COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

2 4 0 1 B T e k t i t e T o w e r s (f o r m e r l y P S
E C e n t r e) , E x c h a n g e R o a d , O r t i g a s
C e n t e r , P a s i g C i t y

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

Ms. Catherine L. Ong

(Contact Person)

8636-5411

(Company Telephone Number)

1 2 **3 1**

Month *Day*

(Calendar Year)

17-Q

(Form Type)

September 30, 2022

Month *Day*

(Annual Meeting)

Broker

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

Total Amount of Borrowings

34

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2022**

2. Commission identification number **A199910065**

3. BIR Tax Identification No. **203-523-208-000**

4. Exact name of issuer as specified in its charter: **COL FINANCIAL GROUP, INC.**

5. Province, country or other jurisdiction of incorporation or organization: **Pasig City, Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office: 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) 8636-5411**

9. Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**4,760,000,000 shares**

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

Yes [**x**] No [ ]

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

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

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

<u>Company Overview</u>

COL Financial Group, Inc. 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 Strategic Growth Equity Unitized Mutual Fund, Inc. (CSGEUMF) (formerly COL Cash Management Unitized Mutual Fund, Inc. (CCMUMF)).

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.

Industry and Economic Review

Philippine stocks performed poorly during the first nine months of 2022, with the Philippine Stock Exchange index (PSEi) ending the year-to-date period down by 19.4%.

After rallying initially due to excitement brought about by the reopening of the economy, stocks started trending lower due to concerns brought about by several factors including rising inflation and interest rates, the start of the Ukraine war, and the growing hawkishness of the U.S. Fed.

Domestic inflation trended higher during the first nine months of the year, reaching an average of 5.1% during the year-to-date period from an average of only 3.9% for the whole 2021. The sharp increase was caused by rising food and transport costs, brought about by several factors including the war in Ukraine, lockdowns in China, and the strong dollar. As of end September, the peso was weaker by 15.0% compared to its end 2021 level.

Meanwhile, the U.S. Fed turned increasingly more aggressive in raising rates after inflation in the U.S. hit a 40 year high and remained elevated despite several rate hikes. For 2022, the Fed is expected to raise rates by a total of 425 basis points, as it plans to do whatever it takes to control inflation.

The significant increase in Fed fund rates was largely responsible for the strength of the U.S. dollar and the weakness of the peso together with other global currencies. To defend the local currency and help control inflation, the BSP raised rates by a total of 225 points as of end September. It also plans to match the U.S. Fed's future rate increases point by point to maintain a comfortable rate differential.

Due to the said factors, the Philippine 10-year bond rate jumped to 7.04% as of end September from 4.8% as of end December. The negative impact of higher inflation and interest rates, and the weaker peso on the economy and corporate profits coupled with the availability of less risky higher yielding fixed income alternatives caused investors to lose appetite for stocks, leading to the weak performance of the stock market.

Because of poor investor sentiment, average daily value turnover in the Philippine Stock Exchange (PSE) fell by 15.8% year-on-year to only ₱7.1 billion during the first nine months. Foreign investors became net sellers, liquidating ₱66.8 billion worth of stocks during the first nine months after momentarily turning into net buyers during the fourth quarter of 2021.

Business Review

Key Performance Indicators

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

	September 30, 2022	September 30, 2021
Number of Customer Accounts*	512,990	479,927
Customers' Net Equity (in millions)	₱96,913.8	₱111,474.6
Revenues (in millions)	₱601.6	₱1,057.8
Annualized Return on Equity	13.9%	40.0%
Risk Based Capital Adequacy Ratio*	435.0%	414.0%
Liquid Capital** (in millions)	HKD29.1	HKD33.65

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

COL's client base continued to grow despite global and local economy worries, with the **number of customer accounts** for its Philippine operations increasing by 6.9% year-on-year to 512,990 as of end September 2022. The slower growth was in line with expectations that the bearish drift would serve as a drag on market interest given the tightness in investment liquidity caused by high interest rates, high inflation, worries over Ukraine and the impact of economic weakness from some global economies.

Customers' net equity, on the other hand, fell by 13.1% to ₱96.9 billion as of end September 2022, driven by the lower value of stocks, partly offset by net new fund flows from both existing and new clients. Note that the PSEi index ended the first nine months of the year lower by 17.4% compared to the same period last year while net new cash inflows reached ₱4.3 billion during the past twelve months.

Despite the continuous expansion of the Parent Company's client base, consolidated revenues during the first nine months fell by 43.1% to ₱601.6 million due to the significant drop in commission revenues and the absence of non-recurring gain from the sale of financial assets. The drop in the said revenue items more than offset the improvement in interest income and trail fees.

Lower revenues coupled with the slight increase in operating costs led to the 64.4% decline in net income to ₱207.5 million. Consequently, annualized **return on average equity** (ROE) fell to 13.9% in the first nine months of 2022 from 40.0% during the same period in 2021.

During the said period, both the Parent Company and COLHK continued to meet the stringent rules of the regulators in the Philippines and Hong Kong. As of end September 2022, the Parent Company's **Risk Based Capital Adequacy Ratio** (RBCA) reached 435.0%, well above the minimum requirement of 110.0%. Meanwhile, COLHK had HKD29.1 million of **liquid capital**, also well above the minimum requirement of HKD3.0 million or 5.0% of adjusted liabilities.

Material Changes in Financial Condition (September 30, 2022 vs December 31, 2021)

COL's asset base was flattish, increasing by only 0.2% to ₱13.0 billion as of end September 2022 compared to its end 2021 level.

Cash and cash equivalents, cash in a segregated account and short-term time deposits composed mainly of cash in banks and special time deposits increased by 353.7% to ₱7.9 billion as of end September 2022. This was largely due to Management's decision to allocate more funds into special time deposits to capitalize on its relatively higher yields as compared to the rate offers on government debt securities. Meanwhile, investment securities at amortized cost which reflects the Parent Company's investments in Treasury Bills, Retail Treasury Bonds (RTB) and Fixed Rate Treasury Notes (FXTN) decreased by 60.5% to ₱3.9 billion from ₱9.9 billion as of end December due to the shift.

Total trade receivables decreased by 7.1% to ₱890.4 million. This was largely due to the 99.7% drop in the value of receivables from the clearing house to ₱296,285 brought about by the reduction in selling orders as of end September compared to the end of 2021. Receivables from customers also declined slightly by 1.3% to ₱849.3 million.

Likewise, other receivables fell 28.4% to ₱50.3 million. This was mainly due to collection of the interest receivables on FXTN investments which matured in the first quarter. Receivables from fund houses also decreased by 17.3% to ₱6.3 million due to the lower value of redemptions as of end September compared to end 2021.

Prepayments increased by 48.5% to ₱12.2 million, mainly due to the renewal of the maintenance agreement for most of the Parent Company's high-capacity servers. The Parent Company also paid for the insurance premiums of its employees in the third quarter, leading to an increase in the value of the prepaid insurance relative to its end December level.

Property and equipment increased by 27.2% to ₱103.1 million. The amount of capital expenditures made in the first nine months reached ₱21.2 million while the right-of-use (ROU) assets increased by 56.5% to ₱54.1 million. These changes were higher than the size of depreciation expense which reached ₱40.3 million.

Trade payables increased by 2.9% to ₱10.9 billion for the year-to-date period. This was largely due to the higher value of buying transactions as of end September compared to end December, raising the value of payables to the clearing house from ₱33.7 million to ₱280.8 million. Meanwhile, clients' undeployed funds were flattish for the year-to-date period at ₱10.6 billion.

Other current liabilities were lower by 63.8% at ₱52.8 million largely due to the payment of accrued expenses and management bonus, as well as the remittance of withholding taxes to the BIR.

Stockholders' equity was down by 8.0% to ₱1.9 billion due to the payment of ₱404.6 million worth of cash dividends, partly offset by the booking of ₱207.2 million in net income during the first nine months of 2022.

Material Changes in the Results of Operations (September 30, 2022 vs September 30, 2021)

COL's consolidated revenues during the first nine months of 2022 fell to ₱601.6 million from ₱1.1 billion due to the drop in commission revenues and the absence of non-recurring gains from the sale of financial assets. Cost of services fell by 4.4% to ₱161.7 million, largely driven by the reduction in stock exchange dues and fees, and trading charges which are incurred to complete customers' transactions. Meanwhile, operating expenses, which are largely fixed in nature, fell by 7.9% to ₱155.8 million. Provision for income taxes fell by 51.2% to ₱65.7 million as pre-tax profits dropped by 61.9% to ₱273.1 million. Because of the foregoing movements, net income was down 64.4% to ₱207.5 million in the first nine months of 2022.

