SEC Registration Number

A	1	9	9	9	1	0	0	6	5	

Company Name

COL FINANCIAL GROUP, INC.

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

Unit 2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

Unit 2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **DECEMBER 31, 2019**

2. SEC Identification Number: **A199910065**

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

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

5. Province, Country or other jurisdiction of incorporation or organization:
PASIG CITY, PHILIPPINES

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

7. Address of principal office Postal Code: **1605**
2401-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	**476,000,000 shares**

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

Yes [**x**] No [ ]

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**x**] No [ ]

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

Yes [**x**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates.
₱1,828,501,974 (117,211,665 @ ₱15.60 per share as of May 31, 2020)

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Company Overview

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

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

As part of its commitment to provide more useful products and services to help its customers build genuine wealth, COL launched the Philippines' first and leading online mutual fund supermarket in July 2015, giving investors access to a wide selection of mutual funds with no sales-load or transaction fees.

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

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

Business Model

COL Financial derives a significant proportion of its revenues from its stock brokerage business in the Philippines. Most of the revenues generated from its Philippine operations include:

(1) commission generated from stock trades,
(2) interest income from margin financing, and
(3) interest income made from short-term placements.

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

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

Products and Services

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

A. Online Trading Platform

COL provides online access to all investors who want to trade stocks in the Philippine stock market. Its trading platform, www.colfinancial.com, provides convenience, complete access, and the flexibility to manage one's own stock portfolio. By harnessing the power of technology, COL gives investors the ability to make trades, check prices, view their account status and portfolio values, and update their investing strategies wherever they may be, 24/7. COL empowers investors in various ways, as they have access to real-time streaming market information, relevant research, and other online financial tools such as stock graphs, stock quotes, and various guides that help them make sound investment choices. The depth and ease of COL's online trading platform suits a variety of customer types, from those who are just starting to invest and to those who are already savvy.

Aside from providing investors the capacity to directly invest in companies listed in the PSE, COL Financial launched in the third quarter of 2015 COL Fund Source - the first online mutual fund supermarket in the Philippines. COL Fund Source provides COL customers access to a wide selection of mutual funds managed by many of the top mutual fund companies in the country in a single platform. With COL Fund Source in place, COL Financial now serves as a one-stop-shop portal that makes investing in stocks and mutual funds easier and more convenient.

The following are some of the investment tools and features available in COL's online portal:

- **COL Fund Source**

  Aside from investing directly in stocks, COL customers can now invest in various Mutual Funds through COL Fund Source. A partnership made with five (5) of the country's largest Mutual Fund houses now allows COL to offer up to twenty-seven (27) Mutual Funds of various types.

  To access the COL Fund Source platform, customers simply need to log into their COL account at www.colfinancial.com and click the Mutual Fund tab on the upper right hand corner of the page. Through the COL Fund Source platform, investors are given access to a wide array of mutual funds from the country's top investment houses. As the platform is essentially a one-stop shop, clients are able to compare investment opportunities and consolidate their positions in different types of mutual funds such as money market funds, bond funds, balanced funds, and equity funds using just one COL account. Guidance is also provided through research materials available in the platform as well as a regular fund recap to keep investors up to date with current market developments and fund insights.

  COL Fund Source caters to Filipino investors who may not have the time to actively manage their investments and to those who are looking to diversify their portfolios outside of stocks. By putting money in mutual funds, investors are given the opportunity to easily and conveniently own a variety of securities that can match their financial goals. Mutual fund investors also get the benefit of having a professional fund manager who will be in charge of making investment decisions and monitoring their overall portfolio composition in their behalf. In addition, mutual funds allow investors to achieve instant diversification even with a small amount as these funds are already invested in various investment assets while requiring a minimum investment amount for as low as ₱1,000.

  In 2019, the total assets under administration for mutual funds stood at ₱3.2 billion, up by 13.0% year-on-year, representing about 4.2% of total assets of COL clients. The number of unique mutual fund investors, likewise, grew by 22.9% for the year to 44,682, equivalent to 13.4% of total COL clients. Such number of investors represents 81,572 mutual fund accounts, which is roughly 16.5% of the total outstanding accounts in the mutual fund industry.

Going forward, the mutual fund business is focused on client acquisition through various campaigns, seminars, and visibility efforts for existing COL clients as well as new-to-firm individuals. The regular investing program using mutual funds will also be promoted to COL clients and through corporate partnerships. Expanding the reach of the platform by adding more funds and onboarding new partners will also be pursued as part of the primary initiatives for the business.

- **Margin facility**

  COL Financial's Margin Facility allows eligible customers to conveniently borrow funds from COL to purchase additional securities on credit, using their marginable stocks as collateral for the loan. This allows COL customers to quickly and conveniently take advantage of short-term profit opportunities without having to top-up their cash balance or sell some of their stocks, because of the credit line that they can conveniently use to buy selected marginable stocks. This credit facility provides for the purchase of up to double the value of cash or/and up to 100% more of the value of marginable securities.

  COL customers with a total account equity (of stocks and cash) of at least ₱200,000 are eligible to apply for a margin facility. A competitive and flexible interest rate is computed based on the utilized amount of the credit line on a daily basis, and is charged at the end of the month.

- **Research support**

  COL's Research Team and Chief Technical Analyst publish daily and weekly reports that review corporate and industry developments (Fundamental Analysis) and trend assessment (Technical Analysis) reports, all made available through the COL website. These reports provide insights and strategies to COL customers, with timely and relevant information and an in-depth analysis of hot topics and key issues that could help them make key investment decisions. Such reports provide its readers a summary of fundamentally centered details such as market moving news, earnings analysis, and important developments affecting a company and their expected impact on the stock's earnings forecasts, fair value estimates, and the suited recommendation. Technical analysis reports, on the other hand, review the trend motions of various equity markets and other investment instruments and determine their likely impact on the Philippine market as a whole and on its list of stock members.

  COL also offers a technical guide that reviews more than 250 local stocks, the PSE index, as well as the sub-indices in the Philippines, showing various technical signs that pertain to an instrument's trend condition and technical recommendation. This guide is heavily used by COL Financial customers to help time their movements into or out of stock positions.

- To guide customers in choosing the right fund for them, COL Fund Source also features a monthly research report for each mutual fund where customers can get insights on the strategy of the fund, the experience of the fund manager, and the risk profile of the fund. Relevant statistics, such as the daily performance of each fund, are also available on the website. In addition, customers can quickly compare the requirements and fees related to each mutual fund through the mutual fund product guide posted under the research tab and by looking at the fund information page. A set of tutorial videos is likewise available to guide the clients step-by-step on how to buy and sell mutual funds.

- **Easy Investment Program (EIP)**

  COL also innovated a simple yet effective investment plan called the EIP. COL's EIP minimizes risks for newcomers to the stock market while offering the benefits of wealth generation through investments in premium growth stocks. It employs the peso cost averaging method, an established wealth building tool employed by many individuals as well as some financial institutions worldwide, which involves investing a fixed amount of money to buy shares of stocks at regular intervals over a period of time as a passive, long-term investment in the stock market.

  COL EIP makes investing easier and more convenient as it automatically reminds customers of their scheduled investment dates through an EIP scheduler and calendar, where customers can customize and personalize their investment schedules and purchases for the specific period of their investments. To further assist its customers, the COL Research Team has put together a pre-selected list of Premium Growth companies, which makes it even easier for the investor to choose among the stocks that have already been studied and analyzed.

  COL customers can also set up an EIP schedule for their mutual fund investments through COL Fund Source. By doing so, customers can set aside a fixed amount to be invested in their fund of choice, to be executed at regular intervals over a period of time. Orders through this EIP facility can be executed either automatically, which entails the system posting the order during the scheduled date as long as the cash balance of the client is sufficient, or manually, whereby customers are reminded by the system that they have a scheduled buying date.

- **Stock Charting Platform**

  COL uses the latest charting technology for its stock charting platform which allowed the shift from the previous Java-based system to the more modern HTML5-based application. This enabled COL to replace all its charting technologies—web, desktop, tablet, mobile—with a single library. This makes for a better charting interface for the clients, as it provides actionable, tradable data while giving them access to multiple technical studies and unique trading tools that run on all modern browsers and devices.

  Among the powerful features of COL's charting platform that the clients can utilize are:

  1. Ability to view across date ranges where users can easily change the period of a chart as well as its date range.

  2. Use of different chart styles, types and scales like candle, bar, line, hollow candle, line break, range bars, and logarithmic, among others.

  3. Drawing and identifier tools that allow clients to compose trendlines, channels, Fibonacci retracements, or make annotations to the charts. Drawing tools, crosshairs, and measure tool are also available to the users.

  4. Indicators/studies that allow several studies and indicators to be added to the user's charts.

  5. Watchlist allows the user to add their preferred list of stocks for easy charting access and retrieval.

- **Other online services**

  COL customers are also given the online advantage of participating in Initial Public Offerings (IPOs) through the broker's allocation and to avail of tender offers and stock rights subscription. The investing public can also utilize COL's online seminar scheduling service to register and reserve a slot in the COL Seminar Series. Corporations interested in availing of COL's free seminars for their employees may now also request for and schedule seminars at their own venues using COL's website.

COL also introduced in December 2018 the Online Withdrawal Facility (OWF), which allows its customers to channel their withdrawal requests through the COL website. This new feature provides COL customers a faster and more convenient way of transmitting their withdrawal requests. Clients who wish to withdraw can just log in to their accounts and submit their request online. Submission of paper-based withdrawal request forms are no longer needed (unless the account is a corporate or a joint AND). Through the use of the OWF, clients are accorded not only convenience but also the capacity to monitor the status of their request online.

- **Projects in the Pipeline**

a. Development for a research-centric mobile application that would give clients mobile access to the latest COL research materials, news and announcements has also been initialized. The application will allow users to act on the research and basic stock information given, through ordering functionalities. The application would ensure that COL customers are always up to date with the latest research information that they can use for their trading activities. The Android version of the application was PSE certified in September 2019. Tentative launch date is fourth quarter of 2020. The IOS version is expected to be completed for development by end of September with PSE certification to follow.

b. An expedient Online Account Opening Feature and validation system is also in the works, which aims to reduce onboarding time and improve reach of new clients. This new function will enable customers to apply through their mobile devices, rendering them the ability to submit necessary requirements using such devices. This cuts down on paper fillings and manual encoding and should improve account processing time and reduce manual errors in encoding. It also bridges the gap of location and having to send documents physically to COL Financial. This should make COL's service much more reachable to even OFW's who have constantly found it difficult to send documents thru expensive courier options. COL also plans to incorporate online deposit options at the end of the online account opening feature to facilitate the quick onboarding of customers, moving an applicant to a funded account holder more quickly.

c. Development for the Hedge integrated trading platform which will stand as COL's next generation trading system is currently ongoing. It is an integrated trading terminal system which will include new features such as heat maps, configurable tickers and alerts, stop orders, full market depth, and portfolio analysis aside from the usual market data and order related functions.

B. Professional Equity Advisory Services

COL provides professional equity advisory services through its Agency and Advisory Group (AAG), composed of licensed professionals who manage client investments and administer financial advice to clients. The AAG is divided into two groups:

- Private Clients Group (PCG)

The Private Clients Group is the high net worth arm of COL. The team is comprised of experienced market professionals who have been servicing the needs of high-net worth individuals for many years through PCG and their previous Private Banking stints.

The value proposition of PCG is to provide a personalized and focused equity investment experience in the Philippines stock market. This service is carried out by giving advice and guidance on constructing equity portfolios that match client needs and requirements while keeping investment strategies relevant to the prevailing market trends and themes.

The PCG adviser aim to establish long-term business relationships with clients by ensuring that risk management is always considered first prior to administering an investment advice or carrying out an investment disposition.

On top of the 24/7 access to COL Financial's online platform, a PCG client is afforded the following privileges:

- A dedicated broker-advisor
- Exclusive access to PCG events (briefings and conferences) and research products

❑ Independent Financial Advisors (IFA)

IFA Investment Managers have extensive experience in both local and global equities as well as mutual funds. Honed by years of navigating bull and bear markets, their expertise enables them to develop truly individualized portfolio management programs for COL's high net worth clients.

When an IFA manages a discretionary account, dynamic and flexible strategies are tailor-fit to each client's financial goals, portfolio preferences, and sensitivity to risk.
Because they understand the unique needs of each professionally managed account, IFAs are able to develop creative, highly-personalized investment plans. In this way, they are more than just discretionary account managers—they work as partners in achieving each client's financial objectives.

C. Seminars and Briefings

COL remains committed to its advocacy of investor education for its customers and the investing public by providing year-round free seminars. These seminars are held regularly in its headquarters in Pasig City, in all its investment centers, and at other key cities nationwide. These engagements are designed to create meaningful learning opportunities geared towards prudent and wise dealings in the stock market. Partnerships with corporations and organizations are likewise being pursued to promote this advocacy.

❑ Investor education seminars

The COL Investor Education Seminar Series is composed of progressive training sessions starting from the basics of stock market investing—whether through stocks or mutual funds—to primers on fundamental and technical analysis. These seminars introduce the basic concepts and opportunities of stock market investing, the process of identifying fundamentally attractive stocks and the concepts and principles used in the process of evaluating an industry, the study of financial analysis, the impact of economic cycles and valuation techniques, as well as the rudimentary concepts and principles of technical analysis.

In 2019, COL has also started providing online versions of its basic investing seminars, so it can continue to widen the reach of its financial literacy efforts. By conducting webinars, COL can bring its educational seminars more easily to Filipinos nationwide and abroad.

Simple Stock Investing Through Mutual Funds

This seminar is ideal for interested investors who have little or no knowledge about stock investing as it tackles the simplest way to grow money in the stock market by investing in the country's top companies through mutual funds. Seminar participants are introduced to the COL Fund Source platform through which investors can put their money in different mutual funds aggregated from different fund house partners for as low as ₱1,000.

Building Wealth Through Stock Market Investing

This seminar introduces participants to the essential concepts and opportunities of investing in the stock market and how to get started in looking for companies to invest in. It also introduces the concept of cost averaging through COL's EIP where one can make gradual investments over time into their chosen stocks. It portrays a range of investing opportunities (from stocks to mutual funds) one can make through their COL account. This seminar is perfect for the investor who is just getting started and who has minimal to no market experience.

Introduction to Fundamental Analysis

This seminar discusses the process of identifying fundamentally attractive stocks. It tackles concepts and principles used in the process such as industry and financial analysis, the impact of economic cycles and valuation techniques. This seminar is for clients with some market experience, who are interested in learning how to pick their own stocks by making their own analysis.

A Primer into Technical Analysis

This seminar introduces the rudimentary concepts and principles of technical analysis - the study of market trends to improve market timing. It focuses on the use of price graphs in deciphering movements in demand and supply, and uses various technical tools such as Trendlines, Support & Resistance, and breakout and pullbacks to better foresee and sketch out potential trades. It also introduces concepts of trend trading, explains the reason for corrections and consolidations, and discusses the use of Technical Indicators to confirm trend analysis. All these when put together can help an investor outline his trading strategy to drive and enforce a market view and action plan. This seminar is geared for market participants with some market experience.

Online Trading Power with COL Financial

This seminar gives an overview of COL Financial's website and how to maximize its use. It focuses on integral aspects of the website's functionality including the use of research reports and guides. It also explains how to access and read price quotes, how to enter orders online, and how to review essential items relating to the customer's portfolio page. The appropriate use of COL's web interface can present a more wholesome review of trading functionality and offer better results. This seminar is geared for market participants who have just started using COL's online platform.

- Market updates and information-driven briefings

In partnership with Caylum Trading Institute, COL held its second COL Trader Summit last May 2019 at the SMX Convention Center in Pasay City to cater to its growing base of active traders and to bring together these people who have the same passion for trading the market. The event was designed to help customers formulate short-term trading strategies by introducing a concise outlook along with technical trading options, in addition to COL's usual long-term investment horizon. With the theme "Trading Beyond the Price," COL's traders and active investors learned the tools and skills needed to make winning trades and build successful portfolios.

COL also conducted its Investor Summit last September 2019. With the theme “Leveraging on Value and Momentum”, it was designed to equip COL clients with the tools and the right combination of strategies to spot the best investing opportunities that suit them. The event was also the launching pad of COL Advantage, a smart investing tool designed to bring the company’s research and expertise to clients in an easier and more accessible format.

As part of its 20th anniversary, COL also held a summit in October 2019 entitled “The Road to a Richer Life”. This event gathered more than 800 COL customers in SMX MOA for a whole day, so they could learn from notable speakers about the different facets of a richer life. This was COL’s first major event that tackled non-investment topics, as a way to give back to its customers by helping them gain a deeper understanding of what it means to have a richer life beyond financial independence.

To expand the reach of its financial literacy efforts, COL conducted 11 COL Caravans nationwide for 2019. These caravans were a marketing and sales initiative to bring COL’s free basic investing seminars to key cities in the Philippines, making it easier for Filipinos to become financially literate and to start investing.

To reach a much wider audience, especially among OFWs, COL started conducting investing webinars in 2019. Bringing its basic seminar online expanded COL’s reach and created a new touchpoint for its customers and the general public.

- Financial literacy advocacy among young individuals

COL’s advocacy on market education passionately extends to the segment of the youth and young individuals. Creating meaningful engagement among the youth in making better financial decisions starts in educating them on why they should invest and how to do it wisely in the stock market. COL currently has a working relationship with different leading school organizations to help the Filipino youth get into the investment habit at an early age.

COL continued to expand its financial literacy partnerships and strategic alliances with organizations and learning institutions to leverage on their respective reach and influence. Organizations from leading schools and universities nationwide have partnered with COL to enhance the learning potential of their events and communities, especially in the field of finance and the capital markets.

D. Customer Support

- Face-to-face services

Although COL Financial’s primary service is to drive internet-based servicing to independent investors, it upholds personal services when required. A Business Center at COL’s head office and four (4) satellite Investor Centers are utilized to handle personal (face-to-face) relationships with customers. These centers, which are appropriately staffed, offer more personal services to conduct face-to-face client discussions for sales, customer support services, market orientation activities and IPO application services.

- COL Premium

COL has a dedicated team to service the needs of its self-directed high net worth clients called COL Premium. This group offers additional engagement through events and additional content which are designed for different client behavior types. COL Premium customers are given access to a client experience manager (CEM) who serves as their primary touchpoint. A CEM assists Premium Customers with the following:

1. Entertain all servicing needs of the COL Premium customers. This includes but is not limited to withdrawals, changes in customer details, or updates in customer information.

2. Provide assistance on IPO requests, tender offers, or stock rights.

3. Conduct basic discussions of the products available to COL Premium customers like Mutual Funds and COL's Margin facility.

4. Convey and provide assistance on inquiries about COL's research and other website functionalities.

5. Facilitate the customer's participation in events and other online and offline engagements of COL Premium.

6. Execution of the guidance initiatives of COL Premium.

COL Premium also developed online channels to convey guidance on current market updates through the use of social media and reformatted the research products into formats that are easier for customers to access. Premium customers are given access to COL Premium Official Facebook group which gives regular updates, alerts, and exclusive content to these customers.

In 2019, the COL Advantage was launched. It is a guidance platform designed to consolidate the expertise of COL and make it easily accessible to investors. The core of the COL Advantage is the proprietary COL stoplight system which creates signals for a company's value, momentum, and sentiment readings which in turn will help clients make a decision on a particular stock. Using the stoplights, COL advantage also has tools and filters that can help client get a general opinion on the stocks that they hold or in what they are planning to buy. COL Advantage also allow customers to subscribe to COL research publications and follow companies so that they can get information as soon as it is published. COL Advantage has tiered access for retail and premium customers giving them different access to features depending on what they need.

- Helpdesk

COL ensures that all its customers have access to the Customer Service team through email and phone, and through its Customer Support Officers in COL's Business Center for all their navigational, technical and account queries. All customer service personnel are fully equipped to handle account information and technical assistance and can take and course orders to COL's order desk, through recorded phone calls, should the site be inaccessible to the customers or if customers have no access to an internet terminal.

COL Financial further enhanced the customer experience by implementing an enhanced email CRM service by securing Freshdesk, a third-party software that can centralize email communication, track customer responses better, and provide an online help portal that can also solicit customer feedback.

With the rise of social media use, COL Financial now offers Customer Support through its Facebook page. Customers requiring assistance can be addressed through Facebook direct messaging and through its main page, providing a timelier response to inquiries and concerns coming from both customers and non-customers.

- Digital channels

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

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

  1. To serve as an online channel for advisories, announcements, and customer support;
  2. To educate the Filipino investing public by providing easily understandable content about investing and personal finance;
  3. To engage with both clients and the general public, and to receive feedback therefrom; and
  4. To increase awareness about COL and its brand, products and services.

  These digital platforms allow COL to reach out to its growing customer base and to prospective customers at a more cost-effective way. They are used to make information readily available to COL's customers and the public, through social media posts that foster financial literacy and practicality.

  COL's Facebook channel remains the most active online platform of communicating ongoing and future activities and developments within COL. It has also served as an addition to the Parent Company's customer support system, accommodating inquiries from both clients and non-clients. COL's Facebook page continues to expand its reach, growing 36.6% to 301,341 followers as of the end of 2019.

  COL's Twitter channel is mainly used for sharing COL's research updates, in addition to containing advisories and other various kinds of social media posts. It has also become another platform for interaction between COL and the public.

  COL's YouTube channel is regularly updated with content from COL events and market briefings, paving the way for a wider audience by catering to customers who were unable to attend these events, and to the general public. It also contains research guidance and updates from industry experts, as well as other educational videos.

  As a result of COL's concerted efforts to widen its reach and build communities online, the combined number of followers on its digital channels—namely Facebook, Twitter, Instagram, and YouTube— grew to over 416,000 as of end-2019 or an increase of around 35% from end-2018. COL believes that this strong rise in engagement and participation from the investing public confirms the importance and value of fostering communities for Filipino investors.

<u>Competitor Analysis</u>

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

Features	COL	Competitor 1	Competitor 2	Competitor 3
Online Trading Platform for Stocks and Mutual Funds	Yes	Yes	Stocks, UITF	Stocks only
Real-Time / Streaming Data	Yes	Yes	Yes	Yes

Features	COL	Competitor 1	Competitor 2	Competitor 3
Charting Functions	Yes	Yes	Yes	Yes
Research Reports	Yes	Yes	Yes	Yes
0.25% Commission	Yes	Yes	Yes	Yes
Mobile App	Yes	Yes	No	Yes
Margin Facility	Yes	Yes	No	Yes
Broker Assisted Service	Yes	Yes	No	Yes
Demo Accounts	Yes	Yes	No	Yes
Free Seminars	Yes	Yes	No	Yes

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

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

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

3. COL has over 330,000 clients, a testament to how many people trust in it and its products and services.

4. COL invests resources into continuously educating its clients so they can take control of their investments, through the provision of research reports and expert advice. COL holds investor education events and market briefings throughout the year both in physical venues and online, to ensure that both clients and the general public are properly guided in their investing journey.

