installation of stanchion post to control entrance/exit at the main door; (c) an alternate seating arrangement; (d) installation of floor markings for social distancing; (e) posting of personal hygiene and etiquette signages; (f) provision of alcohol dispensers and footbath; and (g) provision of air purifiers for the employees. To reduce potential exposure of both its employees and clients, the Company has also informed its clients that all transactions in the meantime will be done online.

**(3) <u>Identified Opportunities</u>**

Each crisis provides the Company with an opportunity of discovering new and improved ways to deliver services to its clients and look after the safety and welfare of its personnel.

The Company is always open and seeks to remain flexible in order to explore new alternatives and solutions. The Company has identified key personnel who will spearhead the Occupational and Safety Committee of the organization. The Company also has an Emergency Response Team in place, comprised mostly of Company decision-makers such as its department heads, to handle the more critical issues.

### *f. Labor Laws and Human Rights*

| Disclosure | Quantity |
|---|---|

| | |
|---|---|
| ***No. of legal actions or employee grievances involving forced or child labor*** | *0* |

| Topic | Company Policy |
|---|---|
| ***Forced labor*** | *The Company complies with all applicable laws, including the Philippine Constitution and labor laws, which prohibit forced labor.* |
| ***Child labor*** | *The Company only hires applicants who are of legal age, or at least 18 years old.* |
| ***Human Rights*** | *The Company complies with all applicable laws, including the Philippine Constitution and labor laws, which protect human rights.* |

**(1) <u>Impact</u>**

Any violation of labor laws or human rights against the Company's personnel directly impacts its people.

The Company believes that its people are its greatest resource. As such, apart from ensuring compliance with the requirements of all applicable laws and regulations, the Company, as much as possible, tries to adopt the best practices in other organizations. Further, the Company ensures that there are open lines of communication between its personnel and management, to ensure that the personnel's critical needs are addressed.

**(2) <u>Identified Risks</u>**

Being in the financial services industry, there are instances when Company personnel are ill-treated by clients or other third parties.

As much as possible, the Company tries to find a win-win solution for any incident. However, this is never at the expense of the rights of its personnel. Clients are informed in advance that Company personnel must be treated with courtesy and respect, and that unprofessional behavior will not be tolerated. Under the Company's contract with its clients, any such behavior will give rise to the Company's right to terminate the engagement. Further, the Company ensures that there are security guards posted at or near its business centers, to protect its employees.

**(3) <u>Identified Opportunities</u>**

New solutions to emerging or existing issues are constantly being developed which the Company can learn from.

The Company reviews these potential solutions vis-à-vis the factual circumstances of the Company and its personnel. Depending on the urgency of the situation, applicable solutions may be adopted on a staggered basis.

**2. Supply Chain Management**

While there is no formal written policy on supplier accreditation, the Company requires new vendors/suppliers to complete a Vendor Information Sheet and to submit the same together with supporting documents which includes, among others:

i. Company Profile
ii. Business Permit
iii. SEC Registration
iv. Audited Financial Statement
v. BIR Registration Form 2303
vi. VAT Exemption Certificate
vii. Sample Official Receipt/Sales Invoice/Collection Receipt

The Company then conducts a background check of the prospective vendor based on their trade references. In conducting its background check, it considers a variety of factors which include sustainability topics such as environmental performance, forced labor, child labor, human rights, and bribery and corruption, among others.

**(1) <u>Impact</u>**

The Company highly values integrity and its reputation may be affected by its partnerships with various persons, including its vendors and service providers. Thus, the reputation of the prospective supplier or service provider forms part of the criteria to be considered prior to entering into any agreement. Any adverse news on the above topics will cause the Company to reconsider its relationship with said supplier or service provider.

**(2) <u>Identified Risks and Opportunities</u>**

The Company has not identified any substantial risks and/or opportunities with respect to the above matters.

## 3. Relationship with Community

### *a. Significant Impacts on Local Community*

#### (1) <u>Impact</u>

COL believes that every Filipino deserves to be rich. Because of this, the Company has chosen to focus its efforts on educating more Filipinos every day on the merits of financial literacy and investor education. To this end, COL holds free seminars and workshops which are open to clients and non-clients alike. COL also regularly partners with public and private companies and organizations, as well as schools and student organizations, to further its advocacy and reach.