COL's revenues fell as investor sentiment deteriorated due to rising inflation and interest rates and the weak peso. Moreover, commissions were unusually high last year as retail investors actively traded fast moving non-index stock. Average daily value turnover in the PSE decreased by 15.1% to ₱7.2 billion during the first nine months of this year. Finally, value of stocks traded by local investors fell by a faster pace as evidenced by the drop in local investors' share of total value turnover to 55.1% during the first nine months of this year from 65.4% during the same period last year. These factors were responsible for the 55.0% decline in commission revenues to ₱367.7 million.

Also pulling down revenues is the absence of non-recurring trading gains amounting to ₱52.4 million.

On the positive side, trail fees increased by 7.2% to ₱16.8 million, brought about by the higher value of mutual fund assets under administration (AUA). Net sales of non-money market funds reached ₱131.5 million during the past 12 months, more than offsetting the negative impact of lower stock and bond prices.

Interest income also increased by 53.5% to ₱196.9 million. Interest income from both the margin lending business and the placement of funds in bank deposits and fixed income assets increased during the first nine months. Interest income from the margin lending business rose by 6.9% as clients utilized a larger portion of their margin lines. Meanwhile, interest income from placements jumped by 74.3% as yields on time deposits increased sharply.

Cost of services fell by 4.4% to ₱161.7 million as customers traded less. Stock exchange dues and fees and trading charges which are incurred to complete customers' transactions, fell by 49.8% and 56.7% to ₱9.8 million and ₱18.4 million, respectively. Commission expenses dropped by 5.5% to ₱22.6 million as agent managed accounts also traded less actively. Meanwhile, communications and research expenses were higher by 0.2% and 61.9% respectively.

Consolidated personnel costs, which are booked under cost of services and operating expenses, increased by 13.0% to ₱108.2 million due to pay adjustments. Meanwhile, professional fees fell by 3.5% to ₱33.8 million due to the non-renewal of certain consultancy contracts.

Advertising and marketing expenses jumped by 57.7% to ₱3.8 million due to the availment of the Parent Company of new social media and digital marketing services and the resumption of face-to-face events.

Membership fees and dues fell by 25.2% to ₱1.5 million in the first nine months of 2022. Last year, the Parent Company booked a substitutional listing fee amounting to ₱428,400 due to its 10-for-1 stock split that was finalized in January 2021.

Consolidated communications expense, which includes the amount booked under cost of services and operating expenses, fell slightly by 0.8% to ₱31.6 million due to lower monthly fees negotiated by COLHK with its service provider upon the renewal of its subscription contract.

The Parent Company also booked a ₱6.4 million loss on the sale of investment securities at amortized cost as proceeds from the sale of an existing bond were used to buy a new bond which would generate higher returns.

Total expenses comprised of cost of services and operating expenses fell by 3.5% to ₱328.4 million. Since revenues fell faster than expenses, pre-tax profits dropped by a more rapid pace of 61.9% to ₱273.1 million.

Net profits fell by 64.4% to ₱207.5 million from ₱583.2 million.

Other Matters

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

b. COL is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

c. COL is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with other persons created during the reporting period.

d. COL is not aware of any material commitments for capital expenditures.

e. COL is not aware of any known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations of the Group.

f. COL is not aware of any significant elements of income or loss that did not arise from the Group's continuing operations.

g. COL is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

PART II – OTHER INFORMATION

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Pasig on November 15, 2022.

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

By:

Conrado F. Bate
President and Chief Executive Officer

Catherine L. Ong
Senior Vice President and Treasurer

Lorena E. Velarde
First Vice President and Chief Financial Officer

COL FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2022 (Unaudited)			December 31, 2021 (Audited)		
		Security Valuation			Security Valuation	
	Money Balance	Long	Short	Money Balance	Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	**₱7,762,868,783**			₱1,658,019,809		
Cash in a segregated account (Note 5)	**102,531,977**			75,473,190		
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	**84,040,682**	**₱1,320,379**		153,886,423	₱1,512,331	
Investment securities at amortized cost (Note 8)	**3,101,458,541**			9,374,253,871		
Trade receivables (Notes 7 and 20)	**890,437,430**	**5,657,603,171**		958,819,855	6,421,985,615	
Other receivables (Notes 7 and 20)	**50,292,720**			70,224,172		
Prepayments	**12,165,373**			8,190,777		
Other current assets (Note 12)	**632,621**			484,349		
Total Current Assets	**12,004,428,127**			12,299,352,446		
Noncurrent Assets						
Investment securities at amortized cost (Note 8)	**800,531,692**			500,200,000		
Property and equipment (Note 9)	**103,119,292**			81,057,162		
Investment property (Note 10)	**13,351,173**			14,007,788		
Intangibles (Note 11)	**9,765,651**			12,135,445		
Other noncurrent assets (Note 12)	**75,227,029**			74,020,983		
Total Noncurrent Assets	**1,001,994,837**			681,421,378		
TOTAL ASSETS	**₱13,006,422,964**			₱12,980,773,824		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			**₱87,150,755,689**			₱103,184,543,389

(Forward)

	September 30, 2022 (Unaudited)			December 31, 2021 (Audited)		
		Security Valuation			Security Valuation	
	Money Balance	**Long**	**Short**	Money Balance	Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Notes 13 and 20)	**₱10,893,918,450**	**₱81,491,832,139**		₱10,590,182,716	₱96,761,045,443	
Lease liabilities - current portion (Note 21)	**20,738,654**			17,845,909		
Income tax payable	**1,458,350**			21,948,390		
Other current liabilities (Note 14)	**52,762,432**			145,780,706		
Total Current Liabilities	**10,968,877,886**			10,775,757,721		
Noncurrent Liabilities						
Lease liabilities – net of current portion (Note 21)	**35,606,255**			19,229,339		
Retirement obligation (Notes 18 and 20)	**57,133,960**			81,723,769		
Deferred income tax liability (Note 19)	**14,030,640**			5,185,201		
Total Noncurrent Liabilities	**106,770,855**			106,138,309		
Total Liabilities	**11,075,648,741**			10,881,896,030		
Equity						
Capital stock (Note 15)	**476,000,000**			476,000,000		
Capital in excess of par value	**53,219,024**			53,219,024		
Accumulated translation adjustment	**43,724,561**			14,700,376		
Loss on remeasurement of retirement obligation (Note 18)	**(40,657,111)**			(40,657,111)		
Retained earnings: (Note 15)						
Appropriated	**485,722,236**			424,800,068		
Unappropriated	**895,840,596**			1,152,577,560		
Equity Attributable to the Equity Holders of the Parent Company	**1,913,849,306**			2,080,639,917		
Non-controlling Interest (Note 15)	**16,924,917**			18,237,877		
Total Equity	**1,930,774,223**			2,098,877,794		
TOTAL LIABILITIES AND EQUITY	**₱13,006,422,964**	**₱87,150,755,689**	**₱87,150,755,689**	₱12,980,773,824	₱103,184,543,389	₱103,184,543,389