5. COL has a wide reach through its nationwide events, online presence and activity, and through its different investor centers nationwide. COL's wide presence enables it to continually reach prospective clients, as well as maintain good relations with existing clients.

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

Business Strategy

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

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

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

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

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

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

Customers

The business of COL is not dependent upon a single customer or a few customers that a loss of any one of them would have a material adverse effect on COL and its HK Subsidiary taken as a whole. Further, there is no customer that accounts for, or based upon existing transactions, will account for twenty percent (20%) or more of COL's total sales.

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

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

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

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

Transactions with and/or Dependence on Related Parties

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

The Parent Company, also extended advances to cover the pre-operating and licensing costs incurred by the three new subsidiaries namely COL Investment Management, Inc. (CIMI), COL Equity Index Unitized Mutual Fund, Inc. (CEIUMF) and COL Cash Management Unitized Mutual Fund ,Inc. (CCMUF).

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

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

In order to minimize any conflict of interest and to ensure the fairness and reasonableness of any future material transaction involving COL and its subsidiaries and the companies of the major stockholders or its affiliates, such material transaction shall be subjected to the approval of a majority of its independent members of the Board of Directors or by an independent firm selected by such members.

Government Regulation

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

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

The SEC and other regulatory agencies have stringent rules with respect to the maintenance of specific levels of Risk-Based Capital Adequacy Ratios (RBCA) by broker/dealers. RBCA is a ratio that compares the broker/dealer's total measured risk to its liquid capital. The broker/dealer must ensure that the RBCA ratio is at least 110% and that its net liquid capital is at least ₱5 million and is greater than the total risk capital requirement. Failure to maintain the required RBCA may subject the Parent Company to the suspension or revocation of its broker/dealer license by the SEC. In addition, a change in the RBCA rules or the imposition of new rules could limit those operations of COL that require a large use of capital such as its trading activities, and could restrict COL's ability to withdraw capital to pay dividends, repay debt, or redeem shares of its outstanding stock. A significant operating loss or any unusually large charge against net capital could adversely affect the Parent Company's ability to expand or maintain its present level of operation.

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

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

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

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

Employees

The actual number of full-time employees of COL and COLHK for 2019 and the projected number of employees for 2020 to complement the operational requirements of the Group are broken down as follows:

	2020	2019
Executives	2	2
Senior Officers	10	10
Junior Officers	51	51
Professional/Technical/Others	86	84
TOTAL	**149**	**147**

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

Risk Factors and Risk Management

Risks Associated with the Stock Brokerage and Mutual Fund Distribution Business

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

COL believes that the market for its services will eventually lead to a borderless and seamless environment especially in the flow of transactions and capital in various markets. Given that regulatory approval for such services is possible in the near future, especially with the passage of the Electronic Commerce Act (R.A. No. 8792), COL is strategically prepared to allocate resources to develop its infrastructure to meet this need. Additional revenue opportunities will also be pursued such as subscription-based revenues, educational seminars, and additional add-on services. There can be no assurance that COL will be able to generate revenue from these potential sources and that such an investment will not have a material adverse effect on COL's business, financial position, and operating results.

Risks Associated with an Early and Evolving Market

The market for online electronic brokerage services in the Philippines is at an early stage of development and is evolving. In such new and evolving industries, demand and market acceptance for new products and services are subject to uncertainty.

Although there is currently less than full awareness and acceptance by the general investing public of the concept of investing in the stock market as well as online trading, COL has embarked on several programs that promote the usage of technology to take advantage of the investment opportunities of the stock market. These programs revolve mostly on below-the-line activities through educational seminars as well as corporate roadshows in Metro Manila and provincial cities in the country.

COL currently offers basic and advanced investing seminars regularly at the COL training center, which cater to experienced investors as well as those who have minimal-to-no experience in the stock market. Corporate roadshows and presentations on the use of the online trading platform are also being conducted nationwide through co-marketing activities with business groups such as the chambers of commerce, business/civic clubs, as well as universities and graduate schools. Furthermore, with the current low penetration rate of investors in the stock market, COL believes that there is a huge potential for investor growth in the Philippine market.

Risks Associated with Potential Local and Foreign-Based Competition

COL expects to encounter direct and indirect competition from local and foreign firms offering online brokerage and mutual fund distribution services, established Trading Participants, as well as software development companies, banks, and other financial institutions who may establish their own online trading platform and integrate this with their other product lines.

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

Client Risk

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

COL's business centers are manned by trained account officers to ensure that all the requirements are met before a person's trading account application is accepted and approved.

Technology Risk

The online stock brokerage services industry and the delivery of financial services are characterized by rapid technological change, varying customer requirements, the introduction of new products and services, and emerging new standards. Should new industry standards and practices emerge, COL's technology may become obsolete. COL is well capitalized with over ₱500 million in paid-up capital, giving it the ability to make its system flexible and adaptable to new technologies and changing customer needs. It also has a strong and excellent team of IT programmers and consultants with years of experience and proficiency in the intricacies of trading-related programs.

Between 2018 and 2019, the Parent Company was able to accomplish the following:

Facilities

- Completion of the new peripheral office in Ayala, which now houses the I.T. executive offices and development center. This allows for better security by separating non-operations activities and personnel from the data center.

- The construction of the COL Business Continuity Center in Pampanga which started in 2018 has been completed in December 2019 in terms of infrastructure, network and telecommunications, servers and PCs. Stress, load, and disaster recovery testing was completed by February 2020. The center has been activated as a cold backup site in March 2020 and as the secondary I.T. operations command center due to the Luzon wide quarantine implemented by the government on March 12, 2020.

System

- Establishment of full network and system visibility using Graylog, Netflow, Cacti, NFSen, and Bro Server.
- Implementation of the Palo Alto intrusion detection and prevention system to supplement current firewalls.
- Lockdown of Domain Name Server (DNS).
- Identification of subnets/networks that are at risk, and performance of isolation and creation of Virtual Local Area Networks (VLANs) for the entire infrastructure.
- Implementation of firewall policies between users and server VLANs.
- Enablement of centralized end host logging throughout the entire network and system infrastructure.
- Continuous monitoring using the newly deployed network visibility capability for intrusion and indicators of compromise.
- Continuous monitoring of batch processing, network visibility, and centralized host logging.
- Implementation of Extended Validation (EV) SSL certificate.

Privacy and Information Security Risk

Most companies, including all members of the stock brokerage services industry, handle personal data of its clients, employees, and other stakeholders. It is the objective of COL to secure and protect this personal information from unauthorized access, use, examination, disclosure, modification, copying, moving, or destruction. The safeguarding of personal data, which includes, among others, contact information, financial, family or work-related information of individuals, is of prime importance to COL.

COL is currently in the process of implementing the following initiatives:

1. Enterprise Architecture Review with Security Principles

   This covers an organization-wide assessment of how all IT components, business structure and processes should interact in a holistic manner to meet business goals while ensuring that specialized security insight is always present during the review.

2. Full Infrastructure Visibility with 24/7 Operations Monitoring

   The purpose of this is to establish full visibility to all activities that occur in the infrastructure at all times. This requires the centralized collection of statistics of all the network chokepoints in the infrastructure, as well as logs from all the servers and individual workstations. Skilled personnel are assigned to monitor the network activities and system behavior 24/7.

3. Manned Correlations and Security Analysis

   The objective is to establish a Security Operations Center (SOC) composed of a group of Security Analysts that specifically look at a collection of events that initially may not mean anything significant by themselves, but once correlated together, infer that a security incident is taking place. Having an SOC in place provides constant detection of threats to an organization in real-time.

4. Vulnerability Management

   COL implements continuous discovery, prioritization, and remediation of vulnerabilities throughout the organization. This involves handling the task of vulnerability scanning, vulnerability remediation task and management to ensure that these are all done in a timely manner.

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

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

In addition, the Parent Company has undertaken and is constantly finding ways to further improve the following data privacy efforts:

1. Ensuring compliance with privacy laws and industry best practices, to limit the collection, use, disclosure, and retention of personal information;
2. Establishing oversight and accountability for privacy within each program and process areas;
3. Fostering a top-down / bottom-up privacy culture;
4. Developing, implementing, and maintaining privacy policy and practices to clarify personal information management requirements for clients, employees, and outsourced functions;
5. Establishing complaint and feedback mechanisms to address privacy concerns;
6. Monitoring protection performance through audits or assessments – to incorporate privacy as part of ongoing quality assurance activity, identifying gaps and needed enhancements;

7. Developing response protocols to ensure appropriate escalation and management in case of a major privacy incident or breach;
8. Using encryption techniques to ensure that personal information is appropriately secured when stored;
9. Providing ongoing awareness through regular employee training and communications;
10. Reviewing privacy incidents, analyzing trends and incorporating insights to enhance processes and systems; and
11. Accessing external expertise and resources available from privacy professionals and companies.

Business Disruption Risk

Due to the nature of unpredictability of the stock market industry, there will be instances wherein the market movement will cause unusually high volumes of transactions, which in turn can cause unexpected loading on the computing resources of COL. Even though the Parent Company has a 35.0% buffer for market swings that would cause sudden increases in resource utilization, COL has implemented additional measures to further guard against these sudden market spikes:

1. Doubled the Internet bandwidth capacity;
2. Re-engineered the order processing applications to rely more on asynchronous or parallel programming capabilities;
3. Added order processing servers to better optimize the distributed processing capabilities of the order applications;
4. Added market processing servers to the market data server farm to increase the market data processing capacity; and
5. Expanded the market data processing design such that dedicated processes would allow the grouping of stocks to be processed instead of all stocks being processed sequentially.

Risk of Power Interruption / Power Failure

Power interruption and power failure can adversely affect the efficient execution of COL's transactions and operations. Currently, all servers and equipment are connected to their own UPS systems, which provide up to six and one-half (6 and ½) hours of backup power. This is enough to power the machines until trading has completed and the building generator is powered on.

All servers are connected to UPS systems connected to the building generator-enabled outlets. COL's primary backup facility is on the 24th floor of the Tektite building. This will eventually be replaced by a more modern BCC located outside of Metro Manila. The facility will run as hot standby, allowing for an automatic switch over should there be any inability of the main computer center in Ayala to function.

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

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

Should the primary site experience a complete failure, COL Financial will enact its site disaster recovery plan. The technical personnel are instructed to proceed to the backup site and start-up the backup data center. The last saved data will be loaded into the machines and all hardware, communications equipment, and communication lines will be tested.

Connectivity to the PSE will be tested together with internet functionalities. The DNS for the site of COL Financial will be made to point to the assigned public address of the ISP on the backup site. The technical team will then perform mock trading operations using the newly activated backup center from trading to back office processing and will give the go signal to top management that the backup data center is already fully operational.

The core of the Customer Assistance Group can now proceed to the backup site to man the allocated lines for customer inquiries. The backup web server will show the new customer assistance numbers on the website which are available on the backup site.

Risk of Client Having No Access to the Trading Website

There is risk that a client will be unable to access the COL website because of factors such as inaccessibility to a computer or inability to get a working internet connection, among others. This could lead to a client failing to execute a transaction when they need to.

This risk is reduced by allowing clients to call into COL's Customer Service helpdesk and ask their service agents to aid in the placement of their orders. These orders are executed into the system only after ascertaining the identity of caller by validating some personal information about them. This type of alternative means of order posting, modification, or cancellation made available to clients is called Broker-assisted transaction.

Administrative and Operational Risks

An effective customer service team is necessary to handle client needs and is critical to COL's success. However, COL's customer service capacity may be severely constrained at times. Sub-optimal customer service could damage COL's brand name and affect the quality of service it provides to its customers.

COL has a customer service team that has gone through a rigorous training program to address the technical and website navigation concerns of COL customers. The customer service team can be expanded, as the need arises, to meet COL's operational requirements.

COL also has a CEM desk to assist the needs of high-end customers, as well as a team of Account Officers to respond to navigational, technical, and account queries of walk-in customers in its Business Center and satellite Investor Centers. COL also has a full complement of support staff from its sales team trained to serve as additional customer service officers. With the use of Freshdesk and Facebook, COL also provides customer support in new channels, enabling COL customers to receive easier and faster service.

Furthermore, to reduce operational risks due to employee and other human related errors, COL has committed to use technology to such an extent that it brings innovative products and practices in its daily operational processes. COL constantly works toward automating a great deal of its internal processes using the latest technologies both in terms of hardware and software. COL's automated processes have gone through rigorous testing prior to implementation to ensure increased operational efficiency and minimize human error leading to controlled risk. These applications and hardware are continuously updated to address the increasing number of transactions and needs of their users.

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

Fiduciary Risk

As a Trading Participant of the PSE, a broker has a duty to avoid conflicts of interests and if the same cannot be avoided, to ensure that its clients are fairly treated and are properly informed of such conflicts of interest.

A breach of this duty of loyalty to customers could result in financial or reputational loss. In order to manage this risk, especially in the custody and processing of customers' cash and securities, a comprehensive and detailed set of procedures have been established to ensure that obligations to clients are discharged faithfully and in accordance with the governing legal and regulatory requirements.

Credit Risk

Virtually all capital markets and trading transactions are exposed to credit risk. Credit risk is the risk of economic loss from the failure of the obligor to perform the terms and conditions of a contract or agreement. 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 becomes inadequate due to adverse market conditions.

Prepaid accounts

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

Margin accounts

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

Postpaid accounts

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

Copyright Infringement Risks Associated with Using Social Media

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

COL's social media presence also carries reputational risk, in that complaints about COL, whether true or without basis, can be seen by clients and prospective clients on COL's channels and elsewhere on social media and other websites. COL actively monitors and manages its own channels to ensure that any activity with negative impact on the brand will be found and properly managed to mitigate any such harmful impact.

Risks of Infringement

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

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

Manpower Risk

COL's operations largely depend on its ability to retain the services of existing senior officers, and to attract qualified senior managers and key personnel in the future. The proponents of COL are professionals from the finance and information technology industries as well as entrepreneurs with decades of experience in the Philippine stock market. The separation from the service of any key personnel could have a material adverse effect on COL's business and financial performance. However, the fact that all key officers have an equity stake in COL reduces this risk.

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

Item 2. Properties

Leased Properties

The following table shows the list of properties being leased by the Parent Company:

Purpose	**Location**	**Size (sq.m.)**	**Rental Rate/sq.m.**
Corporate Center	Units 2401B, 2402A-C East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	559	₱630.90
Research Center	Unit 2402D East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	111	630.90
Private Clients Group	Unit 2403A East Tower PSE Centre, Exchange Road, Ortigas Center Pasig City	250	630.90
Business Center	Unit 2403B East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	188	630.90
Training Center	Unit 2404A East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	111	500.00
Operations Department	Unit 2404C East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	110	525.00
Office Space	Unit 2703A East Tower PSE Centre, Exchange	211	492.19

Purpose	Location	Size (sq.m.)	Rental Rate/sq.m.
	Road Ortigas Center, Pasig City		
HR/Legal and Compliance Department	Unit 2703C East Tower PSE Centre, Exchange Road Ortigas Center, Pasig City	111	500.00
Premium Business Group and Sales Department	Unit 2404B East Tower PSE Centre, Exchange Road Ortigas Center, Pasig City	110	550.00
Data Center	Units 512 & 514 Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City	219.20	1,334.75
Data Center	Units 508-509 Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City	163.73	1,470.00
Data Center	Barangay Duquit Mabalacat City, Pampanga	620.22	240.00
Investor Center - Makati	Ground Floor Citibank Tower Valero corner Villar St., Makati City	88.33	840.00
Investor Center - Davao	2045 Robinsons Cybergate, Davao	40.96	520.00
Investor Center - Cebu	B205 Axis Entertainment Avenue, Vibo Place, Cebu City	64.34	642.00
Investor Center - Ilocos	242 Robinsons Place, Ilocos	67.37	552.00
Storage space	Unit 2406 East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	49	319.07
Storage space	Unit 2805 East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	48	550.00
Storage space	7244 Langka St. Purok 7, Barangay Duquit Mabalacat City, Pampanga (Building 1)	210	120.00

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

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

Owned Properties

In 2017, COL purchased an office space at the PSE One Bonifacio High Street in Taguig City with an initial cost of ₱17.5 million. This office space is being held for capital appreciation.

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

Limitations on Properties

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

Properties to be Acquired

Within the next twelve (12) months, the Parent Company will allot resources will for the purchase of additional hardware and software programs with an estimated cost of around ₱20.0 million. These capital expenditures which will be sourced from its operations are directed to the upgrade and further expansion of the capacity, disaster recovery and security capabilities of its trading platform for both the primary and backup sites to continuously provide its growing clientele base the best trading experience possible.

Item 3. Legal Proceedings

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

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

None

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

<u>Market Information</u>

The common shares of COL Financial were listed at the PSE on July 12, 2006 under the ticker symbol "COL". The total number of outstanding shares of COL as of December 31, 2019 is 476,000,000 with a market capitalization of ₱8.77 billion as of the end of 2019, based on the closing price of ₱18.42 per share.

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

	2019		2018	
	High	**Low**	**High**	**Low**
1st Quarter	19.20	16.00	16.02	15.30
2nd Quarter	19.20	18.50	16.78	15.80
3rd Quarter	18.80	18.20	16.64	16.10
4th Quarter	18.66	18.00	16.24	15.10

The high and low prices of COL at the PSE on April 30, 2020 were ₱15.50 and ₱15.42, respectively.

<u>Holders of Common Equity</u>

As of April 30, 2020, there are thirty-two (32) holders of common shares of COL. The Top Twenty (20) common shareholders of the Parent Company are as follows:

	Name	No. of Common Shares Total	Percentage of Total Shares Outstanding held by each
1	PCD Nominee Corporation	261,992,891	55.0405
2	PCD Nominee Corporation	124,354,204	26.1248
3	Lee, Edward K.	62,250,000	13.0777
4	Yu, Alexander C.	20,000,000	4.2017
5	Ang, Valentina L.	5,000,000	1.0504
6	Lee, Lydia	1,000,000	0.2101
7	Tan, Jessalynn L.	1,000,000	0.2101
8	Lim, Hernan Go	100,000	0.0210
9	Yu, Raymond C.	100,000	0.0210
10	Han, Paulwell	100,000	0.0210
11	Ong, Catherine L.	50,000	0.0105
12	Barretto, Serafin Jr. P.	12,000	0.0025

	Name	No. of Common Shares Total	Percentage of Total Shares Outstanding held by each
13	Estacion, Manuel	10,000	0.0021
14	Yu, Wellington C. Or Yu, Victoria O.	10,000	0.0021
15	Filio, Sernando	5,000	0.0011
16	Gara, Rosario	5,000	0.0011
17	Villanueva, Myra P.	5,000	0.0011
18	Guerzon, Caesar A.	1,000	0.0002
19	Khoo Boo Boon	1,000	0.0002
20	Hapi Iloilo Corporation	1,000	0.0002
	TOTAL	**475,997,095**	**99.9994**

Dividends

Dividend Policy

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

The table below shows the cash dividends declared from COL's unappropriated retained earnings for the years 2019 and 2018:

Year	Amount / Share	Type	Ex-Date	Record Date	Payment Date
2019	₱0.21	Regular	April 11, 2019	April 16, 2019	May 3, 2019
	₱0.64	Special	April 11, 2019	April 16, 2019	May 3, 2019
2018	₱0.15	Regular	April 24, 2018	April 27, 2018	May 10, 2018
	₱0.55	Special	April 24, 2018	April 27, 2018	May 10, 2018

Recent Sales of Unregistered or Exempt Securities

There was no sale of unregistered or exempt securities as of December 31, 2019.

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

The following is a discussion and analysis of the financial performance of COL Financial and its HK Subsidiary collectively referred to as "The Group". The discussion aims to provide readers with an appreciation of its business model and the key factors underlying its financial results. The MD&A should be read in conjunction with the audited consolidated financial statements of the Group filed as part of this report.

A. Industry and Economic Review

The Philippine Stock Exchange Index (PSEi) had a very volatile performance in 2019. After rising by as much as 9.1% to 8,144.16 in February, the PSEi reversed course and fell to a low of 7,475.16 in May. It once again rallied to 8,419.59 in July, its highest level for 2019, before falling back below 8,000 to close the year at 7,815.26, up by only 4.7% year-on-year.

The local market's strong performance during the start of the year was driven by numerous factors, led by the peaking of inflation. Recall that in 2018, the Bangko Sentral ng Pilipinas (BSP) raised rates by a total of 175 basis points after inflation reached a high of 6.7% in October. Nevertheless, after peaking in the fourth quarter, inflation went on a downtrend, thanks largely to lower food and oil prices. This in turn paved the way for the BSP to cut rates thrice by a total of 75 basis points and banks' reserve requirement ratio by 400 basis points. The 10-year bond rate also fell back below 5% as a result of falling inflation and the BSP's monetary easing policies after hitting a peak of 8.3% in 2018.

Despite the improving outlook of the local economy, appetite for Philippines and other emerging market equities deteriorated starting May as foreign investors focused on the escalation of the U.S.-China trade war and its potential impact on the global economy. Recall that in May, U.S. president Trump said that the U.S. would increase tariffs on US$200 billion worth of Chinese imports from 10% to 25% after initially agreeing to delay the increase indefinitely. He also said he would impose a 25% tariff on all remaining Chinese imports. China in turn retaliated by imposing tariffs on US$60 billion worth of imports from the U.S.

The Philippine market rallied momentarily in June and July, triggered by increasing hopes of a rate cut by the U.S. Federal Reserve System (Fed). Recall that the Fed cut rates three times by a total of 75 basis points in 2019 after initially planning to continue raising rates due to concerns that the Trump administration's ongoing trade war with China with hurt the U.S. economy.

Nevertheless, the rally did not last as increasing signs of global economic weakness caused foreign investors to shift to safe haven investments such as U.S. sovereign bonds and gold. The rebalancing of the Morgan Stanley Capital International emerging market index in favor of Chinese stocks also contributed to the sell-off of Philippine stocks in the months of May, August and November. The Philippines' disappointing first half gross domestic product growth which was largely caused by the delayed passage of the government's budget, and the weaker than expected corporate earnings results further hurt investor sentiment.

Appetite for riskier assets including emerging market stocks started to improve again towards the last few months of the year as a result of the surprise announcement that the U.S. and China would sign a phase 1 trade deal. However, foreign investors continued to stay away from Philippine stocks due heightened regulatory concerns following the Philippine government's move to revoke the extension of Manila Water and Maynilad's water concessions from 2022 to 2037 and President Duterte's threat of nationalizing the two water firms' concessions if they do not accept the new contract that will be offered which will remove onerous provisions found in the old contract.

Average daily value turnover in the Philippine Stock Exchange (PSE) increased by 8.1% to ₱7.6 billion during the first nine months of the year. However, during the fourth quarter, average daily turnover fell by 15% to only ₱6.5 billion, dragging the full year average to only ₱7.3 billion, higher by only 1.9%.