As the Company's operations are located in urban areas, it is not aware of any impact its business may have on local communities, vulnerable groups, and indigenous people.

#### (2) <u>Identified Risks and Opportunities</u>

There are no significant risks and/or opportunities identified with respect to this matter.

## 4. Customer Management

### *a. Customer Satisfaction*

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|---|---|---|
| ***Net Promoter Score (2021 Average)*** | *-16* | *No* |

#### (1) <u>Impact</u>

The Net Promoter Score Survey (NPS) is a metric developed by Bain and Co that is used to measure customer experience and loyalty. It is reported as an index from -100 to 100 and is derived by asking customers how likely are they to recommend a company to their family and friends on a scale of 0 to 10. Respondents are grouped into 3 categories based on their rating: Promoters are those who gave a score of 9 or 10, Passives are those who gave a score of 7 or 8, and the rest are called Detractors, with scores ranging from 0 to 6. The NPS is computed by subtracting the percentage of Detractors from the percentage of Promoters.

In 2021, the Company started conducting quarterly Net Promoter Score surveys among a sample of COL clients, designed to replicate the client structure of COL. Previously, the NPS surveys were conducted on an annual basis. The survey was created and interpreted in-house using an online survey service called SurveyMonkey, which was also used to deliver the surveys to clients via email. For 2021, the Company received an average Net Promoter Score of -16. The Company's NPS improved during the year, closing at +7 in the fourth quarter from -57 in the first quarter.

The Company NPS score is collated and presented both to Management and the Board of Directors. For all respondents, the Company asked a follow up question which sought to identify what they liked most or least in the Company's services. Client feedback is reviewed, and addressed accordingly.

**(2) Identified Risks**

Any inability to address customer pain points may lead clients to avail of the services of competing brokers.

The Company reviews all customer complaints and finds solutions to address them. Priority is given to the more critical and/ or common items. These solutions form part of the deliverables and key result areas of the concerned department. The success of the improvements, if any, is measured in the following Net Promoter Score survey.

**(3) Identified Opportunities**

Customer feedback provides the Company with opportunities to improve its services by addressing pain points and leveraging on strengths identified by customers. It gives COL a unique insight into the needs of its clients, and helps guide customer retention and engagement initiatives.

***b. Health and Safety***

| Disclosure | Quantity |
|---|---|
| ***No. of substantiated complaints on product or service health and safety*** | *0* |
| ***No. of complaints addressed*** | *0* |

Given the nature of the Company's business, substantiated customer complaints, if any, do not involve health and safety issues. Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

**(1) Impact**

As the Company is an online broker / dealer of securities and mutual fund distributor, its services do not have any impact on the physical health and safety of its clients.

**(2) Identified Risks and Opportunities**

The Company has not identified any material risks and/or opportunities with respect to the above.

### *c. Marketing and Labelling*

| Disclosure | Quantity |
|---|---|
| ***No. of substantiated complaints on marketing and labelling*** | *0* |
| ***No. of complaints addressed*** | *0* |

Given the nature of the Company's business, substantiated customer complaints, if any, do not involve marketing and labelling issues. Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

**(1) Impact**

The Company conducts its advertising mostly through its digital or social media platforms.

Most marketing campaigns are done in-house. They are reviewed by the concerned departments, to ensure that the language used is accurate and easy to understand. Paid advertisements through social media channels, if any, must comply with the ad standards of said channel (e.g. Facebook).

**(2) Identified Risks and Opportunities**

The Company has not identified any material risks and/or opportunities with respect to the above.

### *d. Customer Privacy*

| Disclosure | Quantity |
|---|---|
| ***No. of substantiated complaints on customer privacy*** | *0* |
| ***No. of complaints addressed*** | *0* |
| ***No. of customers, users and account holders whose information is used for secondary purposes*** | *0* |

The Company did not receive any substantiated complaints on customer privacy for the calendar year ending 31 December 2021. Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

**(1) Impact**

The Company values the privacy of its customers. Unless otherwise required by applicable law or regulations, or necessary to process customer transactions, the Company does not disclose any customer data. Further, in case disclosures are needed, only the required minimum information is disclosed.