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2022	2021	**2022**	2021
REVENUES (Note 16)				
Commissions	**₱367,718,575**	₱817,921,884	**₱102,064,716**	₱178,033,525
Others:				
Interest income (Notes 4, 5, 6, 7, 8 and 20)	**196,930,512**	128,260,252	**86,321,757**	44,079,488
Trail fees	**16,798,067**	15,664,520	**5,438,039**	5,431,154
Trading gains - net (Note 6)	**–**	52,393,485	**–**	169,022
Others (Notes 6 and 9)	**20,119,589**	43,590,077	**6,012,326**	9,229,523
	601,566,743	1,057,830,218	**199,836,838**	236,942,712
COST OF SERVICES				
Personnel costs (Notes 17, 18 and 20)	**36,953,624**	41,305,481	**11,299,743**	12,178,536
Communications	**30,865,610**	30,790,307	**9,914,774**	10,522,060
Stock exchange dues and fees (Note 16)	**28,194,202**	61,983,450	**8,351,041**	13,073,076
Depreciation and amortization (Notes 9, 10, 11 and 21)	**24,684,005**	156,108	**7,599,293**	52,166
Commission expense (Note 20)	**22,596,760**	23,912,032	**6,429,650**	8,850,337
Central depository fees	**7,291,474**	7,449,330	**2,343,184**	2,470,482
Research	**2,992,666**	1,848,556	**1,063,285**	633,914
Others	**8,126,996**	1,777,241	**3,486,808**	528,449
	161,705,337	169,222,505	**50,487,778**	48,309,020
GROSS PROFIT	**439,861,406**	888,607,713	**149,349,060**	188,633,692
OPERATING EXPENSES				
Administrative expenses:				
Personnel costs (Notes 17, 18 and 20)	**71,225,419**	54,395,570	**22,686,682**	16,625,369
Professional fees (Note 20)	**33,775,481**	34,995,889	**11,347,248**	10,939,556
Taxes and licenses	**6,717,769**	4,936,606	**1,885,096**	1,641,608
Power, light and water	**5,022,074**	2,736,274	**2,288,031**	1,017,670
Insurance	**4,197,077**	3,821,149	**1,583,965**	1,462,771
Advertising and marketing	**3,817,861**	2,420,371	**887,881**	708,508
Security and messengerial services	**3,166,812**	2,988,780	**1,125,270**	1,027,960
Condominium dues	**1,985,709**	3,072,048	**668,110**	999,861
Directors' fees (Note 20)	**1,980,000**	1,265,000	**600,000**	400,000
Periodicals and other subscriptions	**1,869,930**	1,530,946	**596,552**	611,520
Office supplies	**1,556,618**	1,117,408	**248,881**	202,174
Membership fees and dues	**1,543,104**	2,063,668	**515,635**	543,317
Repairs and maintenance	**910,540**	3,527,152	**321,955**	1,361,524
Communications	**776,859**	1,099,412	**263,742**	282,680
Trainings, seminars and meetings	**324,254**	149,718	**119,923**	51,263
Rentals (Note 21)	**264,907**	262,800	**82,296**	163,152
Others	**2,101,827**	1,733,170	**925,655**	558,707
	141,236,241	122,115,961	**46,146,922**	38,597,640
Depreciation and amortization (Notes 9, 10, 11 and 21)	**15,579,774**	46,600,174	**5,349,555**	15,079,627
Provision for (recovery from) credit losses (Note 7)	**(999,474)**	407,558	**(124,490)**	324,782
	155,816,541	169,123,693	**51,371,987**	54,002,049
OTHER INCOME (LOSSES)				
Loss on sale of investment securities at amortized cost (Note 8)	**(6,426,327)**	–	**(6,426,327)**	–
Trading losses - net (Note 6)	**(3,531,068)**	–	**(1,551,702)**	–
Interest expense (Note 21)	**(401,390)**	(1,790,965)	**(179,890)**	(551,288)
Foreign exchange losses – net	**(564,821)**	(111,256)	**(191,404)**	47,646
Gain on disposal of property and equipment (Note 9)	**2,499**	14,459	**–**	8,498
	(10,921,107)	(1,887,762)	**(8,349,323)**	(495,144)
INCOME BEFORE INCOME TAX	**273,123,758**	717,596,258	**89,627,750**	134,136,499
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 16)				
Current				
Final income tax	**34,522,026**	18,800,040	**15,899,607**	6,163,522
Regular corporate income tax	**31,976,583**	111,150,071	**2,831,415**	24,251,394
Deferred	**(847,095)**	4,448,770	**2,169,941**	(12,991)
	65,651,514	134,398,881	**20,900,963**	30,401,925
NET INCOME	**₱207,472,244**	₱583,197,377	**₱68,726,787**	₱103,734,574
Attributable to:				
Equity holders of the Parent Company	**₱208,785,204**	₱584,407,770	**₱69,111,468**	₱104,042,736
Non-controlling interest (Note 15)	**(1,312,960)**	(1,210,393)	**(384,681)**	(308,162)
	₱207,472,244	₱583,197,377	**₱68,726,787**	₱103,734,574
Earnings Per Share (Note 25)				
Basic and diluted	**₱0.04**	₱0.12	**₱0.01**	₱0.02

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2022	2021	**2022**	2021
NET INCOME	**₱207,472,244**	₱583,197,377	**₱68,726,787**	₱103,734,574
OTHER COMPREHENSIVE INCOME (LOSSES)				
Items that may be reclassified subsequently to consolidated statements of income:				
Translation adjustments - net of tax	**29,024,185**	11,549,584	**14,238,151**	9,309,280
Loss on remeasurement of retirement obligation	**–**	(2,027,171)	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱236,496,429**	₱592,719,790	**₱82,964,938**	₱113,043,854
Attributable to:				
Equity holders of the Parent Company	**₱237,809,389**	₱593,930,183	**₱83,349,619**	₱113,352,016
Non-controlling interest (Note 15)	**(1,312,960)**	(1,210,393)	**(384,681)**	(308,162)
	₱236,496,429	₱592,719,790	**₱82,964,938**	₱113,043,854

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(With Comparative Figures for the Nine Months Ended September 30, 2021)

	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, 2022	**₱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**
Total comprehensive income (loss)	**–**	**–**	**29,024,185**	**–**	**–**	**208,785,204**	**237,809,389**	**(1,312,960)**	**236,496,429**
Appropriation of retained earnings (Note 15)	**–**	**–**	**–**	**–**	**60,922,168**	**(60,922,168)**	**–**	**–**	**–**
Declaration of cash dividends (Note 15)	**–**	**–**	**–**	**–**	**–**	**(404,600,000)**	**(404,600,000)**	**–**	**(404,600,000)**
Balances at September 30, 2022	**₱476,000,000**	**₱53,219,024**	**₱43,724,561**	**(₱40,657,111)**	**₱485,722,236**	**₱895,840,596**	**₱1,913,849,306**	**₱16,924,917**	**₱1,930,774,223**
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)	–	–	11,549,584	(2,027,171)	–	584,407,770	593,930,183	(1,210,393)	592,719,790
Appropriation of retained earnings (Note 15)	–	–	–	–	44,220,346	(44,220,346)	–	–	–
Declaration of cash dividends (Note 15)	–	–	–	–	–	(309,400,000)	(309,400,000)	–	(309,400,000)
Balances at September 30, 2021	₱476,000,000	₱53,219,024	₱15,890,034	(₱30,407,567)	₱424,800,068	₱1,153,770,611	₱2,093,272,170	₱18,787,223	₱2,112,059,393

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱273,123,758**	₱717,596,258
Adjustments for:		
Interest income (Notes 4, 5, 7, 8, 16, and 20)	**(196,930,512)**	(128,260,252)
Depreciation and amortization (Notes 9, 10, 11 and 21)	**40,263,779**	46,755,551
Contribution to retirement fund (Note 18)	**(24,589,809)**	–
Loss on sale of investment at amortized cost (Note 8)	**6,426,327**	–
Amortization of premium on investment securities at amortized cost	**3,898,850**	–
Interest expense (Note 21)	**1,481,534**	1,790,965
Dividend income (Notes 6 and 16)	**(56,965)**	(31,684)
Gain on disposal of property and equipment (Note 9)	**(2,499)**	(14,459)
Operating income before working capital changes	**103,614,463**	637,836,379
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Cash in a segregated account	**(27,058,787)**	31,520,215
Financial assets at fair value through profit or loss	**69,845,741**	(117,682,746)
Trade receivables	**120,224,136**	234,269,372
Other receivables	**34,987,177**	27,921,281
Prepayments	**(3,958,363)**	(6,683,542)
Other assets	**(4,982,106)**	(8,941,248)
Increase (decrease) in:		
Trade payables	**292,209,561**	(514,550,257)
Other current liabilities	**(95,088,669)**	(127,920,028)
Net cash generated from operations	**489,793,153**	155,769,426
Interest received	**181,874,787**	106,668,572
Dividends received	**56,965**	31,684
Income taxes paid	**(82,804,157)**	(153,009,079)
Net cash flows provided by operating activities	**588,920,748**	109,460,603
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (decrease) in investment securities at amortized cost	**5,768,577,051**	(2,091,727,675)
Proceeds from sale of investment securities at amortized cost	**193,561,411**	–
Decrease in short-term time deposits	**–**	200,000,000
Acquisitions of:		
Property and equipment (Note 9)	**(21,223,432)**	(4,940,968)
Software and licenses (Note 11)	**(73,261)**	(176,163)
Proceeds from disposal of property and equipment (Note 9)	**2,500**	87,329
Net cash flows provided by (used in) investing activities	**5,940,844,269**	(1,896,757,477)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends declared and paid (Note 15)	**(404,600,000)**	(309,400,000)
Payment of principal portion of lease liabilities (Note 21)	**(20,316,043)**	(20,160,740)
Net cash flows used in financing activities	**(424,916,043)**	(329,560,740)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,104,848,974**	(2,116,857,614)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,658,019,809**	5,449,130,303
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱7,762,868,783**	₱3,332,272,689

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARIES
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 (formerly PSE Centre), Exchange Road, Ortigas Center, Pasig City, Philippines.