Like the Philippine stock market, the HK stock market had a volatile performance in 2019. After rallying strongly during the first four months of the year on increasing hopes that trade negotiations between the U.S. China would have a favorable outcome, investors were taken by surprise after U.S. president Trump announced in May that he would impose higher tariffs on a large number of Chinese imports. This resulted to the steep sell-off of HK stocks. The escalation of protests against the extradition bill further hurt sentiment for HK stocks. Nevertheless, HK stocks recovered during the fourth quarter, benefiting from the surprise announcement that the U.S. and China would soon sign a phase 1 trade deal.

The said developments caused the three major HK indices - the Hang Seng index (HSI), the Hang Seng China Affiliate Corp. Index (HSCCI), and the Hang Seng China Enterprise Index (HSCEI) – to end 2019 higher by 9.2%, 8.2% and 10.6% after rising by as much as 17.2%, 14.9% and 17.4% respectively.

Average daily value turnover fell significantly, by 18.5% to HKD87.3 billion.

Business Review

1. *Key Performance Indicators*

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

	2019	2018
Number of Customer Accounts	333,171	293,371
Customers' Net Equity (in millions)	₱73,110.0	₱73,096.1
Revenues (in millions)	₱1,085.9	₱1,156.7
Return on Average Equity (ROE)	26.8%	32.1%
Risk Based Capital Adequacy Ratio*	532.0%	678.0%
Liquid Capital** (in millions)	HKD29.0	HKD37.4

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

Despite volatile market conditions, COL maintained its strong growth momentum, opening a total of almost 40,000 new accounts to end 2019 with 333,171 **customer accounts**, higher by 13.6% year-on-year. COL's client base continued to grow as the Parent Company remained active in educating and encouraging Filipinos to save and invest through its market forums, investor education seminars and various social media platforms. It also continued to benefit from heightened interest among Filipinos to invest outside of traditional fixed income instruments as well as the greater convenience provided by online platforms in accessing the stock market. Finally, COL benefited from its wider geographical reach with its five investor centers located in Ortigas, Makati, Cebu, Davao, and Ilocos, allowing it to address the needs of more clients.

Aside from the purchase of individual stocks, in 2015, COL began to distribute mutual funds, making it easier for inexperienced investors to invest in the stock market. As of end 2019, there were 44,682 accounts that owned mutual funds, equivalent to around 13.4% of COL's client base during the said period. Out of the said number, 9,391 or 21.0% were exclusively invested in mutual funds.

Customers' net equity was flat year-on-year at ₱73.1 billion as of end 2019, as the strong growth of COL's client base was unable to offset the negative impact of volatile market conditions. On the positive side, COL still saw net new flows amounting to ₱3.1 billion in 2019, allowing customers' net equity to remain flattish despite the volatile performance of the benchmark index.

Revenues fell by 6.1% in 2019 to ₱1.1 billion. The drop in revenues was largely due to the 23.3% year-on-year decline in commissions as COL's value turnover fell. COL also suffered from a steep decline in other income to only ₱1.8 million in 2019 from ₱16.7 million in 2018 due to the absence of trading gains.

The sharp drop of commissions and other income was partly offset by higher interest income and trail fees. Interest income jumped by 25.0% to ₱527.7 million, thanks largely to higher average bank deposit rates in 2019. Meanwhile, trailer fees earned from the distribution of mutual funds improved by 17.9% to ₱17.4 million as assets under administration (AUA) increased to ₱3.2 billion as of end 2019 from ₱2.8 billion as of end 2018.

Due to the sharp drop in revenues and net income, **return on average equity** (ROE), computed as net income divided by average stockholders' equity, also fell to 26.8% in 2019 from 32.1% in 2018.

In 2019, both COL and its HK subsidiary continued to meet the stringent rules of regulators in the Philippines and Hong Kong. As of end December 2019, the Parent Company's Risk Based Capital

Adequacy Ratio (RBCA) reached 532%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD29.0 million of liquid capital. This is also well above the minimum requirement of HKD3.0 million or 5% of adjusted liabilities.

2. Other Financial Soundness Indicators

	2019	2018	Formula
Profitability ratios:			
Return on assets	4.5%	4.6%	Net income/Total assets
Net profit margin	42.2%	44.3%	Net income/Net sales
Solvency and liquidity ratios:			
Current ratio	1.17	1.12	Current assets/Current liabilities
Debt to equity ratio	4.92	5.89	Total liabilities/Stockholders' equity
Quick ratio	1.12	1.06	Liquid assets/Current liabilities

3. Material Changes in Financial Condition

a. 2019 vs. 2018

COL's asset base fell by 8.7% in 2019 to ₱10.1 billion compared to its end 2018 level of ₱11.1 billion. Assets fell largely due to the 11.3% decline in cash and cash equivalents (including cash in segregated account and short-term cash deposits) to ₱8.6 billion.

Cash and cash equivalents fell largely due to the decline in clients' net outstanding cash balances from ₱8.8 billion as of end 2018, to ₱7.4 billion as of end 2019.

Meanwhile, trade receivables increased by 6.6% largely due to the unsettled receivable from clearing houses amounting to ₱124.7 million as of end 2019 from nil as of end of 2018 arising from the selling transactions of customers. These receivables were collected within the first week of January 2020. Margin availments of the Parent Company's customers also increased to ₱576.3 million from ₱511.8 million which offset the withdrawal of customer funds of the HK Subsidiary from its account with Interactive Brokers.

Other receivables fell by 7.6% to ₱48.1 million mainly due to lower accrued interest income on short and long-term placements, brought about by the drop in the size of placements.

Property and equipment increased significantly by 95.5% to ₱148.6 million due to capital expenditures amounting to ₱44.6 million incurred by the Parent Company to continuously improve its IT infrastructure. This entailed the purchase of computers, servers, and other related accessories and the renovation of its leased premises. In 2019, the Parent Company already completed the construction of its off-site Data Center, which will function as the Business Continuity Center (BCC) in case of failures in the office and production site due to natural or man-made disasters that would render operation on its primary sites not possible. The Group also adopted the new accounting standard, Philippine Financial Reporting Standards (PFRS) 16, *Leases* which requires the recognition of right-of-use assets amounting to ₱56.3 million on the leased office premises, warehouse, data centers and parking units currently in use by the Group.

Other noncurrent assets increased by 1.5% to ₱77.2 million. This is largely attributable to development costs related to the Parent Company's mobile software application and contributions to Clearing and Trade Guarantee Fund or CTGF.

Similar to total assets, total liabilities fell by 10.8% to ₱8.4 billion as of end 2019. The drop was largely due to the 11.6% decline in trade payables, which accounted for 97.4% of total liabilities. As of end 2019, trade payables fell to ₱8.2 billion from ₱9.3 billion as of end 2018 as clients' outstanding cash balances declined.

Other current liabilities decreased by 20.7% to ₱85.0 million primarily due to lower accrued bonuses of COL's employees.

Shareholders' equity increased marginally by 1.8% to ₱1.7 billion due to the booking of ₱458.4 million in net income in 2019, which was largely offset by the payment of ₱404.6 million worth of cash dividends to shareholders.

b. 2018 vs 2017

COL's asset base fell in 2018, dropping by 6.4% to ₱11.1 billion compared to its end 2017 level of ₱ 11.9 billion. Assets fell largely due to the 10.6% decline in cash and cash equivalents to ₱9.0 billion and the 30.7% decline in trade receivables to ₱811.0 million.

Cash and cash equivalents composed mainly of cash in banks and short-term placements fell as COL's clients deployed a larger portion of their capital in the stock market. From 87.3% as of end 2017, clients increased their deployment to 87.9% of their capital as of end 2018. Moreover, COL increased the amount of cash placed in higher yielding short and long-term time deposits from ₱ 200.0 million as of end 2017 to ₱826.0 million as of end 2018.

Meanwhile, trade receivables fell by 30.7% due to diminishing receivables from margin customers and lower receivables from clearing houses. As of end 2018, the value of margin loans fell to only ₱ 511.8 million from ₱554.1 million as of end 2017 while no receivable from the clearing houses was recorded as of end of 2018 as compared to the receivables amounting to ₱505.7 million booked as of end of 2017.

Other receivables also went up 89.4% to ₱52.0 million mainly due to higher accrued interest income on short and long-term placements, brought about by the significant increase in interest rates.

Financial assets at fair value through profit or loss increased by ₱1.2 million to ₱3.2 million due to the purchase of some proprietary shares by the Parent Company.

Property and equipment, including investment property, increased by 7.8% to ₱92.7 million as COL continued to invest on improving its IT infrastructure, with bulk of the ₱31.3 million of capital expenditures in 2018 spent on the purchase of additional units of high capacity rack servers and server software. The Parent Company also allocated a portion of its CAPEX budget for the construction of its offsite Data Center and the cost of improvements on its leased premises in line with its expansion program.

Deferred tax assets (DTA) consisting primarily of the future tax benefit amounting to ₱33.4 million recognized on the unused losses of COLHK was reversed in full in 2018 since its forecasted future taxable income is insufficient to support the recognition of the DTA.

Other noncurrent assets, on the other hand, increased by 307.5% to ₱73.4 million mainly due to the reversal of the ₱13.7 million allowance on impairment losses provided on the Parent Company's initial membership contribution and the recognition as other income of the monthly contributions in prior years charged to expenses amounting to ₱21.5 million. The SEC approved on March 13, 2018 to refund the CTGF contributions made by the clearing member upon cessation of its brokerage business and/or termination of its membership with the SCCP. As of end of 2018, the Parent Company has a total refundable contribution amounting to ₱38.8 million.

Similar to total assets, total liabilities likewise fell by 9.2% to ₱9.4 billion as of end 2018. The drop was largely due to the 9.3% decline in trade payables, which accounted for 98.7% of total liabilities.

As of end 2018, trade payables fell to ₱9.3 billion from ₱10.2 billion as of end 2017 as clients deployed a larger portion of their portfolio in the stock market, leading to a decline in their cash balances.

Other current liabilities decreased by 7.0% to ₱107.2 million primarily due to the lower amount of deposits received from the retail customers beyond the cut-off period, partly offset by the increase in accrued bonuses of COL's employees.

Shareholders' equity increased by 12.6% to ₱1.7 billion due to the booking of ₱512.6 million in net income in 2018, partly offset by the payment of ₱333.2 million worth of cash dividends to shareholders.

4. Material Changes in the Results of Operations

a. 2019 vs. 2018

COL's consolidated revenues in 2019 fell by 6.1% to ₱1.1 billion. Cost of services dropped by 12.5% to ₱193.3 million while operating expenses increased by 5.8% to ₱256.0 million. Provision for income taxes declined by 19.7% to ₱172.0 million. Given weaker revenues and higher operating expenses, net income fell by 10.6% to ₱458.4 million.

COL's consolidated revenues fell by 6.1% to ₱1.1 billion. Revenues fell as the strong growth in interest income and trail fees was not enough to offset the double-digit decline in commission revenues, trading gains and other income.

Interest income grew strongly as higher interest rates and the tight liquidity condition of banks during the first half of the year resulted to higher bank deposit rates. Recall that high inflation in 2018 prompted the BSP to raise interest rates by a total of 175 basis points during the said year. Meanwhile, banks were suffering from tight liquidity as their loans to deposit ratios were already very high. Given the high interest rate environment, COL's total interest income increased by 25.0% to ₱527.7 million despite COL's lower cash position in 2019.

Meanwhile, trail fees earned from the distribution of mutual funds continued to grow, increasing by another 17.9% to ₱17.4 million. More COL clients invested in mutual funds, reaching 44,682 as of end 2019, up from 36,349 as of end 2018. This was largely responsible for the increase in average AUA by 13.0% year-on-year to ₱3.2 billion.

However, commission revenues were weak, dropping by 23.3% to ₱539.0 million. Commission revenue fell as COL's share in the PSE's value turnover fell to 5.6% in 2019 from 7.5% in 2018. Compared to 2018, market activity shifted to more large cap index names which retail investors do not actively trade.

Cost of services fell by 12.5% to ₱193.3 million largely due to the 33.4% drop in commission expenses to ₱40.4 million. Aside from the overall decline in value turnover, the commission sharing scheme was restructured.

Operating expenses were up by 5.6% to ₱256.0 million. Operating expenses increased largely due to depreciation and amortization expenses which more than doubled to ₱58.7 million in 2019 from ₱25.8 million in 2018 due to the high capex spent during the past few years and the recognition of depreciation expense from right-of-use assets amounting to ₱26.2 million in compliance with PFRS 16.

Personnel costs, professional fees, and bonuses, which account for 48.8% of operating expenses, fell by 5.1% to ₱127.9 million. Although personnel costs and professional fees combined were flat year-on-year at ₱110.9 million, this was offset by the 31.6% drop in bonuses in 2019 to ₱16.9 million.

Advertising and marketing expenses increased by 35.6% to ₱15.7 million. The Parent Company spent more in 2019 because it was COL's 20^{th} anniversary. It also continued to spend on creating and distributing digital content to promote the COL brand and to reach a larger number of prospective customers.

As discussed earlier, depreciation and amortization jumped by 127.3% to ₱58.7 million in 2019 from ₱25.8 million in 2018 due to large capital expenditures for the past few years and the adoption of PFRS 16. Note that COL invested more on its IT infrastructure in line with efforts to continuously improve the service quality it provides to its customers. It also opened a number of Investor Centers in key cities outside Metro Manila during the past few years. From 2017 to 2019, total capital expenditures reached ₱135.1 million.

Due to the aforementioned factors, and the low base effect created by the reversal in 2018 of the allowance on impairment losses amounting to ₱13.7 million on the initial contribution to the CTGF and the recognition as other income of the monthly contributions previously charged to expenses amounting to ₱21.5 million in 2018, operating income fell by ₱96.3 million or 13.2% to ₱630.4 million. Net income dropped by a slower pace of 10.6% to ₱458.4 million as provision for income tax fell by 19.7% to ₱172.0 million.

b. 2018 vs 2017

COL's consolidated revenues in 2018 increased by 20.6% to ₱1.2 billion. Cost of services fell by 6.7% to ₱220.8 million while operating expenses went up 28.1% to ₱242.1 million. Meanwhile, provision for income taxes jumped by 61.3% to ₱214.1 million. Given the growth of revenues compared to the decline of expenses, net income increased by 35.3% to ₱512.6 million.

COL's consolidated revenues increased by 20.6% to ₱1.2 billion, the first time that revenues hit the one billion mark. Growth was largely driven by the 68.6% jump in interest income and the 39.8% increase in trail fees.

Interest income grew strongly as the rising interest rate environment enabled COL to place funds in higher yielding deposit instruments. Recall that the BSP raised interest rates by a total of 175 basis points in 2018, while the average 91-day T-bill rate increased from 2.15% to 3.54%. Consequently, total interest income increased by 68.6% to ₱422.2 million. This was despite COL's lower cash position and the lower average value of margin loans from ₱804.4 million in 2017 to ₱540.8 million in 2018.

Meanwhile, trail fees which COL earns from the distribution of mutual funds grew strongly by 39.8% to ₱14.8 million as more clients invested in mutual funds. As of end 2018, 36,349 clients owned mutual funds, up from 27,375 as of end 2017 while average assets under administration increased by 47.4% year-on-year to ₱2.6 billion.

Commission revenues were also up, but by a slower pace of 3.6% to ₱702.9 million. Commission revenue growth slowed as average daily value turnover in the PSE fell by 11.3% to ₱7.2 billion. This was partly offset by the improvement in COL's share in the PSE's value turnover to 7.4% in 2018 from 6.3% in 2017.

Cost of services fell by 6.7% to ₱220.8 million largely due to the 31.9% drop in commission expenses to ₱60.6 million. In 2018, agent-led clients accounted for a smaller share of COL's value turnover at 15.0% vs 28.0% in 2017, largely explaining the drop in commission expenses.

Operating expenses was up 28.1% to ₱242.1 million largely due to booking of higher costs related to the Parent Company's larger manpower complement, rentals and cost of improvements in its IT infrastructure charged to operations.

Personnel costs, professional fees and bonuses, which account for 64.4% of operating expenses, increased by 23.4% to ₱134.7 million. The increase in payroll-related expenses is in line with the continuous expansion in COL's client base which required a corresponding increase in manpower complement. Professional fees also went up due to the agreed yearly increase in the fees being paid to the IT consultants and the hiring of IT experts to further strengthen COL’s internal systems and network structure and develop and train its IT team in handling and maintaining the security of its systems.

Rentals, which account for 10.8% of operating expenses, increased significantly by 32.1% to ₱22.5 million due to higher rental rates. COL also rented more office space to house its growing manpower complement. Condominium dues and utilities, and power, light and water likewise increased by 30.4% and 26.7% to ₱3.6 million and ₱5.8 million, respectively, in line with the increase in its office floor area.

Advertising and marketing expenses increased by 19.3% to ₱11.6 million as the Parent Company spent on the creation and distribution of new digital content to promote the COL brand and reach a bigger number of prospective customers.

Repairs and maintenance, likewise, was up 35.7% to ₱5.2 million because of the additional costs incurred in maintaining the newly purchased rack servers and the major repair done in the Parent Company’s air conditioning system to ensure suitable ventilation in the server room.

Depreciation and amortization increased by 16.9% to ₱25.8 million due to large capital expenditures for the past three years, in line with efforts to beef up COL’s IT infrastructure and its wider reach through new Investor Centers in key cities outside Metro Manila. From 2016 to 2018, total capital expenditures reached ₱130.8 million.

Meanwhile, the Parent Company booked in 2019 Other income amounting to ₱32.9 million due to the reversal of the allowance on impairment losses amounting to ₱13.7 million on the initial contribution to the CTGF and the recognition as other income of the monthly contributions previously charged to expenses amounting to ₱21.5 million

Due to the aforementioned factors, operating income went by ₱215.2 million or 42.1% to ₱726.7 million. However, net income increased by a slower pace of 35.3% to ₱512.6 million as provision for income tax increased by 61.3% to ₱214.1 million due to the write off of ₱33.4 million in deferred tax assets on COLHK’s unused tax losses.

5. Other Matters

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

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

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

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

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

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

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

B. Prospects for the Future

1. Near-Term Prospects

The operating environment for stock brokers in the Philippine stock market is expected to remain challenging in 2020. The weak economic outlook brought about by the COVID-19 pandemic is expected to hurt corporate earnings growth, limiting capital appreciation potential of stocks. Although the market began to rally sharply in March after falling steeply during the earlier part of the year, we don't think the rally is sustainable as the market is already pricing in a "V" shaped economic recovery which we don't think will materialize. Foreign investors also remain net sellers while value turnover remains thin.

Meanwhile, COL's HK operations will most likely remain a small contributor to total revenue in 2020 as we focus our resources on our Philippine business.

2. Medium to Long-Term Prospects

The medium to long term outlook of the Philippine stock market remains very attractive. Once we overcome the obstacles brought about by the COVID-19 pandemic, the Philippine economy is expected to resume its above average growth pace, driven by the country's favorable demographics, the significant size of our resilient OFW remittances and the attractive growth prospects of our BPO sector. The government's strong financial position should allow it to continue spending on education, health care and infrastructure, while the expected passage of the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE bill later this year should improve the Philippines' competitiveness and help the country attract more foreign investments, creating more jobs for Filipinos.

Meanwhile, the penetration rate of retail investors in the stock market remains very low implying a substantial room for growth. Coupled with the economy's favorable growth outlook, the said factors should bode well for the performance of the Philippine stock market and for COL over the long term.

Item 7. Financial Statements

Please refer to the attached Consolidated Audited Financial Statements for the years ended December 31, 2019 and 2018.

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

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

Item 9. Audit and Audit-Related Fees

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

	2019	2018
Audit and Audit-Related Fees in connection with the annual review of the Group's financial statements	₱1.72 million	₱1.64 million
Tax Fees	None	None

Appointment of COL's external auditor and its audit fees are upon recommendation of the Audit Committee (AuditCom). All services rendered by SGV have prior approval of the President as recommended by the AuditCom. Actual work by SGV proceeds thereafter. The Audit Committee is chaired by Mr. Wellington C. Yu, with Mr. Raymond C. Yu and Mr. Hernan G. Lim as members.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

<u>Board of Directors</u>

The Directors of COL as of December 31, 2019 are as follows:

Name	Position
Edward K. Lee	Chairman
Alexander C. Yu	Vice Chairman
Hernan G. Lim	Member
Raymond C. Yu	Member
Conrado F. Bate	Member
Paulwell Hann	Member
Catherine L. Ong	Member/Treasurer
Wellington C. Yu	Member
Kho Boo Boon	Member
Arthur G. Gindap	Member
Hokushin Kido	Member

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

Edward K. Lee, 65, Filipino, is a Bachelor of Science in Industrial Management Engineering graduate of De La Salle University. He is concurrently the Founder and Chairman of the Board of COL since 1999, COL Securities (HK) Limited since 2001, CTS Global Equity Group, Inc. (formerly, Citisecurities, Inc.) since 1986, and Caylum Trading Institute since 2013. Mr. Lee served as a nominee of CTS Global Equity Group, Inc. (formerly, Citisecurities, Inc.) to the Manila Stock Exchange and presently to the Philippine Stock Exchange. He was elected as one of the Governors of the Philippine Stock Exchange and was the Chairman of the Computerization committee of the Manila Stock Exchange and PSE in 1994. He went on to become a member of the Board of Directors of A. Soriano Corporation serving for two terms. Mr. Lee was also nominated as a finalist to the 2007 Entrepreneur of the Year Philippines by Ernst & Young. In 2015, he was awarded with the Theodore Vail Most Outstanding JA Alumni Awardee. From 2016 to 2019, he was appointed as an official board member of JA Asia Pacific.

Alexander C. Yu, 64, Filipino, is a Bachelor of Science in Mechanical Engineering graduate of De La Salle University. He is currently the Vice Chairman of COL since 1999 and the Vice Chairman and

Treasurer of CTS Global Equity Group, Inc. (formerly, Citisecurities, Inc.) since 1986. He is also currently a Director of COL Securities (HK) Limited since 2001**,** elected as Director of Caylum Trading Institute in 2013, and Director and Treasurer of Winner Industrial Corp. for more than 10 years. In 1997, he served as a Director of A. Soriano Corporation.

Conrado F. Bate, 57, Filipino, is a Bachelor of Arts in Economics and Bachelor of Science in Marketing Management graduate of De La Salle University. He is currently the President and Chief Executive Officer of COL. He has extensive experience in the Philippine stock brokerage and fund management industry. Prior positions that he held include: Vice President of JP Morgan Philippines in 2002, President and CEO of Abacus Securities Corporation from 1995 to 1997, and Vice President of Fund Management Division of Philamlife Insurance Company from 1990 to 1995. Mr. Bate was a member of the Board of Directors of the Philippine Stock Exchange (2005 to 2006) and served as its Chairman of the Investor Education Committee and Member of the Legislative Committee. He was an independent director of the ATR Kim Eng Asset Management from 2005 to 2010 and serves in the same capacity for Corston-Smith Asset Management Sdn. Bhd. from February 2009 to present.