The Company has published its privacy policy in the website. In case the basis of processing is consent, such as marketing emails, the customer may choose to withdraw such consent or unsubscribe from such email blasts. The Company also regularly reviews its account opening documentation and other customer forms to minimize, as much as is reasonably and legally possible, the customer data being collected.

In case customers have a concern with respect to their data, they may contact the Company through any of COL's official customer channels, such as its helpdesk email and social media accounts. Said client may also directly contact the Company's Data Privacy Officer at dpo@colfinancial.com.

**(2) <u>Identified Risks</u>**

A privacy incident may lead to the disclosure of customer information.

To manage this risk, the Company has imposed policies to protect customer privacy. These include, among others, the following:

i. having an annual training on data privacy to all Company personnel;
ii. identifying persons in charge of data from each department;
iii. imposing levels of access that would limit access to customer data to what is needed by a particular personnel's role;
iv. incorporating a review process for requests of customer data; and
v. cybersecurity and other IT measures as will be discussed in the succeeding portion of this report.

**(3) <u>Identified Opportunities</u>**

There are a variety of training as well as security protocols that are being developed. The Company can take advantage of these trainings and products to further enhance its customer privacy protocols.

***e. Data Security***

| **Disclosure** | **Quantity** |
|---|---|
| ***No. of data breaches, including leaks, thefts and losses of data*** | *0* |

**(1) <u>Impact</u>**

The Company needs to collect and process personal data in the pursuit of its services. The Company must ensure security and integrity of such data to maintain the trust of its clients.

The Company prioritizes the security and integrity of its online systems. The Company has established its security operations center (SOC) that responds to all potential security issues and threats. All online systems are subjected to penetration tests and points of vulnerability are identified and addressed immediately.

The Company has assigned a data protection officer and a compliance officer for privacy to ensure protection of the data subjects. Under the Data Privacy Act, the Company is mandated to comply with the Five Pillars of Compliance, namely, (a) appointment of data protection officer; (b) conduct of ongoing privacy impact assessments; (c) implementation of a privacy management program; (d) establishing data privacy and security measures; and (e) exercise of data breach protocols.

**(2) <u>Identified Risks</u>**

Any data breach or security incident may result in disruption of Company operations, the loss of data, or compromise the integrity of data. In case of such event, some clients may choose to no longer transact with COL.

To ensure data and IT security, the Company, among others:

i. Ensures all employees are trained on relevant data privacy policies;
ii. Ensures relevant IT employees receive the appropriate advance training to help them address any changes in IT security; and
iii. Ensures that it is kept up to date on all trends and developments in IT and data security through its partnerships with its external providers and data privacy organizations.

**(3) <u>Identified Opportunities</u>**

The Company finds new and more innovative ways to keep its data secure.

Aside from keeping abreast of the fast-changing technology involving data security, the Company has also taken advantage of the available training for its personnel.

## E. UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

### 1. Product or Service Contribution to UN SGDs

| Topic | Remarks |
|---|---|
| **Key Products and Services** | Online Stock Brokerage Services |
| **Societal Value/ Contribution to UN SDGs** | Goal 1: End poverty in all its forms everywhere<br>Goal 10. Reduce inequality within and among countries<br>The Company's financial literacy program, online platform, low minimum investment rates, give clients the opportunity to participate in and access to the capital markets. Through its peso cost averaging system, it is hoped that the retail sector, comprising of individuals of different social statures, are able to get into an investment habit which will allow them to protect themselves financially. |
| **Potential Negative Impact of Contribution** | The stock market does not have a guaranteed return, thus clients risk losing some of their capital. |
| **Management Approach to Negative Impact** | The Company has a gamut of financial literacy seminars, webinars, and events to help guide its clients in their investment journey. The Company espouses the use of the peso cost averaging system, which reduces the risk of investment and potentially increases the value of the client's investment in the long-term. Clients are also encouraged to invest in mutual funds to help minimize their risk. |