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

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

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

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

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

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

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

Basis of Preparation
The accompanying interim consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The Group's interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting.*

The interim 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 interim 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 interim consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as at September 30, 2022, 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 Strategic Growth Equity Unitized Mutual Fund, Inc. (CSGEUMF) (formerly 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 its control over 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 interim 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.

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 statements 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 statements of comprehensive income.

Current versus Non-current Classification
The Group presents assets and liabilities in the consolidated statements 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 income tax assets (liabilities) are classified as non-current.

Cash and Cash Equivalents
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 statements 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 statements of financial position at fair value. Changes in fair value are recorded in 'Trading gains (losses) - net' in the consolidated statements 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 statements of comprehensive income as 'Change in net unrealized loss on investment securities at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, is reported in the statement of income. Interest earned on holding debt securities at debt securities at FVOCI are reported as 'Interest income' using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as 'Trading gains (losses) - net' in the consolidated statements 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 statements 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 statements 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 statements 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 September 30, 2022 and December 31, 2021.

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 statements of financial position captions 'Cash and cash equivalents', 'Cash in a segregated account', '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 statements 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 statements of income.

<u>Fair Value Measurement</u>
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 interim 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 interim 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.

<u>Trade Receivables and Payables</u>
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.

<u>Derecognition of Financial Instruments</u>
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 statements of income.

<u>Impairment of Financial Assets</u>
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 and cash in a segregated account, 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 statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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

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

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

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

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

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

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 statements 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.

Investment Property

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

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

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

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

Intangibles

Exchange trading rights

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

Software costs

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

Impairment of Non-Financial Assets

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

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

Leases

Group as a lessee

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

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

Leases of low-value assets

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

Provisions

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

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements 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. These 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 statements 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 statements 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 statements of income in subsequent periods. Remeasurements recognized in OCI are retained in OCI which are presented as 'Gain (loss) on remeasurement of retirement obligation' under equity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contingencies
Contingent liabilities are not recognized in the interim 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 interim 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 interim 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 interim 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 interim 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 consolidated statements of financial position. 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 September 30, 2022 and December 31, 2021, 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 income 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. 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 income tax assets. The deferred income tax assets (liabilities) as at September 30, 2022 and December 31, 2021 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.

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.

4. Cash and Cash Equivalents

	September 30, 2022 (Unaudited)	December 31,2021 (Audited)
Cash on hand and in banks	**₱646,130,438**	₱1,058,019,809
Short-term cash investments	**7,116,738,345**	600,000,000
	₱7,762,868,783	₱1,658,019,809

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group's immediate cash requirements, and earn interest at 0.25% to 4.25% per annum during the nine-month period in 2022 and 0.12% to 0.75% per annum during the twelve-month period in 2021. The Parent Company has United States dollar (US$)-denominated cash in banks amounting to US$1,603 and US$2,073 as at September 30, 2022 and December 31, 2021, respectively, while COLHK has US$-denominated cash in banks amounting to US$66,461 and US$83,840 as at September 30, 2022 and December 31, 2021, 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 ₱10,319,361,234 and ₱10,056,125,322 as at September 30, 2022 and December 31, 2021, respectively. The special reserve accounts consist of cash in banks and short-term cash investments which are recorded as 'Cash and cash equivalents,' and short-term government debt securities recorded as 'Investment securities at amortized cost' (Note 8). The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at September 30, 2022 and December 31, 2021, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

Interest income of the Group from cash and cash equivalents and cash in segregated account amounted to ₱43,867,190 and ₱18,098,556 for the nine-month period ended September 30, 2022 and 2021, 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). It is also 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:

	September 30, 2022 (Unaudited)	December 31,2021 (Audited)
Corporate debt securities	**₱71,368,786**	₱70,281,844
Equity securities	**7,241,803**	3,791,601
Government debt securities	**4,866,696**	79,278,380
Mutual funds	**563,397**	534,598
	₱84,040,682	₱153,886,423

The peso-denominated government debt securities pertain to investments in Treasury bills which bear nominal annual interest rates ranging from 1.01% to 1.60% per annum during the nine-month period in 2022 and 1.33% to 1.69% per annum during the twelve-month period in 2021. Interest income earned from these investments amounted to ₱570,192 and ₱861,937 for the nine-month period ended September 30, 2022 and 2021, respectively (Note 16).

The Group also invested in peso-denominated corporate and government bonds which bear a nominal interest rate of 2.84% and 4.63% per annum, respectively, during the nine-month period in 2022 and twelve-month period in 2021. Interest income earned from the investments amounted to ₱2,091,892 and ₱579,543 for the nine-month period ended September 30, 2022 and 2021, respectively (Note 16).

The dividend income included under 'Other revenues' received from investments in mutual funds and shares of stocks of companies listed in the PSE amounted to ₱56,965 and ₱31,684 for the nine-month period ended September 30, 2022 and 2021, respectively (Note 16).

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

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Unrealized trading gains (losses)	**(₱5,007,501)**	₱686,271
Trading gains from sale	**1,476,433**	51,707,214
	(₱3,531,068)	₱52,393,485

7. Trade Receivables and Other Receivables

Trade Receivables

This account consists of:

	September 30, 2022 (Unaudited)	December 31,2021 (Audited)
Customers (Note 20)	**₱849,344,810**	₱860,712,635
Other broker	**40,183,145**	13,712,755
Trail fee receivables	**1,811,329**	1,998,373
Clearing house	**296,285**	84,593,705
	891,635,569	961,017,468
Less allowance for credit losses on trade receivables from customers	**1,198,139**	2,197,613
	₱890,437,430	₱958,819,855

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

	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Money Balance	**Security Valuation**	Money Balance	Security Valuation
Fully secured accounts:				
More than 250%	**₱337,076,625**	**₱4,769,807,377**	₱496,639,511	₱5,751,191,917
Between 200% and 250%	**224,519,610**	**498,716,373**	188,685,228	416,079,630
Between 150% and 200%	**128,839,563**	**233,980,536**	90,528,703	171,969,413
Between 100% and 150%	**60,083,500**	**60,750,080**	4,552,621	4,624,200
Less than 100%	**98,825,216**	**94,348,805**	80,298,021	78,120,455
Unsecured accounts	**296**	**–**	8,551	–
	849,344,810	**₱5,657,603,171**	860,712,635	₱6,421,985,615
Less allowance for credit losses on receivable from customers	**1,198,139**		2,197,613	
	₱848,146,671		₱858,515,022	

As at September 30, 2022 and December 31, 2021, the credit line facility that the Parent Company offered to its customers who qualified for margin account amounted to ₱5,653,100,950 and ₱5,507,975,950, respectively. Interest income from customers who availed of the margin facility amounted to ₱42,296,162 and ₱39,553,177 for the nine-month period ended September 30, 2022 and 2021, respectively (Note 16).