Catherine L. Ong, 68, Filipino, is the SVP – Chief Operating Officer of CTS Global Equity Group, Inc. (formerly, Citisecurities, Inc.) and Executive Vice President and Treasurer of Cedarside Industries, Inc., Barrington Carpets, Inc., and Citimex, Inc. She has held the latter position for more than 20 years. She has extensive experience in banking, having held various positions in Metropolitan Bank and Trust Company (Metrobank). She was an Assistant Vice President and Area Supervisor of Metrobank and served as a Director of Metrobank's subsidiary, Pan Philippines Life Insurance Corp. (now known as Philippine Axa Life). Ms. Ong graduated from the Philippine Women's University with a Bachelor of Science Degree in Business Administration, Major in Accounting.

Khoo Boo Boon, 61, Malaysian, has extensive experience in commodities trading, stock trading, advertising, marketing research, and corporate managements and has held senior executive position in the Asean region. He currently runs his own management and consulting firm, Knowledge-Based Business Intelligence and Consulting (KBBIC), and sits on the Board of Directors of Geka Property Holdings, Inc. and Bethel Home Holdings Inc. Mr. Khoo is an alumnus of the Asian Institute of Management where he earned a Master's degree in Development Management in 1990 as Canadian International Development Agency (CIDA) Fellow.

Arthur Gindap, 58, Filipino, is the Senior Vice President & Business Unit General Manager of Robinsons Hotels & Resorts. From 2004 to 2018, he was the Vice President & Regional General Manager of Philippines and Thailand and the Vice President of Global Operations & Customer Service of the Ascott Limited. Mr. Gindap has over 30 years of experience in the hotel and hospitality industry. Mr. Gindap graduated from Sheridan College in Canada with a degree in Hotel and Restaurant Administration

Wellington C. Yu, 76, Filipino, finished his BS Chemical Engineering at De La Salle University in 1965 and his MBA and MS Chemical Engineering from the University of Pittsburgh. He is Dean Emeritus of the College of Business of De La Salle University. He was the Senior Vice President of Tropical Rent-A-Car in Hawaii from 1986 to 1990 and President of Suntrips, Inc. of San Jose, California from 1990 to 1997. In 2012, Xavier School San Juan awarded the "Exemplary Alumnus" title to Dean Yu.

Raymond C. Yu, 66, Filipino, is a Bachelor of Science in Commerce graduate of De La Salle University in 1974. He is currently the President of Winner Industrial Corporation, elected as a director of Caylum Trading Institute in 2013 and a director for more than 16 years of the following corporations: CTS Global Equity Group, Inc. (formerly, Citisecurities, Inc.), Cedarside Holdings Corp., Cedarside Industries, Inc., Barrington Carpets, Inc., and Citimex, Inc

Hernan G. Lim, 67, Filipino, is currently the President of Hoc Po Feeds Corporation and HGL Development Corporation. Mr. Lim is a Director of Caylum Trading Institute since 2013 and has also been a Director of Citimex, Inc., CTS Global Equity Group, Inc. (formerly, Citisecurities, Inc.), and

Barrington Carpets, Inc. for more than 10 years. He holds a Bachelor of Science degree in Electronics and Communications Engineering from the University of Santo Tomas. He also took the Basic Management Course at the Asian Institute of Management.

Paulwell Han, 60, Chinese, is a graduate of Business Finance at San Francisco State University, USA. He is currently the Director and General Manager of different corporations located in Hong Kong, namely: Etta Trading Company Limited, Yee Ting Tong Company Limited, Tecworld Investment Co., Ltd., Silver Jubilee Co., Ltd., and Sunning Restaurant.

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Hokushin Kido, 42, Japanese, was elected as director on May 15, 2017. He is currently the Head of Global Business Development Section in International Business Planning Department of Daiwa Securities Group Inc., where he promotes international alliance and investment strategy. He has extensive experience in the sales and trading business since he started his career in Daiwa Securities Group Inc. in 2002. He earned his BA in English at Kansai Gaidai University, and his MBA at the University of North Carolina Kenan-Flagler Business School.

Mr. **Khoo Boo Boon** and Mr. **Arthur G. Gindap** are the Independent Directors of COL.

Management Team

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

Juan G. Barredo
Vice President and Head of Sales and Customer Support Department

Juan "Juanis" G. Barredo, 52, Filipino, Vice President of Sales & Customer Support for COL, manages the day-to-day operations of COL's Business Center, its Sales division as well as its Customer Support division. He also spearheads the COL Investor Seminar Series, the flagship investor education program of the Parent Company, geared to empower COL customers and the investing public to build their knowledge base through a series of progressive stock market training sessions so that they can confidently invest in the Philippine Stock Market. He has addressed an audience of over 130,000 people in the last eight years nationwide with topics ranging from the basics of stock market investing to introductory and advance technical analysis seminars. Mr. Barredo holds a Bachelor of Arts degree in Philosophy from De La Salle University in 1990 and is a Certified Securities Representative.

Nikos J. Bautista
Vice President and Chief Technology Officer

Nikos J. Bautista, 51, Filipino, is the Chief Technology Officer of COL. He was a consultant and a committee member for the New Trading System Project of the PSE which was launched successfully mid-2010 and for various projects of the PDEX. He was with the I.T. Department of the PSE as manager, in charge of all the I.T.-related activities of the Exchange from 1993-1997. In 1997, he joined Computershare, an Australian-based software development company specializing in trading systems wherein he took charge of all technical aspects of the business. In 2000, he put up a software development company, Finatechs, Inc., where he served as its President and Chief Executive Officer until 2003. Mr. Bautista is a graduate of De La Salle University, with a Bachelor of Computer Science Degree and Masteral Courses in Computer Science.

Lorena E. Velarde
Vice President and Financial Controller

Lorena E. Velarde, 49, Filipino, was appointed as Financial Controller of COL in 2010 after having served as the Parent Company's Head of Accounting from 2001 to 2009. She is concurrently the Associated Person of CTS Global Equity Group, Inc. (formerly, Citisecurities, Inc.). She was previously the Accounting Department Head of Citisecurities, Inc. and Citisec Asset Management, Inc., the fund manager for Citisec Growth and Income Fund, Inc. Before that, she was a Senior Associate in-charge at SyCip Gorres Velayo & Co., which provided her extensive training in tax, accounting, and financial reporting. Ms. Velarde graduated from the University of Santo Tomas with a Bachelor of Science Degree in Commerce Major in Accounting in 1991 and became a Certified Public Accountant on the same year.

April Lynn C. Lee-Tan
Vice President and Head of Research Department

April Lynn L. Tan, 45, Filipino, has been the head of COL's Research Team since 2003. She has been doing equities research since 1996 when she joined the research team of Citisecurities, Inc. (now CTS Global Equity Group, Inc.) Ms. Tan holds a Bachelor of Science Degree in Management Engineering from the Ateneo de Manila University. She is a Certified Securities Representative and in 2000, earned the right to use the Chartered Financial Analyst (CFA) designation. She was the President of the CFA Society of the Philippines from 2009 to 2016. Under her term as president, CFA Philippines won the "Global CFA Institute Research Challenge" twice and several Society Excellence Awards including the "Most Outstanding Society" for its size. The Society also became the country sponsor for the Global Investment Performance Standards (GIPS) together with the local "Fund Managers' Association of the Philippines" and the "Trust Officers Association of the Philippines."

Melissa O. Ng
Assistant Vice President and Head of Operations Department

Melissa O. Ng, 47, Chinese, graduated with a degree of Bachelor of Science Degree in Applied Economics and a Bachelor of Science Degree in Business Management from De La Salle University. She earned her MBA (Silver Medalist) from De La Salle University in 2000. She has been with COL since 2007 and has previous banking experience from Security Bank and Union Bank of the Philippines.

Sharon T. Lim
Assistant Vice President and Head of HR, Legal and Compliance Departments

Sharon T. Lim, 40, Filipino, started with COL in 2011 as Compliance and Legal Officer and was appointed as AVP and Head of Legal and Compliance Departments in 2016. She was appointed as Corporate Secretary in November 2018 and was the Head of COL's Human Resources Department from 2016 to 2019. Atty. Lim was previously a Senior Associate of Puyat, Jacinto, and Santos Law Offices and an Associate of Picazo Buyco Tan Fider and Santos Law Offices. She graduated with a degree of Bachelor of Science in Management Engineering in 2002 at the Ateneo de Manila University, Bachelor of Laws in 2006 at the University of the Philippines, and a Master of Laws (Corporate & Financial Services Law) in 2019 at the National University of Singapore. She was admitted to the Philippine Bar in 2007 and is a licensed Associated Person.

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Edmund Daniel P. Martinez
Assistant Vice President and Head of Premium Business Group

Edmund Daniel P. Martinez, 36, Filipino, was appointed as AVP – Head of Premium Business Group. He started with COL as a Business Development Consultant. He previously worked at Hong Kong Shanghai Banking Corporation as VP of Wealth Management and Product Development. He has also held positions at Citibank NA., Citibank Savings Inc., Citicorp Financial Services and Insurance Brokerage Philippines, Inc., and First Metro Investment Corporation. He was also an instructor and the Deputy Director of the Strategic Business Economics Program of the University of Asia and the Pacific. Mr. Martinez graduated with a Bachelor of Arts degree in Humanities from the University of Asia and the Pacific and attained his Master of Science degree in Industrial Economics from the same University. He has also completed the Certified Financial Consultant Program of the Institute of Financial Consultants of

Canada, holds a diploma in PHP MYSQL Development from the University of the Philippines, is a Registered Financial Planner, and a CFA Investment Foundations Certificate Holder.

Joyce G. Chan
Assistant Vice President - Customer Support

Joyce G. Chan, 35, Filipino graduated with a Bachelor of Arts degree in Communications from Ateneo De Manila University. She started as a Management Associate with the Philam Group of Companies before becoming a Corporate Trainer and Development Officer. She joined COL in 2010 as a Sales Manager and has since then handled its Sales and Customer Support teams. She is a Certified Securities Representative, Certified Investment Solicitor, and a Fellow in the Life Management Institute with Honors.

Gabriel Jose E. Mendiola
Assistant Vice President - Software Development

Gabriel Jose E. Mendiola, 38, Filipino is the AVP – Software Development of COL. He started working at the Company in 2007 as the I.T. Manager, and is currently in charge of the design, development, and evaluation of computer software or systems used by the Parent Company. He is also involved in dictating technical standard, tools, and platforms. Before joining the COL, he worked at Unisys Philippines, Ltd. and at GXS Philippines, Inc. as Senior Software Engineer. Mr. Mendiola is a Computer Science – Information Technology graduate of De LaSalle University.

Term of Office

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

Resignation/Retirement of Directors and Executive Officers as of December 31, 2019

No director has resigned or declined to stand for re-election to the Board of Directors since the last annual stockholders' meeting due to disagreement with COL on any matter relating to its operations, policies, or practices.

Significant Employees

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

Family Relationships

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

Involvement in Certain Legal Proceedings

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

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

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

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

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

Item 11. Executive Compensation

Standard Arrangements

Directors

Each director is entitled to a reasonable per diem, which amount shall, according to Article III, Section 8 of the Parent Company's By-laws, does not exceed ten percent (10%) of the net income before income tax of the Parent Company during the previous year. Aside from this, directors do not receive any other form of remuneration in their capacity as such directors. There are no other arrangements for compensation either by way of payments for committee participation or special assignments.

Executives and Senior Officers

SUMMARY COMPENSATION TABLE Annual Compensation						
(in ₱ Million)	**Annual Salary 2020 (est)**	**Annual Salary 2019**	**Annual Salary 2018**	**Annual Salary 2017**	**Bonuses 2017 - 2019**	**Other Annual Compensation 2017 - 2019**
a) Chief Executive Officer (CEO) and Four (4) most compensated executives and officers	₱19.8	₱19.8	₱19.3	₱17.1	₱83.9	-nil-
b) All other executives and officers as a group unnamed	₱12.6	₱11.9	₱13.5	₱10.6	₱34.5	-nil-

The following are the five (5) most compensated executives and officers of the Parent Company: (1) President and CEO - Conrado F. Bate; (2) SVP/Treasurer/CFO - Catherine L. Ong; (3) VP/Head of Sales and Customer Support - Juan G. Barredo; (4) VP/Financial Controller - Lorena E. Velarde; and (5) VP/Head of Research - April Lynn L. Tan.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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

Item 12. Security Ownership of Certain Beneficial Owners and Management

<u>Security Ownership of Certain Record and Beneficial Owners</u>

Owners of more than 5% of COL's voting securities as of December 31, 2019 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with the Issuer	Name of Beneficial Owners and Relationship with Record Owner	Citizenship	No. of Shares Held		Percent (%)
				Direct	Under PCD	
Common	**PCD Nominee Corp.** G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati	Various	Filipino	-	172,334,156	36.20
			Non-Filipino	-	89,667,029	18.84
	Daiwa Securities Group, Inc. Gran Tokyo North Tower, 9-1, Marunouchi 1-Chrome		Japanese	-	70,924,000	14.90
	Lee, Edward K. 1576 Mahogany cor. Cypress Streets, Dasmariñas Village,	Lee, Edward K.	Filipino	62,250,000	30,698,300	21.68
	Lee, Lydia C. 1576 Mahogany cor. Cypress Streets, Dasmariñas Village,			1,000,000	4,026,800	
	Lee, Edmund C. 1576 Mahogany cor. Cypress Streets, Dasmariñas Village,			-	2,040,000	
	Lee, Eleanore C. or Lee, Edmund C. Mahogany St., Dasmariñas Village, Makati City			-	2,000,000	
	ELLEE & Co., Inc. 2701C East Tower, PSE Centre, Exchange Rd, Ortigas Center, Pasig				1,193,500	
	Yu, Alexander C. 211 Ortega St., San Juan	Yu, Alexander C.	Filipino	20,000,000	35,010,725	14.05
	Ng, Elizabeth Ortega St., San Juan City			-	2,301,900	
	Yu, Adrian Alexander N. 211 Ortega St., San Juan			-	3,049,000	
	Yu, Michelle N. 211 Ortega St., San Juan			-	3,525,700	
	Yu, TiffanyAnn N. 211 Ortega St., San Juan			-	3,000,000	
	Han, Paulwell 9E G/F Broom Road, Happy Valley, Hong Kong	Han, Paulwell	Chinese	100,000	37,499,975	7.90

**No other single individual owns more than 5% of the total outstanding shares of COL as of December 31, 2019.*

Security Ownership of Management as of December 31, 2019

Title of Class	Name of Owner	Position	Citizenship	Total No. of Shares	Percent (%)
Common	Edward K. Lee	Chairman	Filipino	103,208,600	21.68
Common	Alexander C. Yu	Vice-Chairman	Filipino	66,887,325	14.05
Common	Conrado F. Bate	Director/President/CEO	Filipino	20,705,959	4.35
Common	Hernan G. Lim	Director	Filipino	17,522,585	3.68
Common	Raymond C. Yu	Director	Filipino	22,323,940	4.69
Common	Wellington C. Yu	Independent Director	Filipino	10,000	0.00
Common	Kido Hokushin	Director	Japanese	1	0.00
Common	Khoo Boo Boon	Independent Director	Malaysian	3,000	0.00
Common	Paulwell Han	Director	Chinese	37,599,975	7.90
Common	Arthur G. Gindap	Director	Filipino	100	0.00
Common	Catherine L. Ong	Director/SVP/Treasurer	Filipino	10,242,800	2.15
Common	Juan G. Barredo	VP/Head of Sales and Customer Support	Filipino	1,100,050	0.23
Common	Nikos J. Bautista	VP/Chief Technology Officer	Filipino	1,160,200	0.24
Common	Lorena E. Velarde	VP/Financial Controller	Filipino	650,000	0.14
Common	April Lynn L. Tan	VP/Head of Research	Filipino	1,708,000	0.36
Common	Melissa O. Ng	AVP/Head of Operations	Chinese	265,750	0.06
Common	Sharon T. Lim	AVP/Head of Legal and Compliance	Filipino	79,250	0.02
Common	Edmund Daniel P. Martinez	AVP/Head of Premium Business Group	Filipino	3,000	0.00
Common	Gabriel Jose E. Mendiola	AVP - Software Development	Filipino	4,332,500	0.91
Common	Joyce C. Chan	AVP - Customer Support	Filipino	402,500	0.08
	Key Officers and Directors (as a group)			288,205,535	60.55

As of December 31, 2019, the Parent Company's public float is 24.55%.

Item 13. Certain Relationships and Related Transactions

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

PART IV – CORPORATE GOVERNANCE

Item 14. Corporate Governance

This portion has been deleted pursuant to SEC Memorandum Circular No. 5, series of 2013.

PART V - EXHIBITS AND SCHEDULES

Item 15. Exhibits and Reports on SEC Form 17-C

Exhibits

Please refer to the attached Index to Consolidated Financial Statements and Supplementary Schedules on page 43.

Reports on SEC Form 17-C

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

Items Reported	Date filed	Announcement Date	Circular No.
1. Change in Shareholdings of Directors and Principal Officers	07/03/2019	07/03/2019	C04734-2019
2. Change in Shareholdings of Directors and Principal Officers	07/15/2019	07/16/2019	C04942-2019
3. Change in Shareholdings of Directors and Principal Officers	07/25/2019	07/25/ 2019	C05171-2019
4. Change in Shareholdings of Directors and Principal Officers	07/31/2019	07/31/ 2019	C05319-2019
5. Change in Shareholdings of Directors and Principal Officers	08/06/2019	08/06/2019	C05467-2019
6. Material Information/Transactions	08/16/2019	08/19/2019	C05812-2019
7. Material Information/Transactions	09/03/2019	09/ 03/2019	C06086-2019
8. Material Information/Transactions	09/06/2019	09/09/2019	C06183-2019
9. Change in Shareholdings of Directors and Principal Officers	09/19/2019	09/19/2019	C06421-2019
10. Change in Shareholdings of Directors and Principal Officers	10/01/2019	10/01/2019	C06648-2019
11. Change in Shareholdings of Directors and Principal Officers	10/17/2019	10/17/2019	C07255-2019
12. Material Information/Transactions	11/15/2019	11/18/2019	C08115-2019
13. Change in Shareholdings of Directors and Principal Officers	11/29/2019	11/ 29/ 2019	C08379-2019

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on June 2, 2020.

COL FINANCIAL GROUP, INC.
Issuer

By:

Conrado F. Bate
President and Chief Executive Officer

Catherine L. Ong
SVP, Treasurer/Chief Financial Officer

Lorena E. Velarde
VP and Financial Controller

Sharon T. Lim
AVP, Corporate Secretary

SUBSCRIBED AND SWORN to before me this 25th day of June 2020, at Pasig, affiants exhibiting to me their Passports, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Conrado F. Bate	PP # P8211336A	August 3, 2018	DFA Manila
Catherine L. Ong	PP # P7000517A	May 2, 2018	DFA NCR East
Lorena E. Velarde	PP # P7302444A	May 24, 2018	DFA NCR East
Sharon T. Lim	PP # P1784587A	January 27,2017	DFA NCR East

Notary Public

ATTY. STEPHANIE FAYE B. REYES
For the Cities of Pasig, San Juan
and Municipality of Pateros
Expiring on 31 December 2020
Appointment No. 61 (2019-2020) Pasig City,
Roll No. 64239
PTR No. 5241980/01.02.20/Pasig City
IBP LRN 13768/RSM
MCLE Compliance No. VI-0014740/11.13.18
2703C East Tower PSE Centre, Exchange Rd., Ortigas,
Pasig City

Doc. No. : 177
Page No. : 37
Book No.: III
Series of 2020

COL FINANCIAL GROUP, INC.
SEC FORM 17-A

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FINANCIAL STATEMENTS	Remarks/Attachments
Statement of Management's Responsibility for Financial Statements	✓
Independent Auditors Report	✓
Consolidated Statements of Financial Position as of December 31, 2019 and 2018	✓
Consolidated Statements of Income for the Years Ended December 31, 2019, 2018 and 2017	
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017	✓
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2019, 2018 and 2017	✓
Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018 and 2017	✓
Notes to Consolidated Financial Statements	✓
SUPPLEMENTARY SCHEDULES	
Report of Independent Auditors on Supplementary Schedules	✓
Schedule I. Reconciliation of Retained Earnings Available for Dividend Declaration Pursuant to SRC Rule 68, as Amended and SEC Memorandum Circular No. 11	✓
Schedule II. Schedule of Effective Standards and Interpretations under PFRS Pursuant to SRC Rule 68, as Amended	✓
Schedule III. Supplementary Schedules under Annex 68-E Pursuant to SRC Rule 68, as Amended	✓
Schedule IV. Map of the Relationships of the Companies within the Group Pursuant to SRC Rule 68, as Amended	✓
Schedule V. Schedule Showing Financial Soundness Indicators Pursuant to SRC Rule 68, as Amended	✓
Sustainability Report	✓

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	9	1	0	0	6	5	

COMPANY NAME

COL FINANCIAL GROUP, INC. AND SUBSIDIARIES

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

Unit 2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
helpdesk@colfinancial.com	(02) 8636-5411	NA

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
33	03/NA	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

Unit 2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

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

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

COL FINANCIAL
for a richer life

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of COL Financial Group, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as of December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Edward K. Lee
Chairman of the Board

Conrado F. Bate
President and Chief Executive Officer

Catherine L. Ong
Senior Vice President and Chief Financial Officer

Signed this 6th day of March 2020.

Statement of Management's Responsibility
for Consolidated Financial Statements

SUBSCRIBED AND SWORN to before me this 6th day of March 2020, at Pasig, affiants exhibited to me their respective competent evidences of identity, as follows:

Name	Passport No.	Date/Place Issued
Edward K. Lee	DL # N07-80-002531	June 10, 2019
Conrado F. Bate	PP # P8211336A	Aug. 3, 2018/DFA Manila
Catherine L. Ong	PP # P7000517A	May 2, 2018/ DFA NCR East

NOTARY PUBLIC

ATTY. STEPHANIE FAYE B. REYES
For the Cities of Pasig, San Juan and the Municipality of Pateros
Expiring on 31 December 2020
Appointment No. 61 (2019-2020) Pasig City
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2703C East Tower PSE Centre, Exchange Rd.,
Ortigas Center, Pasig City

Doc. No. 113;
Page No. 24;
Book No. III;
Series of 2020.