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls below this level, customers may either deposit additional collateral or sell stock to cover the deficiency in their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at September 30, 2022 and December 31, 2021, ₱750,519,298 and ₱780,406,063, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at September 30, 2022 and December 31, 2021, were fully collected in October and January 2022, 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:

	September 30, 2022 (Unaudited)	December 31,2021 (Audited)
Accrued interest	**₱33,160,911**	₱52,627,212
Mutual fund redemption proceeds (Note 14)	**6,260,343**	7,569,162
Employee salary loan and advances (Note 20)	**2,691,550**	1,434,665
Others	**8,179,916**	8,593,133
	₱50,292,720	₱70,224,172

Allowance for Credit Losses

Movements in the allowance for credit losses follow:

	September 30, 2022 (Unaudited)	December 31,2021 (Audited)
Balances at beginning of period	**₱2,197,613**	₱3,397,455
Recovery from credit losses	**(1,198,139)**	(1,199,842)
Balances at end of period	**₱999,474**	₱2,197,613

8. **Investment securities at amortized cost**

This account consists of:

	September 30, 2021 (Unaudited)	December 31,2021 (Audited)
Current:		
Government debt securities	**₱3,101,458,541**	₱9,274,253,871
Corporate debt securities	**–**	100,000,000
	3,101,458,541	9,374,253,871
Non-current		
Government debt securities	**800,531,692**	500,200,000
	₱3,901,990,233	₱9,874,453,871

The peso-denominated government debt securities bear nominal annual interest rate of 0.70% to 6.38% during the nine-month period in 2022 and 0.80% to 6.38% during the twelve-month period in 2021, with an EIR of 0.70% to 5.06% during the nine-month period in 2022 and 0.70% to 4.38% during the twelve-month period in 2021. The peso-denominated investment in corporate debt securities which matured in August 2022 bore a nominal interest rate of 4.41% per annum during the eight-month period in 2022 and twelve-month period in 2021. Sale of a government bond resulted in a loss amounting to ₱6,426,327 and nil for the nine-month period ended September 30, 2022 and 2021, respectively.

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

The outstanding investments in short-term government treasury bills amounting to ₱2.90 billion and ₱8.71 billion are included in the Parent Company's special reserve accounts in compliance with SRC Rule 49.2 (Note 4) as at September 30, 2022 and December 31, 2021, respectively.

Interest income earned from these investments amounted to ₱108,104,537 and ₱69,166,232 for the nine-month period ended September 30, 2022 and 2021, respectively (Note 16).

9. Property and Equipment

	September 30, 2022 (Unaudited)					
	Online Trading Equipment and Facilities	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Construction in Progress**	**Right-of-use Assets – Office Premises**	**Total**
Cost						
At beginning of year	**₱179,676,819**	**₱38,241,152**	**₱70,421,813**	**₱–**	**₱77,457,594**	**₱365,797,378**
Additions	**20,315,308**	**449,360**	**–**	**458,764**	**37,495,321**	**58,718,753**
Reclassification	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**(3,125)**	**–**	**–**	**(34,112,764)**	**(34,115,889)**
Translation adjustments	**1,185,427**	**631,948**	**142,352**	**–**	**735,399**	**2,695,126**
At end of year	**201,177,554**	**39,319,335**	**70,564,165**	**458,764**	**81,575,550**	**393,095,368**
Accumulated depreciation and amortization						
At beginning of year	**158,941,936**	**31,984,093**	**50,941,569**	**–**	**42,872,618**	**284,740,216**
Depreciation and amortization (Note 21)	**10,870,631**	**2,099,521**	**5,811,547**	**–**	**18,382,410**	**37,164,109**
Disposals	**–**	**(3,124)**	**–**	**–**	**(34,112,764)**	**(34,115,888)**
Translation adjustments	**1,185,427**	**536,641**	**142,352**	**–**	**323,219**	**2,187,639**
At end of year	**170,997,994**	**34,617,131**	**56,895,468**	**–**	**27,465,483**	**289,976,076**
Net book value	**₱30,179,560**	**₱4,702,204**	**₱13,668,697**	**₱458,764**	**₱54,110,067**	**₱103,119,292**

	December 31, 2021 (Audited)				
	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					
At beginning of year	138,606,765	28,877,127	42,605,524	30,552,941	240,642,357
Depreciation	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

As at September 30, 2022 and December 31, 2021, the cost of the Group's fully depreciated property and equipment still in use amounted to ₱202,208,154 and ₱168,239,961, respectively. Disposal of property and equipment resulted in gains amounting to ₱2,499 and ₱14,459 for the nine-month period ended September 30, 2022 and 2021, respectively.

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

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Cost of services	**₱24,684,005**	₱156,108
Operating expenses	**15,579,774**	46,600,174
	₱40,263,779	₱46,756,282

10. Investment Property

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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cost		
At beginning period	**₱17,509,736**	₱17,509,736
Accumulated depreciation		
At beginning of period	**3,501,948**	2,626,461
Depreciation	**656,615**	875,487
At end of period	**4,158,563**	3,501,948
Net book value	**₱13,351,173**	₱14,007,788

The office space is held for capital appreciation. As at September 30, 2022 and December 31, 2021, the fair value of investment property amounted to ₱39,567,000.

The depreciation of investment property recorded in 'Depreciation and amortization' in the consolidated statements of income amounted to ₱656,615 for the nine-month period ended September 30, 2022 and 2021.

Collaterals
As at September 30, 2022 and December 31, 2021, the Group's investment property is not pledged as collateral.

11. Intangibles

Stock Exchange Trading Rights
Philippine Operations
As at September 30, 2022 and December 31, 2021, the fair value of the exchange trading right less costs to sell 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. As at September 30, 2022 and December 31, 2021, 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, regardless of whether an indicator of impairment is present or not. 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.

Software Costs and Licenses
Movements in the software costs and licenses account follow:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cost		
At beginning of period	**₱49,070,373**	₱48,533,226
Additions	**73,261**	537,147
At end of period	**49,143,634**	49,070,373

(Forward)

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Accumulated amortization		
At beginning of period	**41,934,928**	37,966,935
Amortization	**2,443,055**	3,967,993
At end of period	**44,377,983**	41,934,928
Net book value	**₱4,765,651**	₱7,135,445

As at September 30, 2022 and December 31, 2021, the costs of the Group's fully amortized software still in use amounted to ₱32,106,063 and ₱25,719,905, respectively.

The amortization during the reporting period were distributed as follows:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Cost of services	**₱2,297,108**	₱–
Operating expenses	**145,947**	3,967,993
	₱2,443,055	₱3,967,993

12. Other Assets

Other Current Assets
This account pertains to input VAT of the subsidiaries amounting to ₱632,621 and ₱484,349 as at September 30, 2022 and December 31, 2021, respectively.

Other Noncurrent Assets
This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deposit to CTGF	**₱52,742,014**	₱50,503,250
Intangible assets under development	**7,849,571**	7,849,571
Refundable deposits:		
Rental and utility deposits	**7,946,432**	7,219,910
Other refundable deposits	**4,231,227**	4,015,220
	72,769,244	69,587,951
Deferred input VAT	**2,457,785**	4,433,032
	₱75,227,029	₱74,020,983

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 at September 30, 2022 and December 31, 2021 as 'Other noncurrent assets' amounting to ₱52,742,014 and ₱50,503,250, respectively.

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

13. Trade Payables

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Customers (Note 20)	**₱10,613,015,144**	₱10,556,530,999
Clearing house	**280,792,387**	33,651,717
Dividends payable	**110,919**	−
	₱10,893,918,450	₱10,590,182,716

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

	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	**₱10,613,015,144**	**₱79,568,533,238**	₱10,556,530,999	₱94,317,687,662
No money balances	**−**	**1,923,298,901**	−	2,443,357,781
	₱10,613,015,144	**₱81,491,832,139**	₱10,556,530,999	₱96,761,045,443

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

Payable to customers with money balances amounting to ₱104,179,704 and ₱75,443,933 as at September 30, 2022 and December 31, 2021, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients during the conduct of regulated activities. These balances are payable on demand (see Note 5).

Trade payables to clearing house as at September 30, 2022 and December 31, 2021 were fully paid subsequently in October and January 2022, respectively. These are noninterest-bearing and are settled on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

14. Other Current Liabilities

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Accrued expenses	**₱12,293,333**	₱41,806,292
Unposted customers' deposits	**9,993,638**	9,671,703
Due to BIR	**9,856,052**	38,921,158
Mutual fund redemption proceeds (Note 7)	**6,298,952**	7,699,370
Trading fees	**2,286,745**	2,879,601
Accrued management bonus	**−**	32,779,925
Others	**12,033,712**	12,022,657
	₱52,762,432	₱145,780,706

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

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

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

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 (figures and amounts in thousands) follow:

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

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As at September 30, 2022 and December 31, 2021, there were 34 holders of the listed shares of the Parent Company, with a closing price of ₱3.22 and ₱4.15 per share, respectively.

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 March 2022 and 2021, the BOD approved the appropriation of retained earnings amounting to ₱60.92 million and ₱44.22 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 27, 2022, the BOD declared a regular and a special dividend amounting to ₱0.024 per share held or ₱114,240,000 (4,760,000,000 shares multiplied by ₱0.024 cash dividend per share) and ₱0.061 per share held or ₱290,360,000 (4,760,000,000 shares multiplied by ₱0.061 cash dividend per share), respectively, to stockholders as of record date of May 16, 2022. These dividends were paid on June 2, 2022.

As at September 30, 2022 and December 31, 2021, the consolidated retained earnings includes the retained earnings of COLHK amounting to ₱92,406,518 and ₱110,445,875, respectively, which are not available for dividend declaration.

Non-Controlling Interest

The Parent Company formed CIMI in 2019 and as at September 30, 2022 and December 31, 2021, 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 September 30, 2022 (Unaudited) and December 31, 2021 (Audited)

	2022	2021
Cash and cash equivalents (current)	**₱29,399,775**	₱1,380,082
Financial assets at FVTPL	**23,853,684**	56,661,998
Other receivables (current)	**158,489**	205,570
Other assets (current)	**729,121**	546,812
Property and equipment (non-current)	**2,310,794**	3,103,039
Other assets (non-current)	**486,092**	53,133
Accrued expenses (current)	**–**	(92,674)
Other liabilities (current)	**(81,860)**	(89,601)
Lease liability (current)	**(439,709)**	(722,687)
Lease liability (non-current)	**–**	(252,750)
Total equity	**₱56,416,386**	₱60,792,922
Attributable to:		
Equity holders of the Parent Company	**₱39,491,469**	₱42,555,045
Non-controlling interest	**16,924,917**	18,237,877

Summarized statements of income for the nine months ended September 30, 2022 and 2021 (Unaudited)

	2022	2021
Interest income	**₱1,056,642**	₱611,678
Trading gains (losses) - net	**(1,380,613)**	230,314
Other losses	**(26,444)**	(50,546)
Operating expenses	**(4,082,067)**	(4,695,020)
Loss before income tax	**(4,432,482)**	(3,903,574)
Provision for (benefit from) income tax	**(55,946)**	131,071
Net loss	**(₱4,376,536)**	(₱4,034,645)
Attributable to:		
Equity holders of the Parent Company	**(₱3,063,576)**	(₱2,824,252)
Non-controlling interest	**(1,312,960)**	(1,210,393)

Summarized cash flow information for the nine months ended September 30, 2022 and 2021 (Unaudited)

	2022	2021
Operating activities	**₱28,948,363**	(₱50,282,056)
Investing activities	**(366,518)**	(146,915)
Financing activities	**(562,172)**	(535,402)
Net increase (decrease) in cash and cash equivalents	**₱28,019,673**	(₱50,964,373)

16. Revenues

Breakdown of the Group's revenues are as follows:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Revenue from contracts with customers		
Commissions	**₱367,718,575**	₱817,921,884
Trail fees	**16,798,067**	15,664,520
Others	**20,062,624**	43,558,393
	404,579,266	877,144,797
Other revenues		
Interest income	**196,930,512**	128,260,252
Trading gains - net	–	52,393,485
Others	**56,965**	31,684
	196,987,477	₱180,685,421
	₱601,566,743	₱1,057,830,218

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

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Other income from customers	**₱18,412,632**	₱42,483,711
Dividend income	**56,965**	31,684
Miscellaneous	**1,649,992**	1,074,682
	₱20,119,589	₱43,590,077

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 and fees.'

Stock exchange dues and fees consists of:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Stock trading costs charged to customers	**₱18,412,632**	₱42,483,711
Membership fees and dues	**8,550,144**	18,655,145
Dealer trades and other transaction costs	**747,547**	140,858
Miscellaneous	**483,879**	703,736
	₱28,194,202	₱61,983,450

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

	September 30, 2022 (Unaudited)			
	Commissions	**Trail fees**	**Other income**	**Total**
Primary geographical markets				
Philippines	**₱365,261,862**	**₱16,798,067**	**₱19,033,011**	**₱401,092,940**
Hong Kong	**2,456,713**	**–**	**1,029,613**	**3,486,326**
	₱367,718,575	**₱16,798,067**	**₱20,062,624**	**₱404,579,266**

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

Interest income

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Debt securities (Note 8)	**₱108,104,537**	₱69,166,232
Banks (Notes 4 and 5)	**43,867,190**	18,098,556
Customers (Note 7)	**42,296,162**	39,553,177
Financial assets at FVTPL (Note 6)	**2,662,084**	1,441,480
Others	**539**	807
	₱196,930,512	₱128,260,252

17. Personnel Costs

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Salaries and wages	**₱96,069,296**	₱85,364,027
Other benefits	**12,109,747**	10,337,024
	₱108,179,043	₱95,701,051

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

The above accounts were distributed as follows:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Cost of services	**₱36,953,624**	₱41,305,481
Operating expenses	**71,225,419**	54,395,570
	₱108,179,043	₱95,701,051

18. Employee Benefits

Retirement Benefits

The Parent Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined retirement benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement as of September 30, 2022 and December 31, 2021.

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 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 ₱24,589,809 to the retirement plan in September 2022.

COLHK makes monthly contribution to a fund under the mandatory provident fund schemes ordinance enacted by the Hong Kong Government. The plan is defined contribution. Under the plan COLHK should contribute 5% of the monthly relevant income of all its qualified employees. The contribution recognized as expense amounted to ₱252,259 and ₱232,223 for the nine-month period ended September 30, 2022 and 2021, 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 (benefit from) income tax consists of:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Current:		
Final	**₱34,522,026**	₱18,800,040
RCIT	**31,976,583**	111,150,071
Deferred	**(847,095)**	4,448,770
	₱65,651,514	₱134,398,881

Deferred Income Taxes
The components of the Group's net deferred income tax assets (liabilities) follow:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred tax assets:		
Unrealized trading losses	**₱671,045**	₱–
Leases under PFRS 16	**11,488**	–
	682,533	–
Deferred tax liabilities		
Accumulated translation adjustment	**(14,574,854)**	(4,900,125)
Unrealized trading gains	–	(188,280)
Others	**(138,319)**	(96,796)
	(14,713,173)	(5,185,201)
	(₱14,030,640)	(₱5,185,201)

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

Unrecognized deferred income tax liabilities
As of December 31, 2021, the Parent Company did not recognize deferred income 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 income tax assets
The Group did not recognize deferred income 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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Unused tax losses*	**₱255,800,514**	₱255,800,514
Retirement obligation	**78,645,650**	95,263,520
NOLCO*	**19,610,123**	19,610,123
Allowance for credit losses	**1,198,139**	2,197,613
Leases under PFRS 16	**2,134,013**	2,395,298
	₱357,388,439	₱375,267,068

**To be quantified at year-end*

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
Key management personnel								
September 30, 2022 (Unaudited)	**₱1,399,687**	**₱985,225**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
September 30, 2021 (Unaudited)	1,368,306	966,882	–	–	–	–	–	–
Companies with common officers, directors and stockholders								
September 30, 2022 (Unaudited)	**3,331,536**	**2,323,239**	**2,919,094**	**–**	**–**	**330,750**	**2,494,800**	**3,600**
September 30, 2021 (Unaudited)	5,290,133	1,728,179	2,687,240	–	17,857	330,750	2,494,800	16,714
Directors								
September 30, 2022 (Unaudited)	**796,735**	**976,529**	**–**	**1,980,000**	**–**	**–**	**–**	**–**
September 30, 2021 (Unaudited)	898,217	545,644	–	865,000	–	–	–	–

Category	Trade payables	Trade receivables	Terms	Conditions
Key management personnel				
September 30, 2022 (Unaudited)	**₱4,132,105**	**₱17,646,109**	3-day; non-interest bearing/ Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2021 (Audited)	2,184,283	47,498,133		
Companies with common officers, directors and stockholders				
September 30, 2022 (Unaudited)	**26,581**	**58,085,849**	3-day; non-interest bearing/ Collectible or payable on demand;interest bearing/Payable upon billing;non-interest bearing	Secured; no impairment; no guarantee
December 31, 2021 (Audited)	–	53,711,788		
Directors				
September 30, 2022 (Unaudited)	**20,707,892**	**12,183,284**	3-day; non-interest bearing/ Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2021 (Audited)	58,188,126	19,758,762		

a. Trade receivables from and payables to related parties are due to be settled in three (3) trading days in the Philippines and two (2) trading days in HK, except for trade receivables under margin accounts. Trade receivables from related parties under margin accounts are interest-bearing, not guaranteed, and secured by shares of stocks (except for trade receivables amounting to ₱296 and ₱8,551, which were unsecured as of September 30, 2022 and December 31, 2021 (Note 7). The trade receivables from related parties are not impaired.

b. As of September 30, 2022 and December 31, 2021, the Group also has unsecured noninterest-bearing employee salary loans and advances amounting to ₱2,691,550 and ₱1,434,665 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:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Short-term employee benefits	**₱31,588,906**	₱33,885,775
Retirement costs	**61,527**	56,640
Other benefits	**738,319**	679,677
	₱32,388,752	₱34,622,092

21. **Leases**

The Group leases its office premises under separate operating lease agreements expiring on various dates and whose lease terms are negotiated every one (1) to three (3) years. Rental costs charged to operations amounted to ₱264,907 and ₱262,800 for the nine-month period ended September 30, 2022 and 2021, respectively.