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of COL Financial Group, Inc. (the Parent Company) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Information Technology Environment Supporting the Stockbrokerage Business

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

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Janeth T. Nuñez-Javier.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-AR-2 (Group A),
July 9, 2019, valid until July 8, 2022
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125274, January 7, 2020, Makati City

March 6, 2020

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

	December 31					
	2019			2018		
		Security Valuation			Security Valuation	
	Money Balance	**Long**	**Short**	Money Balance	Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	**₱8,226,032,009**			₱8,897,583,382		
Cash in a segregated account (Note 5)	**137,679,325**			133,788,336		
Short-term time deposits (Note 4)	**200,000,000**			626,000,000		
Financial assets at fair value through profit or loss (Note 6)	**4,003,329**	**₱4,003,329**		3,225,163	₱3,225,163	
Investment securities at amortized cost (Note 8)	**200,348,264**			–		
Trade receivables (Notes 7 and 20)	**864,272,801**	**3,984,013,048**		811,048,151	3,472,639,844	
Other receivables (Notes 7 and 20)	**48,067,874**			52,041,067		
Prepayments	**5,422,562**			7,186,335		
Other current assets (Note 12)	**21,914**			–		
Total Current Assets	**9,685,848,078**			10,530,872,434		
Noncurrent Assets						
Long-term time deposit (Note 4)	**200,000,000**			200,000,000		
Investment securities at amortized cost (Note 8)	–			201,564,744		
Property and equipment (Note 9)	**148,644,922**			76,030,681		
Investment property (Note 10)	**15,758,762**			16,634,249		
Intangibles (Note 11)	**19,522,713**			17,400,444		
Deferred tax assets (Note 19)	**2,096,547**			–		
Other noncurrent assets (Note 12)	**77,221,097**			76,108,530		
Total Noncurrent Assets	**463,244,041**			587,738,648		
TOTAL ASSETS	**₱10,149,092,119**			₱11,118,611,082		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			**₱65,716,445,905**			**₱64,836,014,077**

(Forward)

	December 31					
	2019			2018		
		Security Valuation			Security Valuation	
	Money Balance	**Long**	**Short**	Money Balance	Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Notes 13 and 20)	**₱8,185,897,877**	**₱61,728,429,528**		₱9,254,855,350	₱61,360,149,070	
Lease liabilities - current portion (Note 21)	**20,767,513**			–		
Income tax payable	**6,618,090**			18,775,269		
Other current liabilities (Note 14)	**84,968,381**			107,152,667		
Total Current Liabilities	**8,298,251,861**			9,380,783,286		
Noncurrent Liabilities						
Lease liabilities – net of current portion (Note 21)	**36,454,605**			–		
Retirement obligation (Notes 18 and 20)	**68,336,052**			42,945,228		
Deferred tax liabilities (Note 19)	**–**			1,312,743		
Total Noncurrent Liabilities	**104,790,657**			44,257,971		
Total Liabilities	**8,403,042,518**			9,425,041,257		
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	**14,516,424**			21,881,155		
Loss on remeasurement of retirement obligation (Note 18)	**(32,236,855)**			(15,806,586)		
Retained earnings:						
Appropriated	**332,507,131**			276,503,775		
Unappropriated (Note 15)	**879,945,260**			881,772,457		
Equity Attributable to the Equity Holders of the Parent Company	**1,723,950,984**			1,693,569,825		
Non-controlling Interest (Note 15)	**22,098,617**			–		
Total Equity	**1,746,049,601**			1,693,569,825		
TOTAL LIABILITIES AND EQUITY	**₱10,149,092,119**	**₱65,716,445,905**	**₱65,716,445,905**	₱11,118,611,082	₱64,836,014,077	₱64,836,014,077

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2019	2018	2017
REVENUES (Note 16)			
Commissions (Note 20)	**₱539,049,838**	₱702,931,280	₱678,725,716
Others:			
Interest income (Notes 4, 5, 7, 8 and 20)	**527,716,977**	422,227,848	250,460,547
Trail fees	**17,365,097**	14,730,081	10,578,055
Trading gains- net (Note 6)	**41,501**	14,107,532	17,202,792
Others (Note 6)	**1,761,520**	2,666,112	1,488,176
	1,085,934,933	1,156,662,853	958,455,286
COST OF SERVICES			
Personnel costs - operations (Notes 17, 18 and 20)	**93,662,645**	98,870,861	85,287,973
Commission expense (Note 20)	**40,387,642**	60,620,567	88,976,207
Stock exchange dues and fees (Note 12)	**14,771,915**	16,505,261	20,760,645
Central depository fees	**7,051,621**	6,782,983	6,836,230
Research	**3,743,136**	3,374,658	2,311,047
Others:			
Communications	**33,522,738**	34,536,487	32,318,019
Depreciation (Note 9)	**134,902**	134,635	159,299
	193,274,599	220,825,452	236,649,420
GROSS PROFIT	**892,660,334**	935,837,401	721,805,866
OPERATING EXPENSES			
Administrative expenses:			
Personnel costs (Notes 17, 18 and 20)	**62,010,240**	59,329,902	43,320,968
Professional fees (Note 20)	**48,953,170**	50,711,036	42,478,126
Management bonus (Note 20)	**16,889,521**	24,701,098	23,376,289
Advertising and marketing	**15,719,591**	11,592,176	9,719,249
Taxes and licenses	**8,358,190**	5,853,764	4,891,861
Security and messengerial services	**6,631,905**	6,482,716	6,657,462
Power, light and water	**5,492,450**	5,791,410	4,571,689
Repairs and maintenance	**5,123,022**	5,215,864	3,844,478
Insurance and bonds	**4,928,438**	4,078,614	3,479,704
Condominium dues and utilities	**4,639,515**	3,570,573	2,737,636
Office supplies	**3,631,825**	3,226,088	3,293,621
Representation and entertainment	**3,114,077**	3,755,314	3,671,632
Donation	**2,000,000**	–	–
Directors' fees (Note 20)	**1,750,000**	1,682,500	870,000
Trainings, seminars and meetings	**1,266,387**	1,510,387	1,460,946
Membership fees and dues	**1,336,837**	1,388,886	845,622
Rentals (Note 21)	**207,015**	22,494,380	17,034,409
Others	**4,629,719**	4,559,816	5,556,780
	196,681,902	215,944,524	177,810,472
Depreciation and amortization (Notes 9, 10, 11 and 21)	**58,680,226**	25,812,755	22,083,858
Provision for (recovery from) credit losses (Note 7)	**614,712**	296,943	(10,938,998)
	255,976,840	242,054,222	188,955,332
OTHER INCOME (LOSSES)			
Interest expense (Notes 18 and 21)	**(6,201,084)**	(2,482,293)	(1,475,447)
Foreign exchange gains (losses) – net	**(93,432)**	129,256	717,580
Gain on disposal of property and equipment (Note 9)	**8,409**	–	–
Other income (Note 12)	**–**	21,510,020	–
Recovery from (provision for) impairment losses (Notes 11 and 12)	**–**	13,724,200	(20,636,226)
	(6,286,107)	32,881,183	(21,394,093)
INCOME BEFORE INCOME TAX	**630,397,387**	726,664,362	511,456,441
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)			
Current			
Regular corporate income tax	**76,115,523**	104,471,111	97,225,712
Final income tax	**96,160,900**	75,807,941	36,764,607
Deferred	**(253,812)**	33,831,121	(1,255,093)
	172,022,611	214,110,173	132,735,226
NET INCOME	**₱458,374,776**	₱512,554,189	₱378,721,215
Attributable to:			
Equity holders of the Parent Company	**₱458,776,159**	₱512,554,189	₱378,721,215
Non-controlling interest (Note 15)	**(401,383)**	–	–
	₱458,374,776	₱512,554,189	₱378,721,215
Earnings Per Share (Note 25)			
Basic and diluted	**₱0.96**	₱1.08	₱0.80

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2019	2018	2017
NET INCOME	**₱458,374,776**	₱512,554,189	₱378,721,215
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Item that will not be reclassified to consolidated statements of income:			
Loss on remeasurement of retirement obligation - net of tax (Note 18)	**(16,430,269)**	(4,064,955)	(10,861,557)
Item that may be reclassified subsequently to consolidated statements of income:			
Translation adjustments - net of tax	**(7,364,731)**	13,655,969	(1,150,483)
	(23,795,000)	9,591,014	(12,012,040)
TOTAL COMPREHENSIVE INCOME	**₱434,579,776**	₱522,145,203	₱366,709,175
Attributable to:			
Equity holders of the Parent Company	**₱434,981,159**	₱522,145,203	₱366,709,175
Non-controlling interest	**(401,383)**	–	–
	₱434,579,776	₱522,145,203	₱366,709,175

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017

	Equity Attributable to the Equity Holders of the Parent Company								
				Loss on Remeasurement	Retained Earnings				
	Capital Stock (Note 15)	Capital In Excess of Par Value	Accumulated Translation Adjustment	of Retirement Obligation (Note 18)	Appropriated (Note 15)	Unappropriated	Total	Non-controlling Interest (Note 15)	Total Equity
Balances at January 1, 2019	**₱476,000,000**	**₱53,219,024**	**₱21,881,155**	**(₱15,806,586)**	**₱276,503,775**	**₱881,772,457**	**₱1,693,569,825**	**₱–**	**₱1,693,569,825**
Non-controlling interest of a new subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,500,000**	**22,500,000**
Total comprehensive income (loss)	**–**	**–**	**(7,364,731)**	**(16,430,269)**	**–**	**458,776,159**	**434,981,159**	**(401,383)**	**434,579,776**
Appropriation of retained earnings (Note 15)	**–**	**–**	**–**	**–**	**56,003,356**	**(56,003,356)**	**–**	**–**	**–**
Declaration of cash dividend (Note 15)	**–**	**–**	**–**	**–**	**–**	**(404,600,000)**	**(404,600,000)**	**–**	**(404,600,000)**
Balances at December 31, 2019	**₱476,000,000**	**₱53,219,024**	**₱14,516,424**	**(₱32,236,855)**	**₱332,507,131**	**₱879,945,260**	**₱1,723,950,984**	**₱22,098,617**	**₱1,746,049,601**
Balances at January 1, 2018	₱476,000,000	₱53,219,024	₱8,225,186	(₱11,741,631)	₱235,590,918	₱743,331,125	₱1,504,624,622	₱–	₱1,504,624,622
Total comprehensive income (loss)	–	–	13,655,969	(4,064,955)	–	512,554,189	522,145,203	–	522,145,203
Appropriation of retained earnings (Note 15)	–	–	–	–	40,912,857	(40,912,857)	–	–	–
Declaration of cash dividend (Note 15)	–	–	–	–	–	(333,200,000)	(333,200,000)	–	(333,200,000)
Balances at December 31, 2018	₱476,000,000	₱53,219,024	₱21,881,155	(₱15,806,586)	₱276,503,775	₱881,772,457	₱1,693,569,825	₱–	₱1,693,569,825
Balances at January 1, 2017	₱476,000,000	₱53,219,024	₱9,375,669	(₱880,074)	₱198,811,471	₱686,989,357	₱1,423,515,447	₱–	₱1,423,515,447
Total comprehensive income (loss)	–	–	(1,150,483)	(10,861,557)	–	378,721,215	366,709,175	–	366,709,175
Appropriation of retained earnings (Note 15)	–	–	–	–	36,779,447	(36,779,447)	–	–	–
Declaration of cash dividend (Note 15)	–	–	–	–	–	(285,600,000)	(285,600,000)	–	(285,600,000)
Balances at December 31, 2017	₱476,000,000	₱53,219,024	₱8,225,186	(₱11,741,631)	₱235,590,918	₱743,331,125	₱1,504,624,622	₱–	₱1,504,624,622

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱630,397,387**	₱726,664,362	₱511,456,441
Adjustments for:			
Interest income (Notes 4, 5, 7, 8, 16, and 20)	**(527,716,977)**	(422,227,848)	(250,460,547)
Depreciation and amortization (Notes 9, 10, 11 and 21)	**58,815,128**	25,947,390	22,243,157
Interest expense (Notes 18 and 21)	**6,201,084**	2,482,293	1,475,447
Retirement costs under 'Personnel costs' (Notes 17 and 18)	**5,696,718**	5,568,707	4,385,708
Unrealized trading losses (gains) - net (Note 6)	**805,210**	(1,961,296)	103,792
Provision for (recovery from) credit losses (Note 7)	**614,712**	296,943	(10,938,998)
Dividend income (Note 6)	**(30,721)**	(258,706)	(230,474)
Gain on disposal of property and equipment (Note 9)	**(8,409)**	–	–
Other income (Note 12)	–	(21,510,020)	–
Provision for (recovery from) impairment losses (Notes 11 and 12)	–	(13,724,200)	20,636,226
Contribution to the retirement fund (Note 18)	–	(12,719,737)	–
Operating income before working capital changes	**174,774,132**	288,557,888	298,670,752
Decrease (increase) in:			
Cash in a segregated account	**(3,890,989)**	(44,795,248)	45,925,206
Short-term time deposits	**426,000,000**	(626,000,000)	–
Financial assets at fair value through profit or loss	**(1,583,376)**	(86,889)	821,793
Trade receivables	**(69,031,557)**	381,942,484	17,928,442
Other receivables	**(8,360,464)**	108,137,009	44,351,585
Prepayments	**1,059,017**	(3,434,068)	(1,557,124)
Other assets	**(1,217,611)**	(55,232,020)	(21,239,391)
Increase (decrease) in:			
Trade payables	**(1,064,624,734)**	(950,153,080)	2,846,725,500
Other current liabilities	**(21,718,584)**	(8,272,865)	24,901,180
Net cash generated from (used in) operations	**(568,594,166)**	(909,336,789)	3,256,527,943
Interest received	**541,244,758**	325,973,632	203,047,922
Income taxes paid	**(184,433,602)**	(171,572,932)	(116,860,333)
Dividends received	**30,721**	258,706	230,474
Net cash provided by (used in) operating activities	**(211,752,289)**	(754,677,383)	3,342,946,006
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Notes 9)	**(44,582,863)**	(29,561,263)	(60,966,559)
Acquisitions of software and licenses (Note 11)	**(5,562,094)**	(908,299)	(3,011,218)
Proceeds from disposal of property and equipment (Note 9)	**8,482**	–	–
Acquisition of held-to-maturity investments (Note 8)	–	–	(203,041,886)
Net cash used in investing activities	**(50,136,475)**	(30,469,562)	(267,019,663)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends declared and paid (Note 15)	**(404,600,000)**	(333,200,000)	(285,600,000)
Payment of principal portion of lease liabilities (Note 21)	**(27,562,609)**	–	–
Proceeds of issuance of shares to the non-controlling interest	**22,500,000**	–	–
Net cash used in financing activities	**(409,662,609)**	(333,200,000)	(285,600,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(671,551,373)**	(1,118,346,945)	2,790,326,343
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**8,897,583,382**	10,015,930,327	7,225,603,984
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱8,226,032,009**	₱8,897,583,382	₱10,015,930,327

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, 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.

The accompanying consolidated financial statements of the Group as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issue in accordance with a resolution by the BOD on March 6, 2020.

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

Basis of Preparation

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

(COLHK) whose functional currency has been determined to be HK dollar (HK$). All values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as at December 31, 2019, after eliminating significant intercompany balances and transactions. The following are the wholly and majority-owned foreign and domestic subsidiaries of COL Financial:

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

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2019. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance, unless otherwise indicated.

- PFRS 16, *Leases*
  PFRS 16 supersedes Philippine Accounting Standards (PAS) 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group did not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

  The effect of adoption of PFRS 16 as at January 1, 2019 is, as follows:

	Increase (decrease)
Assets	
Property and equipment	₱27,129,831
Prepayments	(652,911)
Liabilities	
Lease liabilities	26,476,920

  Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for leases of low-value assets.

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at January 1, 2019:
- Property and equipment were recognized amounting to ₱27,129,831, representing the amount of right-of-use assets set up on transition date.
- Lease liabilities of ₱26,476,920 were recognized.
- Prepayments of ₱652,911 related to previous operating leases arising from straight lining under PAS 17 were derecognized.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

Operating lease commitments as at December 31, 2018	**₱28,375,293**
Weighted average incremental borrowing rate as at January 1, 2019	**7.12%**
Discounted operating lease commitments as at January 1, 2019	**₱26,476,920**

Due to the adoption of PFRS 16, the Group's operating profit in 2019 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have an impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
    - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

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

Summary of Significant Accounting Policies

Foreign Currency Translation

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

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

Current versus Non-current Classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

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

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

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

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

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

Initial Recognition and Classification of Financial Instruments
Financial assets are measured at FVTPL unless these are measured at fair value through other comprehensive income (FVOCI) or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

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

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

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

The Group had no investment securities at FVOCI as at December 31, 2019 and 2018.

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

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income. Gains and losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statement of income under 'Provision for credit losses'. The effects of revaluation on foreign currency-denominated investments are recognized in the consolidated statement of income.

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

Trade Receivables and Payables

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

Derecognition of Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

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

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

Impairment of Financial Assets

Policies applicable beginning January 1, 2018

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

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

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

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

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

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

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

Policies applicable prior to January 1, 2018
The Group assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
The Group assesses, at each end of the reporting period, whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence

of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded in the consolidated statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

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

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

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

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

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

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

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

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

Leases

Policies applicable prior to January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

A lease is classified as an operating lease if it does not substantially transfer all risks and rewards incidental to ownership. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance are expensed as incurred.

Policies applicable beginning January 1, 2019

Group as a lessee

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

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the

Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

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

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

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

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

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

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

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

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

Unappropriated retained earnings represent the accumulated profits and gains realized out of the normal and continuous operations of the Group after deducting therefrom distributions to stockholders and transfers to capital stocks or other accounts, and which is:
- Not appropriated by its BOD for corporate expansion projects or programs;
- Not covered by a restriction for dividend declaration under a loan agreement;
- Not required under special circumstances obtaining in the Group such as when there is a need for a special reserve for probable contingencies.

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

Revenue Recognition
Prior to January 1, 2018, under PAS 18, *Revenue*, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Upon adoption of PFRS 15 beginning January 1, 2018, 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.

The Group assessed that there is no difference in accounting for the commission income and trail fees under PFRS 15 and PAS 18.

Revenues outside the scope of PFRS 15
Interest
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as investment securities at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument, including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as ‘Interest income’.

Under PFRS 9, when a financial asset becomes credit-impaired, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Taxes
Current Income Tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Effective January 1, 2019, Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

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

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

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

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

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

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

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

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

Contingencies

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 26. In 2018 and 2017, the Group operates in one business segment, being stockbrokerage services; therefore, only geographical segment is presented.

Events After the End of the Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Estimates and Assumptions

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

Impairment of the Intangibles

Intangibles include exchange trading rights which are carried at cost less any allowance for impairment loss. Exchange trading rights are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The exchange trading rights are deemed to have indefinite useful lives as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

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

The key assumptions used to determine the recoverable amount of the Group's exchange trading rights are further explained in Note 11. The Parent Company does not intend to sell its exchange trading right in the near future. COLHK's right is nontransferable with an indefinite useful life. As at December 31, 2019 and 2018, the carrying values of intangibles are disclosed in Note 11.

Estimating Recoverability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets as at December 31, 2019 and 2018 are disclosed in Note 19.

Determining Retirement Obligation

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

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

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

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

Leases - Estimating the incremental borrowing rate

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

The Group's lease liabilities as at December 31, 2019 are disclosed in Note 21.

4. Cash and Cash Equivalents, Short-term Time Deposits and Long-term Time Deposit

Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand and in banks	**₱388,330,981**	₱422,340,408
Short-term cash investments	**7,837,701,028**	8,475,242,974
	₱8,226,032,009	₱8,897,583,382

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group's immediate cash requirements, and earn interest ranging from 2.44% to 6.90% per annum in 2019, from 1.70% to 6.90% per annum in 2018 and from 2.00% to 3.65% per annum in 2017. The Parent Company has United States dollar (US$)-denominated cash in banks amounting to $1,052 and US$1,061 as at December 31, 2019 and 2018, respectively, while COLHK has US$-denominated cash in banks amounting to US$8,465 and US$209,575 as at December 31, 2019 and 2018, respectively.

In compliance with Securities Regulation Code (SRC) Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve bank accounts for its customers amounting to ₱7,572,724,361 and ₱8,541,305,763 as at December 31, 2019 and 2018, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at December 31, 2019 and 2018, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

Short-term Time Deposits
This account pertains to the Parent Company's time deposits in local banks that have original maturities of more than three (3) months but less than a year. Short-term time deposits bear annual interest rates ranging from 5.00% to 7.00% in 2019 and 4.45% to 7.00% in 2018.

Long-term Time Deposit
This account pertains to the Parent Company's time deposit in a local bank placed in 2016 with interest at 4.00% per annum and maturing on June 24, 2021.

Interest income of the Group from cash and cash equivalents, cash in segregated account, short-term time deposits and long-term time deposit amounted to ₱472,314,661, ₱370,543,382 and ₱181,575,770 in 2019, 2018 and 2017, respectively (Note 16).

5. Cash in a Segregated Account

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

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

6. Financial Assets at FVTPL

Financial assets at FVTPL pertain to investments in mutual funds and shares of stock of companies listed in the PSE. As at December 31, 2019 and 2018, financial assets at FVTPL amounted to ₱4,003,329 and ₱3,225,163, respectively.

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

	2019	2018	2017
Trading gains from sale	**₱846,711**	₱12,146,236	₱17,306,584
Unrealized trading gains (losses)	**(805,210)**	1,961,296	(103,792)
	₱41,501	₱14,107,532	₱17,202,792

Dividend income included under 'Other revenues' amounted to ₱30,721, ₱258,706 and ₱230,474 in 2019, 2018 and 2017, respectively.

7. Trade Receivables and Other Receivables

Trade Receivables

This account consists of:

	2019	2018
Customers (Note 20)	**₱704,473,326**	₱725,741,713
Clearing house	**124,656,703**	–
Other brokers	**35,713,803**	85,396,559
Trail fee receivables	**1,521,916**	1,388,114
	866,365,748	812,526,386
Less allowance for credit losses on trade receivables from customers	**2,092,947**	1,478,235
	₱864,272,801	₱811,048,151

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

	2019		2018	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
Fully secured accounts:				
More than 250%	**₱326,641,371**	**₱3,341,970,342**	₱363,647,312	₱2,927,387,828
Between 200% and 250%	**133,706,615**	**295,113,418**	144,838,172	310,736,355
Between 150% and 200%	**116,495,231**	**210,350,463**	17,374,905	32,383,907
Between 100% to 150%	**112,935,034**	**122,412,775**	99,524,027	104,578,764
Less than 100%	**14,695,036**	**14,166,050**	100,357,086	97,552,990
Unsecured accounts (Note 20)	**39**	–	211	–
	704,473,326	**₱3,984,013,048**	725,741,713	₱3,472,639,844
Less allowance for credit losses on trade receivables from customers	**2,092,947**		1,478,235	
	₱702,380,379		₱724,263,478	

As at December 31, 2019 and 2018, the Parent Company offered a credit line facility amounting to ₱5,467,788,000 and ₱5,381,368,000, respectively, to its customers who qualified for margin account.

Interest income from customers amounted to ₱48,118,796, ₱44,357,869 and ₱66,939,815 in 2019, 2018 and 2017, respectively (Note 16).

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls below this level, customers may either deposit additional collateral or sell stock to cover the deficiency in their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at December 31, 2019 and 2018, ₱689,778,251 and ₱625,384,416, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at December 31, 2019, were fully collected in January 2020. 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:

	2019	2018
Accrued interest	**₱32,236,683**	₱44,547,984
Advances to officers and employees (Note 20)	**1,220,034**	918,030
Others	**14,611,157**	6,575,053
	₱48,067,874	₱52,041,067

'Others' account consists mainly of lodgment fee receivables, receivable from mutual fund redemption proceeds and advances to legal counsels.