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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At beginning of period, as restated	**₱37,075,248**	₱44,129,430
Additions	**37,495,321**	17,679,420
Accretion of interest	**1,481,535**	2,317,611
Payments	**(20,316,043)**	(26,843,394)
Lease modifications	–	(226,844)
Rent concessions	–	(57,570)
Translation adjustment	**608,848**	76,595
	₱56,344,909	₱37,075,248
Current	**₱20,738,654**	₱17,845,909
Non-current	**35,606,255**	19,229,339
	₱56,344,909	₱37,075,248

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

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Depreciation expense of ROU assets included in property and equipment (Note 9)	**₱18,382,410**	₱18,679,719
Interest expense on lease liabilities	**1,481,535**	1,790,965
	₱19,863,945	₱20,470,684

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

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Within one (1) year	**₱23,183,840**	₱22,541,748
More than 1 years to 2 years	**16,855,314**	8,636,525
More than 2 years to 3 years	**12,630,320**	3,944,827
More than 3 years to 4 years	**3,448,461**	3,175,200
More than 4 years to 5 years	**3,175,200**	3,175,200
After five (5) years	**3,969,000**	7,144,200
	₱63,262,135	₱48,617,700

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 adjusts it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the periods ended September 30, 2022 and December 31, 2021.

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 broker 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. If 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 September 30, 2022 and December 31, 2021, the Parent Company is compliant with the foregoing requirements.

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

The RBCA ratio of the Parent Company as of September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Equity eligible for net liquid capital	**₱1,831,629,220**	₱2,004,976,723
Less: Ineligible Assets	**522,653,731**	584,692,937
NLC	**₱1,308,975,489**	₱1,420,283,786
Position risk	**₱34,459,031**	₱31,390,286
Operational risk	**214,412,180**	205,341,173
Large exposure risk	**52,116,322**	134,998,846
Total Risk Capital Requirement (TRCR)	**₱300,987,533**	₱371,730,305
AI	**₱10,929,810,355**	₱10,699,547,503
5.00% of AI	**₱546,490,518**	₱534,977,375
Required NLC	**₱546,490,518**	₱534,977,375
Net Risk-Based Capital Excess	**₱762,484,971**	₱885,306,411
Ratio of AI to NLC	**835%**	753%
RBCA ratio (NLC/TRCR)	**435%**	382%

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 require trading participants to have a minimum unimpaired paid-up capital, as defined by the SEC, of ₱20.00 million effective December 31, 2009, and ₱30.00 million effective December 31, 2011 and onwards. As at September 30, 2022 and December 31, 2021, the Parent Company is compliant with this capital requirement.

The Parent Company's regulated operations have complied with all externally-imposed capital requirements as at September 30, 2022 and December 31, 2021.

COLHK monitors capital using liquid capital as provided for under HK's Securities and Futures Ordinance (Cap. 571) and Securities and Futures (Financial Resources) Rules (Cap. 571N). COLHK's policy is to keep liquid capital at the higher of the floor requirement of HK$3.00 million and computed variable required capital. As at September 30, 2022 and December 31, 2021, 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, 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:

<u>Credit Risk</u>
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 and cash in a segregated account are considered high grade and are in stage 1 of the ECL model. These are deposited with reputable banks duly approved by the BOD and have low probability of insolvency. These are considered to be low credit risk investments.

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover any shortfall. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at September 30, 2022 and December 31, 2021, ₱849,344,514 and ₱860,704,084 of the total receivables from customers is secured by collateral comprising of equity securities of listed companies with a total market value of ₱5,657,603,171 and ₱6,421,985,615, respectively (Note 7).

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

The aging analyses of the Group's trade receivables as at September 30, 2022 and December 31, 2021 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**
September 30, 2022 (Unaudited)					
Expected loss rate	**0.00%**	**2.00%**	**0.00%**	**0.00%**	**0.14%**
Trade receivables	**₱217,085,755**	**₱59,892,213**	**₱66,394,066**	**₱505,972,776**	**₱849,344,810**
Expected credit loss	**–**	**1,197,843**	**–**	**296**	**1,198,139**
December 31, 2021 (Audited)					
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

Past due accounts pertain to margin accounts of the Parent Company that are charged an interest rate ranging from 6.50% to 10.00%. A margin account has no due date and becomes demandable only when the equity percentage of the customers falls below 33.33%. The loss rate for trade receivables is considered minimal.

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

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

Financial assets at FVTPL
Companies that are consistently profitable, have strong fundamentals and pays out dividends.
As at September 30, 2022 and December 31, 2021, the Group's financial assets at FVTPL are classified as high grade since these are with entities of good reputation.

Investment securities at amortized cost
The investments are classified as high grade. The Group's investment in government and corporate securities 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 Group's financial assets as reflected in the consolidated statements of financial position as of September 30, 2022 and December 31, 2021 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.

	September 30, 2022 (Unaudited)			
	Gross Carrying Amount	**Fair Value of Collateral***	**Maximum Exposure to Credit Risk**	**Financial effect of collateral and other credit enhancements**
Receivable from customers				
Unsecured	**₱296**	**₱–**	**₱296**	**₱–**
Partially secured	**98,825,216**	**94,348,805**	**4,476,411**	**94,348,805**
Fully secured	**750,519,298**	**5,563,254,366**	**–**	**750,519,298**
	₱849,344,810	**₱5,657,603,171**	**₱4,476,707**	**₱844,868,103**

	December 31, 2021 (Audited)			
	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

Liquidity Risk

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

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

As at September 30, 2022 and December 31, 2021, all of the Group's financial liabilities, which consist of trade payables and other current liabilities (except statutory payables), are contractually payable on demand and up to sixty (60) days' term.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as at September 30, 2022 and December 31, 2021 consist of cash and cash equivalents, 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 interim consolidated financial statements, Management believes that disclosure of equity price risk sensitivity analysis as at September 30, 2022 and December 31, 2021 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$68,064 and US$85,913 as at September 30, 2022 and December 31, 2021, respectively (Note 4).

Since the amount of US$-denominated cash in bank subject to foreign currency risk is immaterial relative to the interim consolidated financial statements, Management believes that disclosure of foreign currency risk analysis as at September 30, 2022 and December 31, 2021 is not significant.

Offsetting of Financial Assets and Liabilities

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

September 30, 2022 (Unaudited)						
				Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		
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**	**Financial Instruments**	**Fair Value of Financial Collateral**	**Net Exposure**
	[a]	**[b]**	**[c] = [a-b]**	**[d]**	**[e]**	**[f] = [c-d-e]**
Financial Assets						
Receivable from customers	**₱849,344,810**	**₱–**	**₱849,344,810**	**₱6,424,046**	**₱838,444,057**	**₱4,476,707**
Receivable from clearing house	**296,285**	**–**	**296,285**	**–**	**–**	**296,285**
	₱849,641,095	**₱–**	**₱849,641,095**	**₱6,424,046**	**₱838,444,057**	**₱4,772,992**
Financial Liabilities						
Payable to customers	**₱10,613,015,144**	**₱–**	**₱10,613,015,144**	**₱6,424,046**	**₱–**	**₱10,606,591,098**
Payable to clearing house	**280,792,387**	**–**	**280,792,387**	**–**	**–**	**280,792,387**
	₱10,893,807,531	**₱–**	**₱10,893,807,531**	**₱6,424,046**	**₱–**	**₱10,887,383,485**

December 31, 2021 (Audited)						
				Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		
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	Financial Instruments	Fair Value of Financial Collateral	Net Exposure
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d-e]
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

24. Fair Value Measurement

The following table shows the carrying value and fair value of the Group's refundable deposits, investment securities at amortized cost and investment property, whose carrying value does not approximate its fair value as at September 30, 2022 and December 31, 2021:

	Carrying Values		Fair Values	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Refundable deposits	**₱12,177,659**	₱11,235,130	**₱10,607,138**	₱9,786,165
Investment securities at amortized cost	**3,901,990,233**	9,874,453,871	**3,733,836,162**	9,814,058,400
Investment property	**13,351,173**	14,007,788	**39,567,000**	39,567,000

The carrying amounts of cash and cash equivalents, cash in a segregated account, 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.

Financial assets at FVTPL
The Group's financial assets at FVTPL are carried at their fair values as at September 30, 2022 and December 31, 2021. Fair value of financial assets at FVTPL is based on the closing quoted prices of stock investments published by the PSE. Fair value of mutual funds is based on net asset values computed and published by the mutual fund providers. Fair value of debt securities is based on the quoted market price in an active market as at September 30, 2022 and December 31, 2021.

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 September 30, 2022 and December 31, 2021. There are no changes in the valuation techniques in 2022 and 2021.

Investment securities at amortized cost
The fair value of the investment is based on the quoted market price in an active market as at September 30, 2022 and December 31, 2021.

Investment property
The fair value of the investment property has been based on the highest and best use of property being appraised. Valuations were derived from 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 interim consolidated financial statements are categorized within the fair value hierarchy as follows:

	September 30, 2022 (Unaudited)		
	Level 1	**Level 2**	**Level 3**
Asset measured at fair value:			
Financial assets at FVTPL	**₱83,477,285**	**₱563,397**	**₱–**
Asset for which fair values are disclosed:			
Refundable deposits	**–**	**–**	**10,607,138**
Investment securities at amortized cost	**3,733,836,162**	**–**	
Investment property	**–**	**–**	**39,567,000**

	December 31, 2021 (Audited)		
	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

During the period ended September 30, 2022 and the year ended December 31, 2021, there were no transfers among levels 1, 2 and 3 of fair value measurements.

25. EPS Computation

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Net income attributable to the equity holders of the Parent Company	**₱208,785,204**	₱584,407,770
Weighted average number of shares for earnings per share (Note 15)	**4,760,000,000**	4,760,000,000
Basic and diluted earnings per share	**₱0.04**	₱0.12

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:

	September 30, 2022 (Unaudited)			
	Stockbrokerage services	**Others**	**Elimination**	**Total**
Revenue from external customers:				
Commissions	**₱367,725,206**	**₱–**	**(₱6,631)**	**₱367,718,575**
Interest	**193,967,502**	**2,963,010**	**–**	**196,930,512**
Trail fees	**16,798,067**	**–**	**–**	**16,798,067**
Others	**20,064,184**	**55,405**	**–**	**20,119,589**
Segment revenue	**598,554,959**	**3,018,415**	**(6,631)**	**601,566,743**
Cost of services	**(161,693,343)**	**(17,735)**	**5,741**	**(161,705,337)**
Operating expenses	**(137,014,742)**	**(3,222,025)**	**–**	**(140,236,767)**
Depreciation and amortization	**(14,421,011)**	**(1,158,763)**	**–**	**(15,579,774)**
Other losses	**(6,194,326)**	**(4,727,671)**	**890**	**(10,921,107)**
Income (loss) before income tax	**279,231,537**	**(6,107,779)**	**–**	**273,123,758**
(Provision for) benefit from income tax	**(65,829,538)**	**178,024**	**–**	**(65,651,514)**
Net income (loss)	**₱213,401,999**	**(₱5,929,755)**	**₱–**	**₱207,472,244**
Segment assets	**₱13,137,820,430**	**₱155,902,534**	**(₱287,300,000)**	**₱13,006,422,964**
Segment liabilities	**11,075,126,282**	**522,459**	**–**	**11,075,648,741**
Capital expenditures:				
Fixed assets	**(20,856,914)**	**(366,518)**	**–**	**(21,223,432)**
Cash flows arising from:				
Operating activities	**525,276,867**	**63,643,881**	**–**	**588,920,748**
Investing activities	**5,941,210,787**	**(366,518)**	**–**	**5,940,844,269**
Financing activities	**(424,353,871)**	**(562,172)**	**–**	**(424,916,043)**

	December 31, 2021 (Audited)			
	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	(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
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)

Geographical Information

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

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

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

	September 30, 2022 (Unaudited)			
	Philippines	**Hong Kong**	**Elimination**	**Total**
Revenue from external customers:				
Commissions	**₱365,268,493**	**₱2,456,713**	**(₱6,631)**	**₱367,718,575**
Interest	**196,930,274**	**238**	**–**	**196,930,512**
Trail fees	**16,798,067**	**–**	**–**	**16,798,067**
Others	**19,089,976**	**1,029,613**	**–**	**20,119,589**
Segment revenue	**598,086,810**	**3,486,564**	**(6,631)**	**601,566,743**
Cost of services	**(148,357,314)**	**(13,353,764)**	**5,741**	**(161,705,337)**
Operating expenses	**(134,620,256)**	**(5,616,511)**	**–**	**(140,236,767)**
Depreciation and amortization	**(13,684,267)**	**(1,895,507)**	**–**	**(15,579,774)**
Other losses	**(10,261,857)**	**(660,140)**	**890**	**(10,921,107)**
Income (loss) before income tax	**291,163,116**	**(18,039,358)**	**–**	**273,123,758**
Provision for income tax	**(65,651,514)**	**–**	**–**	**(65,651,514)**
Net income (loss)	**₱225,511,602**	**(₱18,039,358)**	**₱–**	**₱207,472,244**
Segment assets	**₱12,900,699,680**	**₱393,023,284**	**(₱287,300,000)**	**₱13,006,422,964**
Segment liabilities	**10,953,556,536**	**122,092,205**	**–**	**11,075,648,741**
Capital expenditures:				
Fixed assets	**21,223,432**	**–**	**–**	**21,223,432**
Cash flows arising from:				
Operating activities	**592,322,102**	**(3,401,354)**	**–**	**588,920,748**
Investing activities	**5,940,844,269**	**–**	**–**	**5,940,844,269**
Financing activities	**(422,759,687)**	**(2,156,356)**	**–**	**(424,916,043)**

	December 31, 2021 (Audited)			
	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	(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)

27. **Subsequent Event Disclosure**

On November 15, 2022, the BOD approved the appropriation of ₱100.00 million from the Parent Company's unrestricted retained earnings as of December 31, 2021 to support its IT development plan and expansion project , which will run until December 2027.

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

Ratio	**Formula**	**September 30, 2022 (Unaudited)**	September 30, 2021 (Unaudited)
Current ratio	Total current assets divided by Total current liabilities Total current assets ₱12,004,428,127 Divide by Total current liabilities 10,968,877,886 Current ratio 1.09	**1.09:1**	1.15:1
Debt-to-equity ratio	Total liabilities divided by Average equity Total liabilities ₱11,075,648,741 Divide by Average equity 1,997,244,612 Debt-to-equity ratio 5.55 Average equity is computed as follows: Beg. total equity ₱2,080,639,917 Ending total equity 1,913,849,306 Total 3,994,489,223 Divide by 2 Average equity 1,997,244,612	**5.55:1**	5.75:1
Quick ratio	Total liquid assets divided by Total current liabilities Total liquid assets ₱11,991,630,133 Divide by Total current liabilities 10,968,877,886 Current ratio 1.09	**1.09:1**	1.15:1
Asset-to-equity ratio	Total assets divided by Average equity Total assets ₱13,006,422,964 Divide by Average equity 1,997,244,612 Asset-to-equity ratio 6.51	**6.51:1**	6.83:1
Return on assets	Net income divided by Total assets Net income ₱208,785,204 Divide by Total assets 13,006,422,964 Asset-to-equity ratio 2%	**2%**	4%

Ratio	Formula	**September 30, 2022 (Unaudited)**	September 30, 2021 (Unaudited)
Return on average stockholder's equity *(annualized)*	Net income divided by Average stockholder's equity Net income *(annualized)* ₱278,380,271 Divide by Average stockholder's equity 1,997,244,612 Return on average stockholder's equity *(annualized)* 14%	**14%**	40%
Net profit margin	Net income divided by Total revenues Net income ₱208,785,204 Total revenues 601,566,743 Net profit margin 35%	**35%**	55%