Allowance for Credit Losses

Movements in the allowance for credit losses follow:

	2019	2018
Balances at beginning of year	**₱1,478,235**	₱1,181,292
Provision for credit losses	**614,712**	296,943
Balances at end of year	**₱2,092,947**	₱1,478,235

8. Investment Securities at Amortized Cost

This account consists of an investment in a government security with a face value amounting to ₱200,000,000, purchased on September 25, 2017 at a premium of ₱3,041,886. The investment earns a coupon rate of 4.25% per annum, payable on a quarterly basis and will mature on April 11, 2020, with an EIR of 3.62%.

As at December 31, 2019 and 2018, the carrying amount of the investment amounted to ₱200,348,264 and ₱201,564,744, respectively.

The Group's investment in government security is considered of low credit risk since this is rated as Baa2 by Moody's Investors Service, Inc.

Interest income earned from the investment amounted to ₱7,283,520, ₱7,326,597 and ₱1,944,962 in 2019, 2018 and 2017, respectively (Note 16).

9. Property and Equipment

The composition of and movements in this account follow:

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

	2018					
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Condominium Unit	Construction in Progress	Total
Cost						
At beginning of year	₱140,869,282	₱25,530,266	₱31,986,657	₱17,509,736	₱–	₱215,895,941
Additions	14,984,280	3,300,090	7,838,465	–	3,438,428	29,561,263
Reclassification (Note 10)	–	–	–	(17,509,736)	–	(17,509,736)
Translation adjustments	412,623	164,003	49,550	–	–	626,176
At end of year	156,266,185	28,994,359	39,874,672	–	3,438,428	228,573,644
Accumulated depreciation and amortization						
At beginning of year	79,950,687	22,423,830	27,525,256	–	–	129,899,773
Depreciation and amortization	19,174,703	1,430,999	1,427,660	–	–	22,033,362
Translation adjustments	412,623	147,655	49,550	–	–	609,828
At end of year	99,538,013	24,002,484	29,002,466	–	–	152,542,963
Net book value	₱56,728,172	₱4,991,875	₱10,872,206	₱–	₱3,438,428	₱76,030,681

As of December 31, 2019 and 2018, the cost of the Group's fully depreciated property and equipment still in use amounted to ₱108,761,972 and ₱98,532,588, respectively. Disposal of property and equipment resulted in gains amounting ₱8,409 in 2019. No disposals were made in 2018 and 2017.

The depreciation and amortization was distributed as follows:

	2019	2018	2017
Cost of services	**₱134,902**	₱134,635	₱159,299
Operating expenses	**54,364,914**	21,898,727	18,106,127
	₱54,499,816	₱22,033,362	₱18,265,426

10. **Investment Property**

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

	2019	2018
Cost		
At beginning of year	**₱17,509,736**	₱–
Reclassification (Note 9)	–	17,509,736
At end of year	**17,509,736**	17,509,736
Accumulated depreciation		
At beginning of year	**875,487**	–
Depreciation	**875,487**	875,487
At end of year	**1,750,974**	875,487
Net book value	**₱15,758,762**	₱16,634,249

The office space is held for capital appreciation. As at December 31, 2019 and 2018, the fair value of investment property amounted to ₱39,567,000 and ₱35,610,000, respectively.

Collaterals
As at December 31, 2019 and 2018, the Group's investment property is not pledged as collateral.

11. **Intangibles**

Stock Exchange Trading Rights
Philippine Operations
As at December 31, 2019 and 2018, the fair value less costs to sell of the exchange trading right amounted to ₱8,500,000, representing the transacted price of the exchange trading right of the most recent sale approved by the PSE on December 14, 2011. At as December 31, 2019 and 2018, the carrying value of the exchange trading right amounted to ₱5,000,000.

Hong Kong Operations
COLHK's exchange trading right, amounting to HK$3,190,000, is carried at its cost net of accumulated impairment losses. The carrying value of the exchange trading right is reviewed annually to ensure that this does not exceed the recoverable amount, whether or not an indicator of impairment is present. The stock exchange trading right is a non-transferable right with an indefinite useful life. It is closely associated with COLHK's business activities to have a right to trade the shares in the Hong Kong Stock Exchange (HKEX) in its continuing operation.

The Group performed its annual impairment test in December 2019 and 2018. The Group considers each location as a separate cash-generating unit (CGU) and the historical experience of each CGU, among other factors, when reviewing for indicators of impairment.

The Parent Company no longer computed for the VIU of its exchange trading right as its fair value less costs to sell is already higher than its carrying amount.

The recoverable amount of exchange trading right of COLHK has been determined based on a VIU calculation using cash flow projections covering a five (5)-year period. The projected cash flows have been updated to reflect the operations of COLHK.

The VIU calculation for the COLHK CGU is most sensitive to the following assumptions:

- Discount rate (1.54%) – This is based on the specific circumstances of the CGU and is derived from its weighted average cost of capital (WACC), taking into consideration the time value of money and individual risks of the underlying assets. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the bond market index in HK. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated based on publicly available market data on similar stockbrokers in HK.
- Revenue growth rate (2%) – This is based on average revenue in the three years preceding the financial year and the plans of COLHK.

As a result of this analysis, Management has determined that there was an impairment loss amounting to ₱20,636,226 in 2017 representing the full amount of the carrying value of the trading right.

As of December 31, 2019 and 2018, the Group assessed that the exchange trading right of COLHK amounting to HK$2,860,000 is fully impaired.

Software Costs and Licenses

Movements in the software costs and licenses account follow:

	2019	2018
Cost		
At beginning of year	**₱42,680,018**	₱44,347,625
Additions	**5,562,094**	908,299
Write-off	–	(2,575,906)
At end of year	**48,242,112**	42,680,018
Accumulated amortization		
At beginning of year	**30,279,574**	29,816,936
Amortization	**3,439,825**	3,038,541
Write-off	–	(2,575,903)
At end of year	**33,719,399**	30,279,574
Net book value	**₱14,522,713**	₱12,400,444

The amortization of software costs and licenses recorded in 'Depreciation and amortization' in the consolidated statements of income amounted to ₱3,439,825, ₱3,038,541, and ₱3,977,731 in 2019, 2018, and 2017, respectively.

As of December 31, 2019 and 2018, the costs of the Group's fully amortized software still in use amounted to ₱20,986,110 and ₱19,833,325, respectively.

12. **Other Assets**

Other Current Assets

This account pertains to input VAT of the subsidiaries.

Other Noncurrent Assets
This account consists of:

	2019	2018
Deposit and refundable contributions to CTGF	**₱41,632,750**	₱38,791,026
Intangible assets under development	**16,197,559**	8,858,099
Refundable deposits:		
Rental and utility deposits	**7,720,988**	7,226,513
Other refundable deposits	**3,853,922**	3,649,101
	11,574,910	10,875,614
Deferred input VAT	**7,815,878**	8,623,546
Accounts receivable - BIR	**–**	8,960,245
	₱77,221,097	₱76,108,530

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

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

In addition, the Parent Company, as a clearing member, is required to pay monthly contributions to the CTGF maintained by the SCCP equivalent to 1/500 of 1% of the Clearing Member's total monthly turnover value less block sales and cross transactions of the same flag. In 2017, the Parent Company recognized the contributions as expenses included in 'Stock exchange dues and fees'.

On March 13, 2018, the SEC resolved to approve SCCP's proposed amendments to SCCP Rule 5.2, making the Clearing Members' contributions to the CTGF refundable upon cessation of their business and/or termination of their membership with SCCP, provided that all liabilities owing to SCCP at the time of termination, whether actual or contingent, shall have been satisfied or paid in full. Accordingly, the Parent Company recognized the total refundable contributions as of December 31, 2018 as 'Other noncurrent assets' amounting to ₱38,791,026. Prior to the approval of SCCP's proposed amendments, the Parent Company recognized an allowance for credit losses amounting to ₱13,724,200 representing the full amount of the initial contribution in 2008 and additional contribution in 2009. In 2018, the Parent Company's 'Recovery from impairment losses' and 'Other income' accounts pertain to the reversal of the related allowance for credit losses amounting to ₱13,724,200 and the contributions in prior years amounting to ₱21,510,200, respectively.

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

Accounts receivable – BIR pertains to the tax credit certificate (TCC) issued by the BIR to the Parent Company. The TCC was applied by the Parent Company against its income tax liability in 2019.

13. **Trade Payables**

This account consists of:

	2019	2018
Customers (Note 20)	**₱8,102,010,305**	₱8,989,453,360
Clearing house	**83,887,572**	265,379,830
Dividends payable	**–**	22,160
	₱8,185,897,877	₱9,254,855,350

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

	2019		2018	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	**₱8,102,010,305**	**₱60,513,955,722**	₱8,989,453,360	₱60,448,272,436
No money balances	**–**	**1,214,473,806**	–	911,876,634
	₱8,102,010,305	**₱61,728,429,528**	₱8,989,453,360	₱61,360,149,070

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

Payable to customers with money balances amounting to ₱150,854,848 and ₱133,701,018 as at December 31, 2019 and 2018, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of conduct of regulated activities. These balances are payable on demand.

Trade payables to clearing house as at December 31, 2019 and 2018 were subsequently paid in January 2020 and 2019, respectively. These are noninterest-bearing and are settled on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

14. **Other Current Liabilities**

This account consists of:

	2019	2018
Accrued expenses	**₱25,587,964**	₱36,643,298
Due to BIR	**21,977,464**	28,273,890
Accrued management bonus	**16,776,870**	25,626,821
Unposted customers' deposits	**10,954,090**	7,163,356
Trading fees	**1,931,751**	2,655,018
Others	**7,740,242**	6,790,284
	₱84,968,381	₱107,152,667

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 sales transactions, withholding and output taxes payable to the Philippine BIR.

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

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

'Others' consist of liabilities to customers arising from mutual fund redemption, which are subsequently settled upon collection of funds from the mutual fund providers. This account also includes other payroll-related liabilities.

15. Equity

Capital Stock

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

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

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2019 and 2018, there were 33 holders of the listed shares of the Parent Company, with its share price closing at ₱18.42 and ₱16.24 per share, respectively.

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

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

Retained Earnings

In compliance with SRC Rule 49.1 B, *Reserve Fund*, the Parent Company appropriates annually ten percent (10%) of its audited net income and transfers the same to appropriated retained earnings account. Minimum appropriation shall be 30.0%, 20.0% and 10.0% of profit after tax for broker dealers with unimpaired paid up capital between ₱10.0 million to ₱30.0 million, between ₱30.0 million to ₱50.0 million and more than ₱50.0 million, respectively. It is intended that in the event that the Parent Company's paid-up capital is impaired, the Parent Company will be required to transfer from the appropriated retained earnings to the capital account an amount equivalent to the impairment. Such amount so transferred out shall not be made available for payment of dividend.

In 2019 and 2018, the BOD approved the appropriation of retained earnings amounting to ₱56.0 million and ₱40.9 million, respectively, in compliance with such requirement.

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

On April 13, 2018, the BOD declared a regular and a special dividend amounting to ₱0.15 per share held or ₱71,400,000 (476,000,000 shares multiplied by ₱0.15 cash dividend per share) and ₱0.55 per share held or ₱261,800,000 (476,000,000 shares multiplied by ₱0.55 cash dividend per share), respectively, to stockholders as of record date of April 27, 2018. These dividends were paid on May 10, 2018.

On March 30, 2017, the BOD declared a regular and a special dividend amounting to ₱0.14 per share held or ₱66,640,000 (476,000,000 shares multiplied by ₱0.14 cash dividend per share) and ₱0.46 per share held or ₱218,960,000 (476,000,000 shares multiplied by ₱0.46 cash dividend per share), respectively, to stockholders as of record date of April 28, 2017. These dividends were paid on May 12, 2017.

As of December 31, 2019 and 2018, the consolidated retained earnings includes the retained earnings of COLHK amounting to ₱147,230,206 and ₱167,658,454, respectively, which are not available for dividend declaration until such amounts are declared to the Parent Company.

Non-Controlling Interest

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

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

Summarized statement of financial position as of December 31, 2019

Cash and cash equivalents (current)	₱70,238,812
Other receivables (current)	451,889
Other current assets (current)	14,594
Property and equipment (non-current)	3,811,266
Due to Parent Company (current)	(854,504)
Total equity	₱73,662,057
Attributable to:	
Equity holders of the Parent Company	₱51,563,440
Non-controlling interest	22,098,617

Summarized statement of income for the year ended December 31, 2019

Interest income	₱884,156
Operating expenses	(2,045,268)
Loss before income tax	(1,161,112)
Provision for income tax	176,831
Net loss	(₱1,337,943)
Attributable to:	
Equity holders of the Parent Company	(₱936,560)
Non-controlling interest	(401,383)

Summarized cash flow information for the year ended December 31, 2019

Operating activities	(₱4,761,188)
Investing activities	75,000,000
Net increase in cash and cash equivalents	₱70,238,812

16. **Revenues**

	2019	2018	2017
Revenue from contracts with customers			
Commissions	**₱539,049,838**	₱702,931,280	₱678,725,716
Trail fees	**17,365,097**	14,730,081	10,578,055
Others	**1,730,799**	2,407,406	1,257,702
	558,145,734	720,068,767	690,561,473
Other revenues			
Interest income	**527,716,977**	422,227,848	250,460,547
Trading gains - net	**41,501**	14,107,532	17,202,792
Others	**30,721**	258,706	230,474
	527,789,199	436,594,086	267,893,813
	₱1,085,934,933	₱1,156,662,853	₱958,455,286

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

	2019			
	Commissions	**Trail fees**	**Other income**	**Total**
Primary geographical markets				
Philippines	**₱529,163,152**	**₱17,365,097**	**₱782,882**	**₱547,311,131**
Hong Kong	**9,886,686**	**–**	**947,917**	**10,834,603**
	₱539,049,838	**₱17,365,097**	**₱1,730,799**	**₱558,145,734**

	2018			
	Commissions	Trail fees	Other income	Total
Primary geographical markets				
Philippines	₱687,358,256	₱14,730,081	1,271,517	₱703,359,854
Hong Kong	15,573,024	–	1,135,889	16,708,913
	₱702,931,280	₱14,730,081	₱2,407,406	₱720,068,767

	2017			
	Commissions	Trail fees	Other income	Total
Primary geographical markets				
Philippines	₱661,967,789	₱10,578,055	₱731,495	₱673,277,339
Hong Kong	16,757,927	–	526,207	17,284,134
	₱678,725,716	₱10,578,055	₱1,257,702	₱690,561,473

Interest income earned consists of income from:

	2019	2018	2017
Banks (Notes 4 and 5)	**₱472,314,661**	₱370,543,382	₱181,575,770
Customers (Note 7)	**48,118,796**	44,357,869	66,939,815
Government securities (Note 8)	**7,283,520**	7,326,597	1,944,962
	₱527,716,977	₱422,227,848	₱250,460,547

17. **Personnel Costs**

This account consists of:

	2019	2018	2017
Salaries and wages	**₱134,280,836**	₱138,606,342	₱115,729,188
Retirement costs (Note 18)	**5,696,718**	5,568,707	4,385,708
Other benefits (Note 18)	**15,695,331**	14,025,714	8,494,045
	₱155,672,885	₱158,200,763	₱128,608,941

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

The above accounts were distributed as follows:

	2019	2018	2017
Cost of services	**₱93,662,645**	₱98,870,861	₱85,287,973
Operating expenses	**62,010,240**	59,329,902	43,320,968
	₱155,672,885	₱158,200,763	₱128,608,941

18. **Employee Benefits**

Retirement Benefits

The Parent Company has a funded, non-contributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of employees. The defined benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement for the years ended December 31, 2019, 2018 and 2017. The Parent Company's retirement fund is being held in trust by a trustee bank.

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

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

Retirement costs consist of:

	2019	2018	2017
Current service cost (Note 17)	**₱5,696,718**	₱5,568,707	₱4,385,708
Net interest expense	**3,263,837**	2,482,293	1,475,447
	₱8,960,555	₱8,051,000	₱5,861,155

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

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

	2019	2018
Retirement obligation at beginning of year	**₱42,945,228**	₱43,549,010
Retirement costs	**8,960,555**	8,051,000
Net actuarial losses	**16,430,269**	4,064,955
Contributions	**–**	(12,719,737)
Retirement obligation at end of year	**₱68,336,052**	₱42,945,228

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

	2019	2018
Present value of defined benefit obligation	**₱78,027,472**	₱54,555,066
Fair value of plan assets	**(9,691,420)**	(11,609,838)
	₱68,336,052	₱42,945,228

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

	2019	2018
Opening present value of defined benefit obligation	**₱54,555,066**	₱51,371,744
Current service cost	**5,696,718**	5,568,707
Interest cost	**4,146,185**	2,928,189
Remeasurement losses (gains) on:		
Financial assumptions	**15,926,166**	(11,531,490)
Experience adjustments	**192,077**	15,139,714
Benefits paid	**(2,488,740)**	(8,921,798)
Closing present value of defined benefit obligation	**₱78,027,472**	₱54,555,066

Changes in the fair value of plan assets follow:

	2019	2018
Balances at beginning of year	**₱11,609,838**	₱7,822,734
Expected interest income	**882,348**	445,896
Contributions	**–**	12,719,737
Benefits paid	**(2,488,740)**	(8,921,798)
Remeasurement loss on plan assets	**(312,026)**	(456,731)
Balances at end of year	**₱9,691,420**	₱11,609,838

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

	2019	2018
Investment in government securities	**73.18%**	–
Investment in unit investment trust funds (UITF)	**24.66%**	16.85%
Cash in bank	**0.09%**	83.05%
Other receivables	**2.17%**	0.20%
	100.10%	100.10%
Accrued trust fees payable	**(0.10%)**	(0.10%)
	100.00%	100.00%

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

	2019	2018
Discount rate	**5.30%**	7.60%
Future salary increases	**5.00%**	5.00%
Mortality rates		
Male	**0.06%-0.74%**	0.08%-0.74%
Female	**0.05%-0.61%**	0.06%-0.61%

The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2019 and 2018 assuming all other assumptions were held constant.

	Increase (decrease) in significant assumptions	Increase (decrease) in defined benefit obligation **2019**	2018
Discount rates	+0.50%	**(₱3,994,975)**	(₱2,500,632)
	-0.50%	**4,354,752**	2,701,963
Future salary increases	+0.50%	**4,095,054**	2,579,810
	-0.50%	**(3,795,178)**	(2,407,665)
Mortality rate	+1 year	**(284,820)**	(740,347)
	-1 year	**(301,511)**	821,056

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

The Parent Company has no funding policies. As at March 6, 2020, the Parent Company has not yet reasonably determined the amount of the 2020 contributions to the retirement plan.

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

	2019	2018
Zero (0) to five (5) years	**₱33,470,365**	₱32,689,681
Six (6) to ten (10) years	**49,568,126**	35,295,372
Eleven (11) to fifteen (15) years	**45,870,373**	56,262,278
Beyond fifteen (15) years	**408,006,877**	371,332,958
	₱536,915,741	₱495,580,289

The weighted average duration of the defined benefit obligation is 14 years in 2019, 2018 and 2017.

COLHK makes monthly contribution to a fund under the mandatory provident fund schemes ordinance enacted by the HK Government. The plan is a defined contribution retirement plan. Under the plan, COLHK should contribute five percent (5%) of the monthly relevant income of all its qualified employees. The contribution recognized as 'Other benefits' under 'Personnel costs' amounted to ₱325,241, ₱326,654 and ₱318,277 in 2019, 2018 and 2017, respectively.

19. Income Taxes

Deferred Income Taxes

Components of net deferred tax assets (liabilities) of the Group follow:

	2019	2018
Retirement obligation	**₱8,047,889**	₱8,047,889
Accumulated translation adjustment	**(6,221,325)**	(9,377,638)
Unrealized trading gains	**(296,894)**	(538,456)
Allowance for credit losses	**354,388**	354,388
Unamortized past service cost	**180,729**	180,729
Unused tax losses	**31,760**	20,345
	₱2,096,547	(₱1,312,743)

Realization of the future tax benefits related to the net deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income, within the carry-over period. The unused tax losses pertains to COLHK which can be carried forward indefinitely to offset future profits.

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

	2019	2018
Unused tax losses	**₱236,671,768**	₱216,295,272
Retirement obligation	**41,509,754**	16,118,930
Unamortized past service cost	**4,747,801**	5,738,532
NOLCO	**3,612,778**	–
Leases under PFRS 16	**1,548,958**	–
Allowance for credit losses	**911,655**	296,943
Unrealized foreign exchange losses	**17,823**	2,134
	₱289,020,537	₱238,451,811

In 2019, 2018 and 2017, the Parent Company availed of the optional standard deduction (OSD) method in claiming its deductions.

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

	2019	2018	2017
Income tax at statutory income tax rate	**₱189,119,216**	₱217,999,309	₱153,436,932
Additions to (reductions in) income tax resulting from:			
Unrecognized DTA	**7,490,710**	35,481,223	4,386,085
Interest income subjected to final tax	**(47,715,484)**	(37,551,395)	(18,291,479)
40% OSD	**20,398,752**	(3,646,650)	(8,307,006)
Tax-exempt income	**(31,431)**	(78,733)	(69,142)
Effect of lower income tax rate in HK	**2,760,848**	1,906,419	1,579,836
Provision for income tax	**₱172,022,611**	₱214,110,173	₱132,735,226

20. **Related Party Disclosures**

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

Category	Commission income	Interest income	Commission expense	Professional fees	Directors' fees	Trade receivables	Trade payables
Key management personnel							
2019	**₱1,639,464**	**₱328,290**	**₱–**	**₱–**	**₱–**	**₱36,150,772**	**₱44,684,302**
2018	2,052,658	454,128	–	–	–	15,483,080	96,330,087
2017	2,525,811	235,279	–	–	–	2,818,657	90,885,505
Companies with common officers, directors and stockholders							
2019	**₱7,214,699**	**₱2,606,146**	**₱–**	**₱4,798,621**	**₱–**	**₱28,793,203**	**₱18,088,418**
2018	10,158,475	2,232,315	–	4,878,978	–	40,827,421	18,458,230
2017	8,973,675	1,620,428	–	4,695,874	–	13,698,083	29,633,390
Directors, officers and employees							
2019	**₱7,520,940**	**₱1,073,061**	**₱–**	**₱–**	**₱1,750,000**	**₱2,704,863**	**₱101,569,142**
2018	7,563,968	610,563	–	–	1,682,500	–	129,806,076
2017	8,255,999	485,492	–	–	870,000	13,916,822	29,932,978

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 ₱39 and ₱211, which were unsecured as of December 31, 2019 and 2018, respectively (Note 7). The trade receivables from related parties are not impaired.

b. As of December 31, 2019 and 2018, the Group also has unsecured noninterest-bearing advances to its officers and employees amounting to ₱1,220,034 and ₱918,030 with terms ranging from six months to one year, which are included under 'Other receivables' (Note 7).

c. Compensation of key management personnel of the Group follows:

	2019	2018	2017
Short-term employee benefits	**₱70,924,936**	₱85,353,650	₱67,820,730
Retirement costs (Note 18)	**2,634,585**	2,222,877	2,665,901
	₱73,559,521	₱87,576,527	₱70,486,631

Short-term employee benefits include management bonus.

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 ₱22,494,380 in 2018 and ₱17,034,409 in 2017.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases. Set-out below are the carrying amount of lease liabilities and the movements during the period:

At beginning of year, as previously reported	₱–
Effect of adoption of PFRS 16	26,476,920
At beginning of year, as restated	26,476,920
Additions	55,420,102
Accretion of interest	2,937,247
Payments	(27,562,609)
Translation adjustment	(49,542)
At end of year	₱57,222,118
Current	₱20,767,513
Non-current	36,454,605
	₱57,222,118

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

	2019
Depreciation expense of right-of-use assets included in property and equipment (Note 9)	₱26,205,737
Interest expense on lease liabilities	2,937,247
	₱29,142,984

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

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

	2019	2018
Within one (1) year	**₱23,739,029**	₱19,481,096
After one (1) year but not more than five (5) years	**31,132,027**	8,894,197
After five (5) years	**12,700,800**	–
	₱67,571,856	₱28,375,293

22. **Capital Management**

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2019, 2018 and 2017.

The Amended Implementing Rules and Regulations of the SRC effective March 6, 2004 include, among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non-exchange broker dealers as follows: (a) to allow a net capital of ₱2.5 million or 2.50% of aggregate indebtedness, whichever is higher, for broker dealers dealing only in proprietary shares and not holding securities, (b) to allow the SEC to set a different net capital requirement for those authorized to use the Risk-Based Capital Adequacy (RBCA) model, and (c) to require unimpaired paid-up capital of ₱100.0 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; ₱10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions; and ₱2.5 million for broker dealers dealing only in proprietary shares and not holding securities.

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

The Parent Company being a registered broker in securities is subject to the stringent rules of the SEC and other regulatory agencies with respect to the maintenance of specific levels of RBCA ratios. RBCA is a ratio that compares the broker or dealer's total measured risk to its liquid capital. As a rule, the Parent Company must maintain an RBCA ratio of at least one hundred ten percent (110.00%) and a net liquid capital (NLC) of at least ₱5.0 million or five percent (5.00%) of its aggregate indebtedness, whichever is higher. Also, the Aggregated Indebtedness (AI) of every stockbroker should not exceed two thousand percent (2,000.00%) of its NLC. In the event that the minimum RBCA ratio of one hundred ten percent (110.00%) or the minimum NLC is breached, the Parent Company shall immediately cease doing business as a broker and shall notify the PSE and SEC. As at December 31, 2019 and 2018, the Parent Company is compliant with the foregoing requirements.

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

The RBCA ratio of the Parent Company as at December 31, 2019 and 2018 are as follows:

	2019	2018
Equity eligible for NLC	**₱1,587,676,607**	₱1,511,792,250
Less ineligible assets	**559,526,675**	335,040,045
NLC	**₱1,028,149,932**	₱1,176,752,205
Position risk	**₱4,247,476**	₱9,102,431
Operational risk	**189,014,295**	164,470,546
Counterparty risk	**–**	–
Total Risk Capital Requirement (TRCR)	**₱193,261,771**	₱173,572,977
AI	**₱8,023,673,289**	₱9,064,514,225
5.00% of AI	**₱401,183,664**	₱453,225,711
Required NLC	**₱401,183,664**	₱453,225,711
Net Risk-Based Capital Excess	**₱626,966,268**	₱723,526,494
Ratio of AI to NLC	**780%**	770%
RBCA ratio (NLC/TRCR)	**532%**	678%

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

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

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

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

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

On May 28, 2009, the SEC approved the PSE's Rules Governing Trading Rights and Trading Participants, which supersede the Membership Rules of the PSE. Section 8(c) of Article III of the said rules requires trading participants to have a minimum unimpaired paid-up capital, as defined by the SEC, of ₱20.0 million effective December 31, 2009, and ₱30.0 million effective December 31, 2011 and onwards. In 2019 and 2018, the Parent Company is compliant with this capital requirement.

The Parent Company's regulated operations have complied with all externally-imposed capital requirements as at December 31, 2019 and 2018.

COLHK monitors capital using liquid capital as provided for under HK's Securities and Futures Ordinance (Cap. 571) and Securities and Futures (Financial Resources) Rules (Cap. 571N). COLHK's policy is to keep liquid capital at the higher of the floor requirement of HK$3.00 million and computed variable required capital. As at December 31, 2019 and 2018, COLHK is compliant with the said requirement.

23. Financial Risk Management Objectives and Policies

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

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

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

Credit risk

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

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

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

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

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

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

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover any shortfall. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at December 31, 2019 and 2018, ₱704,473,287 and ₱725,741,502 of the total receivables from customers is secured by collateral comprising of equity securities of listed companies with a total market value of ₱3,984,013,048 and ₱3,472,639,844, respectively (Note 7).

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

The aging analyses of the Group's trade receivables as at December 31, 2019 and 2018 are summarized in the following table (gross of allowance for credit losses):

	2019					
	Neither	Days past due				
	past due nor impaired	4-14 days	15-31 days	More than 31 days	Specifically impaired	Total
2019						
Trade receivables	**₱299,681,644**	**₱104,645,402**	**₱44,838,336**	**₱417,200,366**	**₱–**	**₱866,365,748**
2018						
Trade receivables	243,665,774	73,901,199	100,219,240	394,740,173	–	812,526,386

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

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

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

Financial assets at FVTPL
Companies that are consistently profitable, have strong fundamentals and pays out dividends. As at December 31, 2019 and 2018, 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 investment is classified as high grade since this is a retail treasury bond issued by the Philippine government and there is a high probability of collecting the principal and coupon payments.

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

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

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

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

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

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

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

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

	2019	2018
Cash and cash equivalents (Note 4)*	**₱8,225,977,521**	₱8,897,533,179
Cash in a segregated account (Note 5)	**137,679,325**	133,788,336
Short-term time deposits (Note 4)	**200,000,000**	626,000,000
Trade receivables (Note 7)	**529,025**	2,804,307
Other receivables (Note 7)	**48,067,874**	52,041,067

(Forward)

	2019	2018
Long-term time deposit (Note 4)	**₱200,000,000**	₱200,000,000
Refundable deposits (Note 12)	**11,574,910**	10,875,614
Deposit and refundable contributions to CTGF (Note 12)	**41,632,750**	38,791,026
Investment securities at amortized cost (Note 8)	**200,348,264**	201,564,744
	9,065,809,669	10,163,398,273
Unutilized margin trading facility	**4,891,448,596**	4,869,567,470
	₱13,957,258,265	₱15,032,965,743

**Excluding cash on hand*

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

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

As at December 31, 2019 and 2018, all of the Group's financial liabilities, which consist of trade payables and other current liabilities (except statutory payables), are contractually payable on demand and up to sixty (60) days' term.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as at December 31, 2019 and 2018 consist of cash and cash equivalents, short-term time deposits, financial assets at FVTPL and trade receivables.

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

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

Since the carrying amount of financial assets subject to equity price risk is immaterial relative to the consolidated financial statements, Management believes that disclosure of equity price risk sensitivity analysis for 2019 and 2018 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$9,517 and US$210,636 as at December 31, 2019 and 2018, respectively (Note 4).

Since the amount of US$-denominated cash in bank subject to foreign currency risk is immaterial relative to the consolidated financial statements, Management believes that disclosure of foreign currency risk analysis for 2019 and 2018 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.

2019

Financial Instruments Recognized at End of Reporting Period by Type	**Gross Carrying Amounts (Before Offsetting)**	**Gross Amounts Offset in Accordance with the Offsetting Criteria**	**Net Amount Presented in Consolidated Statements of Financial Position**	**Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria**		**Net Exposure**
				Financial Instruments	**Fair Value of Financial Collateral**	
	[a]	**[b]**	**[c] = [a-b]**	**[d]**	**[e]**	**[f] = [c-d]**
Financial Assets						
Receivable from customers	**₱704,473,326**	**₱–**	**₱704,473,326**	**₱7,984,917**	**₱–**	**₱696,488,409**
Due from clearing house	**124,656,703**	**–**	**124,656,703**	**83,887,572**		**40,769,131**
	₱829,130,029	**₱–**	**₱829,130,029**	**₱91,872,489**	**₱–**	**₱737,257,540**
Financial Liabilities						
Payable to customers	**₱8,102,010,305**	**₱–**	**₱8,102,010,305**	**₱7,984,917**	**₱–**	**₱8,094,025,388**
Due to clearing house	**83,887,572**	**–**	**83,887,572**	**83,887,572**	**–**	**–**
	₱8,185,897,877	**₱–**	**₱8,185,897,877**	**₱91,872,489**	**₱–**	**₱8,094,025,388**

2018

Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Consolidated Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]
Financial Assets						
Receivable from customers	₱725,741,713	₱–	₱725,741,713	₱4,475,220	₱–	₱721,266,493
	₱725,741,713	₱–	₱725,741,713	₱4,475,220	₱–	₱721,266,493
Financial Liabilities						
Payable to customers	₱8,989,453,360	₱–	₱8,989,453,360	₱4,475,220	₱–	₱8,984,978,140
	₱8,989,453,360	₱–	₱8,989,453,360	₱4,475,220	₱–	₱8,984,978,140

24. **Fair Value Measurement**

The following table shows the carrying value and fair value of the Group's refundable deposits, investment securities at amortized cost and investment property, whose carrying value does not approximate its fair value as at December 31, 2019 and 2018:

	Carrying Values		**Fair Values**	
	2019	2018	**2019**	2018
Refundable deposits	**₱11,574,910**	₱10,875,614	**₱10,082,124**	₱9,473,015
Investment securities at amortized cost	**200,348,264**	201,564,744	**199,903,251**	194,860,902
Investment property	**15,758,762**	16,634,249	**39,567,000**	35,610,300

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

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

Financial Assets at FVTPL
The Group's financial assets at FVTPL are carried at their fair values as at December 31, 2019 and 2018. Fair value of equity securities is based on the closing quoted prices of stock investments published by the PSE. Fair value of mutual funds is based on net asset values computed and published by the mutual fund providers.

Refundable Deposits
The fair value of the refundable deposits is based on the present value of the future cash flows discounted using credit adjusted risk-free rates for a similar type of instrument using 2.80% as at December 31, 2019 and 2018. There are no changes in the valuation techniques in 2019 and 2018.

Investment securities at amortized cost
The fair value of the investment is based on the quoted market price in an active market as at December 31, 2019 and 2018.

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

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

		2019	
	Level 1	**Level 2**	**Level 3**
Asset measured at fair value:			
Financial assets at FVTPL	**₱3,329,077**	**₱674,252**	**₱–**

	2019		
	Level 1	**Level 2**	**Level 3**
Asset for which fair values are disclosed:			
Refundable deposits	**₱–**	**₱–**	**₱10,082,124**
Investment securities at amortized cost	**199,903,251**	**–**	**–**
Investment property	**–**	**–**	**39,567,000**

	2018		
	Level 1	Level 2	Level 3
Asset measured at fair value:			
Financial assets at FVTPL	₱3,018,331	₱206,832	₱–
Asset for which fair values are disclosed:			
Refundable deposits	–	–	9,473,015
Investment securities at amortized cost	194,860,902	–	–
Investment property	–	–	35,610,300

During the years ended December 31, 2019 and 2018, there were no transfers among levels 1, 2 and 3 of fair value measurements.

25. EPS Computation

	2019	2018	2017
Net income attributable to the equity holders of the Parent Company	**₱458,776,159**	₱512,554,189	₱378,721,215
Weighted average number of shares for basic earnings per share	**476,000,000**	476,000,000	476,000,000
Dilutive shares arising from stock options	**–**	–	–
Adjusted weighted average number of common shares for diluted earnings per share	**476,000,000**	476,000,000	476,000,000
Basic EPS	**₱0.96**	₱1.08	₱0.80
Diluted EPS	**₱0.96**	₱1.08	₱0.80

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:

	2019			
	Stockbrokerage services	Others	Elimination	Total
Revenue from external customers:				
Commissions	₱539,049,838	₱–	₱–	₱539,049,838
Interest	525,604,623	2,112,354	–	527,716,977
Trail fees	17,365,097	–	–	17,365,097
Others	1,803,021	–	–	1,803,021
Segment revenue	1,083,822,579	2,112,354	–	1,085,934,933
Cost of services	(193,274,599)	–	–	(193,274,599)
Operating expenses, net of other income	(200,252,889)	(3,329,832)	–	(203,582,721)
Depreciation and amortization	(58,397,280)	(282,946)	–	(58,680,226)
Income (loss) before income tax	631,897,811	(1,500,424)	–	630,397,387
Provision for income tax	(171,600,140)	(422,471)	–	(172,022,611)
Net income (loss)	₱460,297,671	(₱1,922,895)	₱–	₱458,374,776
Segment assets	₱10,263,068,214	₱174,178,409	(₱288,154,504)	₱10,149,092,119
Segment liabilities	8,402,795,718	1,101,304	(854,504)	8,403,042,518
Capital expenditures:				
Fixed assets	40,488,651	4,094,212	–	44,582,863
Cash flows arising from:				
Operating activities	(210,080,797)	(1,671,492)	–	(211,752,289)
Investing activities	(198,542,263)	(4,094,212)	152,500,000	(50,136,475)
Financing activities	(432,162,609)	175,000,000	(152,500,000)	(409,662,609)

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:

	2019			
	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱529,163,152	₱9,886,686	₱–	₱539,049,838
Interest	527,706,744	10,233	–	527,716,977
Trail fees	17,365,097	–	–	17,365,097
Others	855,104	947,917	–	1,803,021
Segment revenue	1,075,090,097	10,844,836	–	1,085,934,933
Cost of services	(173,358,672)	(19,915,927)	–	(193,274,599)
Operating expenses, net of other income	(194,602,320)	(8,980,401)	–	(203,582,721)
Depreciation and amortization	(56,291,221)	(2,389,005)	–	(58,680,226)
Income (loss) before income tax	650,837,884	(20,440,497)	–	630,397,387
Provision for income tax	(172,034,860)	12,249	–	(172,022,611)
Net income (loss)	₱478,803,024	(₱20,428,248)	₱–	₱458,374,776
Segment assets	₱9,984,241,387	453,005,236	(₱288,154,504)	₱10,149,092,119
Segment liabilities	8,247,438,416	156,458,606	(854,504)	8,403,042,518
Capital expenditures:				
Fixed assets	44,555,775	27,088	–	44,582,863
Cash flows arising from:				
Operating activities	(223,452,377)	11,700,088	–	(211,752,289)
Investing activities	(202,609,387)	(27,088)	152,500,000	(50,136,475)
Financing activities	(254,757,955)	(2,404,654)	(152,500,000)	(409,662,609)

	2018			
	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱687,358,256	₱15,573,024	₱–	₱702,931,280
Interest	422,222,322	5,526	–	422,227,848
Trail fees	14,730,081	–	–	14,730,081
Others	15,637,755	1,135,889	–	16,773,644
Segment revenue	1,139,948,414	16,714,439	–	1,156,662,853
Cost of services	(200,980,119)	(19,845,333)	–	(220,825,452)
Operating expenses, net of other income	(172,369,550)	(10,990,734)	–	(183,360,284)
Depreciation and amortization	(25,812,755)	–	–	(25,812,755)
Income (loss) before income tax	740,785,990	(14,121,628)	–	726,664,362
Provision for income tax	(180,752,435)	(33,357,738)	–	(214,110,173)
Net income (loss)	₱560,033,555	(₱47,479,366)	₱–	₱512,554,189
Segment assets	₱10,792,266,848	₱459,831,491	(₱133,487,257)	₱11,118,611,082
Segment liabilities	9,288,236,632	135,491,882	1,312,743	9,425,041,257
Capital expenditures:				
Fixed assets	29,561,263	–	–	29,561,263
Cash flows arising from:				
Operating activities	(728,095,929)	(25,755,722)	–	(753,851,651)
Investing activities	(31,284,294)	–	–	(31,284,294)
Financing activities	(333,200,000)	–	–	(333,200,000)

	2017			
	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱661,967,789	₱16,757,927	₱–	₱678,725,716
Interest	250,460,101	446	–	250,460,547
Trail fees	10,578,055	–	–	10,578,055
Others	17,437,051	1,253,917	–	18,690,968
Segment revenue	940,442,996	18,012,290	–	958,455,286
Cost of services	(217,380,889)	(19,268,531)	–	(236,649,420)
Operating expenses	(157,197,512)	(31,068,055)	–	(188,265,567)
Depreciation and amortization	(22,069,885)	(13,973)	–	(22,083,858)
Income (loss) before income tax	543,794,710	(32,338,269)	–	511,456,441
Benefit from (provision for) income tax	(134,666,136)	1,930,910	–	(132,735,226)
Net income (loss)	₱409,128,574	(₱30,407,359)	₱–	₱378,721,215
Segment assets	₱11,548,781,813	₱466,855,535	(₱134,800,000)	₱11,880,837,348
Segment liabilities	10,267,520,197	108,692,529	–	10,376,212,726
Capital expenditures:				
Fixed assets	60,966,559	–	–	60,966,559
Cash flows arising from:				
Operating activities	3,326,512,476	16,433,530	–	3,342,946,006
Investing activities	(267,019,663)	–	–	(267,019,663)
Financing activities	(285,600,000)	–	–	(285,600,000)

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of COL Financial Group, Inc. and Subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated March 6, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-AR-2 (Group A),
July 9, 2019, valid until July 8, 2022
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125274, January 7, 2020, Makati City

March 6, 2020

COL FINANCIAL GROUP, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2019

SUPPLEMENTARY SCHEDULES

SCHEDULE I
COL FINANCIAL GROUP, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
PURSUANT TO REVISED SRC RULE 68 AND SEC MEMORANDUM CIRCULAR NO.11
DECEMBER 31, 2019

Unappropriated Retained Earnings of the Parent Company, beginning		₱649,640,914
Adjustments		
Unappropriated Retained Earnings, as adjusted, beginning		649,640,914
Net income during the period closed to retained earnings (Parent)*	480,725,920	
Less: Non-actual/unrealized income net of tax	–	
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (FVTPL)		
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP – gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Recognized DTA	(241,562)	
Subtotal	480,484,358	480,484,358
Add: Non-actual losses	–	
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Stock option expense for the period	–	
Accretion of retirement obligation for the period	–	
Unrealized actuarial loss	–	
Subtotal	–	
Net Income Actual/Realized	480,484,358	480,484,358
Add (Less):		
Dividend declarations during the period	(404,600,000)	
Appropriations of retained earnings based on 10% of December 31, 2019 audited net income**	(48,072,592)	
Reversals of appropriations		
Effects of prior period adjustments		
Treasury shares		
Subtotal	(452,672,592)	(452,672,592)
Unappropriated Retained Earnings, as adjusted, ending		₱677,452,680

** Consolidated net income of ₱458,374,776, net of ₱22,352,144 net loss of subsidiaries*
*** Appropriation of retained earnings is in compliance with SRC Rule 49.1 B Reserve Fund requiring the Parent Company to annually appropriate ten percent (10.00%) of its audited net income (Note 15 of the audited consolidated financial statements)*

SCHEDULE II
COL FINANCIAL GROUP, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019

Schedule A. Financial Assets

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

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

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Various employees	₱918,030	₱1,678,648	₱1,376,644	N/A	₱1,220,034	N/A	₱1,220,034

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
COL Investment Management Inc.	₱–	₱854,504	₱–	₱–	₱854,504	₱–	₱854,504

Schedule D. Long Term Debt

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

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

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

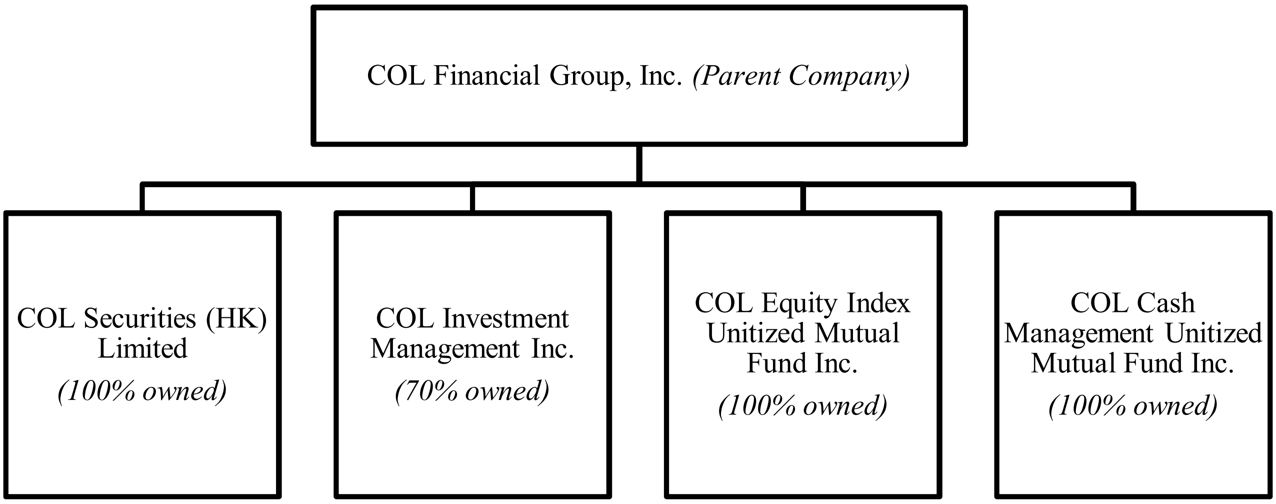
Schedule F. Guarantees of Securities of Other Issuers

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

Schedule G. Capital Stock (Figures in Thousands)

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by Affiliates	Directors and Officers	Others
Common shares	1,000,000	476,000	–	–	288,206	187,794

SCHEDULE III
COL FINANCIAL GROUP, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019



SCHEDULE IV
COL FINANCIAL GROUP, INC. AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019

	Formula	2019	2018
Profitability ratios:			
Return on assets	Net Income (NI)/Total Assets	**5%**	5%
Return on equity	NI/Average Equity*	**27%**	32%
Net profit margin	NI/Net Sales	**42%**	44%
Solvency and liquidity ratios:			
Current ratio	Current Assets/Current Liabilities	**1.17:1**	1.12:1
Debt to equity ratio	Total Liabilities/Average Equity*	**4.92:1**	5.89:1
Quick ratio	Liquid Assets/Current Liabilities	**1.12:1**	1.06:1
Asset to equity ratio	Total Assets/Average Equity*	**5.94**	6.95:1
Other relevant ratios:			
RBCA ratio		**532%**	678%
Ratio of AI to NLC		**780%**	770%

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

COL FINANCIAL GROUP, INC.
SUSTAINABILITY REPORT
Year 2019

Table of Contents

A. CONTEXTUAL INFORMATION

1. Company Details

Name of Organization	COL Financial Group, Inc. ("COL", the "Corporation", the "Company")
Location of Headquarters	Pasig City, Metro Manila, Philippines
Location of Operations	Pasig City, Metro Manila, Philippines
Report Boundary: Legal entities included in this report	COL Financial Group, Inc. (parent company only)
Business Model, including Primary Activities, Brands, Products, and Services	Broker/ dealer of Securities
Reporting Period	Calendar year ending 31 December 2019
Highest Ranking Person responsible for this Report	Sharon T. Lim / Corporate Secretary

2. Materiality Process

To create this report, the Company's management identified key areas that are materially relevant for COL to reach long-term sustainable operations. It likewise endeavored to identify the expectations and interests of its various stakeholders comprising of, among others, its personnel (directors, officers, employees, agents, consultants, and other persons assigned to COL by their respective employers), clients, service providers, regulators, investors and shareholders, and competitors.

Out of the 33 GRI topics, the following are material to Company stakeholders upon initial review. These topics will need to be validated against stakeholder interviews:

- Economic Performance;
- Indirect Economic Impacts;
- Employee Hiring and Benefits;
- Employee Training and Development;
- Customer Satisfaction;
- Customer Privacy;
- Data Security; and
- Local Communities; Financial Inclusion, Accessibility and Financial Education.

B. ECONOMIC

1. Economic Performance

a. Direct Economic Value Generated and Distributed

The following figures are based on the 2019 Audited Financial Statements of COL Financial Group, Inc. (parent company only).

Disclosure	Amount (in PhP)
Direct economic value generated (revenue)	1,072,977,743
Direct economic value distributed:	
a. Operating costs	241,139,460
b. Employee wages and benefits	159,861,179
c. Payments to suppliers, other operating costs	191,931,175
d. Dividends given to stockholders and interest payments to loan providers	404,600,000
e. Taxes given to government	177,936,743
f. Investments to community (e.g. donations, CSR)	2,013,750

(1) <u>Impact</u>

COL is the leading online financial services provider in the Philippines. COL aims to be the most trusted wealth-building partner of every Filipino that provides practical and ethical financial products through value-driven and innovative solutions to help them achieve their financial goals.

As part of COL's commitment to provide more useful products and services to help its customers build genuine wealth, it has an online stock brokerage platform where clients may purchase stocks listed in the Philippine Stock Exchange. COL also created COL Fund Source, the first and leading online mutual fund supermarket in the Philippines which provides investors access to a wide selection of mutual funds. In 2019, to diversify COL's portfolio as a one-stop shop online platform for capital market products, it set up its own asset management firm, COL Investment Management, Inc. to serve as the asset management firm for COL Equity Index Unitized Mutual Fund, Inc. and COL Cash Management Unitized Mutual Fund, Inc.

The economic performance of COL affects the following stakeholders: its own personnel (consisting of its directors, officers, full-time employees, agents, consultants, and personnel who are employed by COL's service providers but are assigned to the Company), the Company's more than 350,000 clients, its investors and shareholders, its regulators consisting of, among others, the Securities and Exchange Commission, the Philippine Stock Exchange, Inc., and the Capital Markets Integrity Corporation, and the capital markets in general.

To manage its economic performance, COL is committed to maximizing its profitability through the efficient use of its capital resources with the ultimate objective of increasing shareholder value. Consequently, COL regularly monitors and reviews the effectiveness of its corporate activities and key performance indicators, which are considered important in measuring the success of implemented financial and operating strategies and concomitant action plans. Below are some of the Company's key performance indicators which are measured from time to time:

- Number of Customer Accounts;
- Customers' Net Equity;
- Revenues;
- Return on Average Equity;
- Risk Based Capital Adequacy Ratio; and
- Liquid Capital.

(2) <u>Identified Risks</u>

The Philippine Stock Exchange Index had a very volatile performance in 2019. The operating environment for stock brokers in the Philippine stock market is expected to remain challenging in 2020. Although local fundamentals continue to improve this year, numerous factors including heightened regulatory concerns and uncertainty on when the coronavirus outbreak will end continue to hurt investor sentiment. Foreign investors remain net sellers while value turnover remains thin.

These risks affect the Company's personnel, clients, shareholders, and the capital markets in general.

The Company continues to conduct free investor education seminars to help clients navigate through these volatile times. It also tries to maximize the use of its resources to avoid unnecessary spending.

As a trading participant of the Philippine Stock Exchange, the Corporation is also required to comply with the risk base capital adequacy ratios (RBCA) imposed by the Securities and Exchange Commission. These RBCA ratios, in general, ensure that broker dealers such as the Company have sufficient capital to sustain operating losses while maintaining a safe and efficient market.

(3) <u>Identified Opportunities</u>

These opportunities affect the Company's personnel, clients, shareholders and the capital markets in general.

Volatile market conditions lead to heightened interest among Filipinos to invest outside of traditional fixed income instruments. To address this, COL has established investor centers in key areas such as Ortigas, Makati, Cebu, Davao, and Ilocos. These investor centers provide COL with a wider reach, allowing it to address the needs of more clients more effectively.

COL also remains active in educating and encouraging Filipinos to save and invest through its market forums, investor education seminars and various social media platforms. It continues to improve its processes, moving most of it online to allow for greater convenience of its customers. The Company also provides clients with various touchpoints, in order to provide its clients and prospective clients with different avenues to raise their concerns.

2. Climate-Related Risks and Opportunities

Although environmental concerns rank lower in the Company's materiality assessment, the Company is cognizant of the integral role of environmental issues in its business and operations. To show its commitment to mitigating climate change, COL has been taking concrete actions to raise environmental awareness by conducting different activities for its personnel. These include the following activities: tree planting, ocean clean-up, and hosting of environment-related talks. In 2019, the Company was a partner of the Haribon Foundation for the Conservation of Natural Resources, Inc. (Haribon Foundation), an organization registered with the Securities and Exchange Commission that advocates for biodiversity conservation through building constituencies, empowering communities, and applying multi-disciplinary approaches.[1]

3. Procurement Practices

a. Proportion of Spending on Local Suppliers

While COL dealt only with Philippine-based suppliers, there is no data available to confirm whether the products sourced were locally made or manufactured or were sourced by said suppliers overseas.

(1) <u>Impact</u>

The Company's procurement practices affect its personnel, suppliers, and service providers.

Being an online broker / dealer in securities, the Company only relies on its suppliers only for its internal requirements. Most items sourced from suppliers involve office equipment, which, while necessary to allow its personnel to work, is not critical to the actual operation of the business. The only items sourced from suppliers which are critical to the Company's performance are those related to its technical equipment, such as its computer servers. In terms of services, the most critical of services would involve the Company's internet / web connection, as a majority of its critical programs are done in-house. The Company sources these critical pieces of equipment from established suppliers, with either a reputation for implementing sound business practices and meet the quality requirements set by the Company.

All supplier procurement is coursed through the Company's procurement team, working under its Admin Department. They work closely with the department concerned, to ensure

[1] https://haribon.org.ph/about-us/

that the quality standards are met. More critical procurement must be approved by the Company's management.

(2) <u>Identified Risks</u>

The identified risks would affect the Corporation's personnel, suppliers, and service providers.

Getting the wrong vendor or supplier may result in losses to the Company. These involve financial losses as well as of time lost. Time that could have been spent providing improved services to customers may have to be allocated to fixing the issue.

To address the abovementioned risks, the Company implements quality control checks for supplies and services received. The procurement team is required to obtain quotes from multiple potential suppliers, to ensure that it is getting the best deal in the market. The Company has likewise streamlined its supplier contracts to include, among others, warranties on quality of materials and/or supplies, as well as structuring the compensation to supplier to allow the Company an opportunity to withhold partial payment in case of defective materials.

(3) <u>Identified Opportunities</u>

The identified opportunities involve the Corporation's personnel, suppliers, and service providers.

The Company is continuously studying additional ways it can improve its procurement system and processes. These present an opportunity for the Company to find better suppliers and service providers which are aligned with the Company's objectives. In improving its procurement processes, the Company may have potentially savings or be able to obtain better products or services.

4. Anti-Corruption

a. Training on Anti-Corruption Policies and Procedures

Disclosure	**Quantity**
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	*100%*
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	*(see note below)*
Percentage of directors and management that have received anti-corruption training	*(see note below)*
Percentage of employees that have received anti-corruption training	*(see note below)*

The Company has a zero-tolerance policy for Corruption and Bribery. It has put in place and implemented an Anti-Bribery and Anti-Corruption Policy which is integrated in both its Office

Handbook and Code of Business Conduct and Ethics. Said policy is also publicly available in its website. This policy is relayed to all employees and directors as part of their Company orientation. As this is not an issue being experienced by the Company, it seems that the incorporation of anti-corruption and anti-bribery training in its general policy training is adequate, and there may be no need to have a separate training on this topic.

b. Incidents of Corruption

Disclosure	**Quantity**
Number of incidents in which directors were removed or disciplined for corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0

(1) <u>Impact (for both items (a) and (b)</u>

The actions of its people reflect on the Company. As such, it is the Company's responsibility to ensure that each person acts with integrity and above reproach.

The Company is aware that the adequacy or inadequacy of its anti-corruption training will affect its own personnel, the regulators with whom it engages with, its suppliers and service providers, as well as its clients.

To address potential incidents of corruption, the Company has instituted an Anti-Bribery and Anti-Corruption policy to clarify and strengthen the Company's stand against these unethical practices. The policy puts in place the proper procedure for the handling of these kinds of complaints. Complaints may be submitted by any acceptable means. The policy likewise empowers several offices to make the investigation, to provide complainants with various avenues to seek redress of their grievances.

All Company personnel are required to review the Office Manual, which contains the Company's Anti-Bribery and Anti-Corruption policy. These policies are discussed during the personnel's onboarding with the Company and supported through the Company's processes and procedures which reduce the possible instances of violation. The Company's Anti-Bribery and Anti-Corruption policy is supported by its Grievance and Whistleblowing mechanisms, which provides avenues for Company personnel to report any untoward incidents.

(2) <u>Identified Risks (for both items (a) and (b)</u>

No significant risks have been identified.

(3) <u>Identified Opportunities (for both items (a) and (b)</u>

There are always opportunities to strengthen the Company's adherence to its existing policies through the conduct of personnel and supplier training.

The Company is currently studying how to further strengthen and support its Anti-Bribery and Anti-Corruption Policy. Potential programs being reviewed include additional training for concerned personnel, and inclusion of anti-bribery and anti-corruption terms in all supplier and service contracts.

These identified opportunities affect the Company's personnel, suppliers and service providers, and regulators.

C. ENVIRONMENT

1. Resource Management

a. Energy Consumption within the Organization

Disclosure	Quantity
Energy consumption (renewable sources)	*0 GJ*
Energy consumption (gasoline)	*0 GJ*
Energy consumption (LPG)	*0 GJ*
Energy consumption (diesel)	*0 GJ*
Energy consumption (electricity)	*393,006.20 kWh*

Given the nature of the Company's business, it does not utilize energy other than electricity. As for its electricity consumption, it sources its electricity from the local distribution utilities.

b. Reduction of Energy Consumption

Disclosure	Quantity
Energy reduction (renewable sources)	*0 GJ*
Energy reduction (gasoline)	*0 GJ*
Energy reduction (LPG)	*0 GJ*
Energy reduction (diesel)	*0 GJ*
Energy reduction (electricity)	*0 kWh*

Given the nature of the Company's business, it does not utilize energy other than electricity. As for its electricity consumption, the Company does not have sufficient data on hand regarding its electricity consumption on a year on year basis.

(1) <u>Impact</u>

The Company's energy consumption affects its personnel, suppliers, clients, and the community at large.

The Company consumes energy, in the form of electricity, to support its business operations. It obtains the electricity supply from the local distribution utility, and thus are dependent on such distribution utility on the source of such power supply (e.g. whether from renewable or non-renewable sources). Given that it a financial services company, its use of the other forms of energy (such as from LPG, diesel, and gasoline), if any, are very insignificant.

As part of its efforts to help conserve energy, the Company tries to use energy efficient equipment. Employees are also reminded to be conscientious of their energy consumption.

(2) <u>Identified Risks and Opportunities</u>

No significant risks and/or opportunities have been identified with respect to this matter.

c. Water Consumption within the Organization

Disclosure	**Quantity**
Water withdrawal	*- Cubic meters*
Water consumption	*514.42 Cubic meters*
Water recycled and reused	*- Cubic meters*

(1) <u>Impact</u>

As the Company is in the financial services industry, it uses tap water mainly for cleaning and personal hygiene purposes of its personnel and clients who visit its investor centers.

Aware that the Company's water consumption affects its personnel and community at large, the Company promotes conscientious use of water through giving its personnel reminders and issuing guidelines on use of water.

(2) <u>Identified Risks and Opportunities</u>

No significant risks and/ or opportunities have been identified with respect to this matter.

d. Materials Used by the Organization

Disclosure	**Quantity**
Materials used by weight or volume	
• *renewable*	*
• *non-renewable*	*
Percentage of recycled input materials used to manufacture the organization's primary products and services	*

**These do not apply as the Company is not in the manufacturing business.*

(1) <u>Impact</u>

While the Company is not involved in manufacturing, and thus, concerns with respect to materials it uses does not rank high in its materiality assessment, the Company understands its responsibility to ensure that it does its part to protect the environment.

For the past few years, the Company has been a corporate partner of the Haribon Foundation. As an affiliate of the Haribon Foundation, the Company is able to support its mission of advocating for biodiversity through building constituencies, empowering communities, and applying multi-disciplinary approaches.

On an operational level, the Company conducts most of its processes online and refrains from using paper unless the same is necessary. Personnel are also discouraged from printing unnecessary items and without compromising data security, encouraged to recycle paper. For items that need to be printed for internal purposes, they are printed in newsprint rather than white paper.

The Company also has an ongoing garbage segregation project where personnel are encouraged to segregate their garbage between renewable and non-renewable materials.

(2) <u>Identified Risks</u>

The Company has not identified any significant risks with respect to this matter.

(3) <u>Identified Opportunities</u>

There is an opportunity to deepen the participation of the Company's personnel in its environmental conservation efforts. Aside from increasing its recycling and garbage segregation efforts, the Company can also encourage its employees to attend and actively participate in the different activities of the Haribon Foundation, such as tree planting, birdwatching activities, and other educational campaigns.

e. Ecosystem and Biodiversity (Upland / Watershed or Coastal / Marine)

Disclosure	**Quantity**
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	*None identified*
Habitats protected or restored	*None identified*
IUCN Red List species and national conservation list species with habitats in areas affected by operations	*None identified*

(1) <u>Impact</u>

All of the Company's leased offices, namely its primary office, four (4) Investor Centers, Data Centers, and units in the Philippine Stock Exchange Tower in Bonifacio High Street, Taguig, are situated in business district areas. As none of these locations are in, or adjacent to, any protected areas, there are currently no identified impacts of the Company's operations on biodiversity and ecosystems.

(2) <u>Identified Risks and Opportunities</u>

As of the moment, there are no significant risks or opportunities identified with respect to the above matter.

2. Environmental Impact Management

a. Air Emissions

(1) <u>GHG</u>

Disclosures	**Quantity**
Direct (Scope 1) GHG Emissions	*- Tonnes CO2e*
Energy indirect (Scope 2) GHG Emissions	*- Tonnes CO2e*
Emissions of ozone-depleting substances (ODS)	*- Tonnes*

(2) <u>Air Pollutants</u>

Disclosure	**Quantity**
NO_X	*- kg*
SO_X	*- kg*
Persistent organic pollutants (POPs)	*- kg*
Volatile organic compounds (VOCs)	*- kg*
Hazardous air pollutants (HAPs)	*- kg*
Particulate matter (PM)	*- kg*

(3) <u>Impact for both (1) and (2)</u>

As previously shown, the nature of the business of the Company does not result in as much direct material environmental impact as opposed to a business that is part of the manufacturing industry, for instance. As such, the Company's impact on greenhouse gas emissions are insignificant, and mainly result from business travel and/or courier services. However, there is currently no data available on the greenhouse gas emissions resulting from these activities.

Internally, the Company encourages employees to help in reducing greenhouse gas emissions by doing simple practices to conserve electricity and water. The Company also has an on-going project of replacing our fluorescent bulbs into LED.

Further, the nature of the Company's business does not lead to distinct or identifiable sources of emissions involving pollutants detrimental to public health or the environment.

(4) <u>Identified Risks and Opportunities for both (1) and (2)</u>

There are no significant risks or opportunities identified for the matters above.

b. Solid and Hazardous Wastes

(1) Solid Waste

Disclosure	Quantity
Total solid waste generated	*- kg*
Reusable	*- kg*
Recyclable	*- kg*
Composted	*- kg*
Incinerated	*- kg*
Residuals/Landfilled	*- kg*

(2) Hazardous Waste

Disclosure	Quantity
Total weight of hazardous waste generated	*- kg*
Total weight of hazardous waste transported	*- kg*

(3) Effluents

Disclosure	Quantity
Total volume of water discharges	*- cubic meters*
Percent of wastewater recycled	*- %*

(4) Impact for Solid and Hazardous Waste and Effluents

The Company's operations generate, for the most part, commercial waste consisting mostly of paper and plastic waste. No hazardous waste has been identified within the operations of the Company, as the term is defined by Republic Act No. 6969 (Toxic Substances and Hazardous Nuclear Waste Control Act of 1990). With respect to effluents, as previously mentioned, the Company uses tap water mainly for personal hygiene of its employees and clients. This water is sourced from the water utility provider in its building.

To help maintain the cleanliness of the premises, the Company provides trash bins within the office areas which are collected daily by the janitors of the building. Segregation into biodegradable, non-biodegradable and organic waste is also being observed.

(5) Identified Risks and Opportunities for all items

There are no significant risks or opportunities identified for the matters above.

c. Environmental Compliance

(1) Non-Compliance with Environmental Laws and Regulations

Disclosure	**Quantity**
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	*0 Php*
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	*0*
No. of cases resolved through dispute resolution mechanism	*0*

(2) Impact

Given the nature of the Company's business, any changes in environmental laws or regulations would not affect it more significantly than how it would affect any other business. Such amendment of regulation or law may have an impact on the Company's personnel, clients, investors, and suppliers or service providers.

(3) Identified Risks and Opportunities for all items

There are no significant risks or opportunities identified for the matters above.

D. SOCIAL

1. Employee Management

a. Employee Hiring and Benefits

(1) Employee Data

Disclosure	Quantity
Total number of employees	*144*
a. Number of female employees	*108*
b. Number of male employees	*36*
Attrition rate	*0%*
Ratio of lowest paid employee against minimum wage	*0*

The attrition rate was computed by deducting the number of resigned employees against the number of newly hired employees and dividing the difference by the average between the total number of employees for 2018 and 2019. For the calendar year ending 31 December 2019, the number of new hires and resigned employees are equal at 17 persons.

All COL full time employees are paid above the minimum wage.

(2) Employee Benefits

List of Benefits	Y/N	% Female Employee Availment	% Male Employee Availment
SSS	*Y*	*100.0%*	*100.0%*
PhilHealth	*Y*	*100.0%*	*100.0%*
Pag-ibig	*Y*	*100.0%*	*100.0%*
Parental leaves	*Y*	*100.0%*	*100.0%*
Vacation leaves	*Y*	*100.0%*	*100.0%*
Sick leaves	*Y*	*100.0%*	*100.0%*
Medical benefits (aside from PhilHealth)	*Y*	*100.0%*	*100.0%*
Housing assistance (aside from Pag-ibig)	*N*	-	-
Retirement fund (aside from SSS)	*Y*	*100.0%*	*100.0%*
Further education support	*Y*		
Company stock options	*N*	-	-
Telecommuting	*N*	-	-
Flexible-working Hours	*Y*	*100.0%*	*100.0%*
Emergency Salary Loan		*34.4%*	*15.6%*

SSS, Philhealth, and Pag-Ibig Benefits: The Company regularly remits the monthly contributions for SSS, Philhealth, and Pag-Ibig. The Company, through its Human Resources Department, processed the benefit applications of all employees who have applied for these benefits and have met the minimum conditions for availment. These benefits include maternity and sickness benefit for SSS, Philhealth deductions on medical expenses, SSS and Pag-Ibig loans, among others.

Parental, Vacation, and Sick Leaves: All employees who are qualified to avail of said leaves have been granted them. All employees are granted a certain number of sick and vacation leaves per calendar year, which amount of leaves would depend on the employee's rank and tenure with the Company.

Medical Benefits (aside from SSS): The Company gives a health card to all regular employees. Further, the Company sponsors the annual physical examination of its personnel.

Retirement Fund (aside from SSS): The Company has a retirement program which may be availed of by employees have rendered at least five (5) years of service.

Further Education Support: The Company has a training and development program to support the training needs of its personnel.

Housing Assistance (aside from Pag-Ibig); Company Stock Options: The Company does not have a housing assistance program (other than Pag-Ibig). It also does not currently have an employee stock option program.

Flexible Working Hours and Telecommuting: As Company employees need to be accessible during the hours that trading in the Philippine Stock Exchange are open, the Company cannot adopt flexible working hours for all employees. However, some employees, depending on their rank and role, have been granted flexible or semi-flexible working hours.

In 2019, all Company personnel rendered their services within the Company premises. However, the recent pandemic has constrained most employees to work from home.

Emergency Salary Loan: The Company grants an emergency salary loan to all regular employees. The loanable amount as well as repayment terms depend on several factors including, among others, tenure and purpose for the loan.

(3) <u>Impact</u>

Among the missions of COL is to provide a conducive and rewarding work environment for its employees. The Company values the contribution of each and every employee of COL and has crafted its human resources policies with the aim of attracting and retaining key talent in the organization. These policies are constantly being reviewed in line with the changing circumstances and well as the changing needs of the Company's employees over time.

To attract and retain its talents, the Company has adopted, among others, the following human resources benefits and programs:

i. Competitive salary which is regularly benchmarked against market rates;
ii. Annual performance review to determine salary adjustments and promotions;
iii. Annual review of job functions and needed skills and training to ensure career growth;
iv. At least 24 annual leave credits, which may be increased to up to 30 annual leave credits, depending on tenure;
v. HMO health benefits;
vi. Group life insurance;
vii. Meal and transportation allowances;
viii. Emergency salary loans;
ix. Employee training / study grant;
x. Maternity benefit;
xi. Personal Investment Plan;
xii. Service Awards; and
xiii. Retirement and separation pay.

(4) Identified Risks

A critical risk is employee disengagement. Disengaged employees are "not poised to put in extra effort for success. They don't like going to work most days. They're unlikely to recommend the products of, or employment with, their employer."[2] A disengaged employee will only do the minimum, which performance will affect the overall performance of the Company.

Another risk is the resignation or separation of employees who then shift to either direct competitors or other companies within the same industry.

The Company shares its advocacy of a "richer life" for all Filipinos to its personnel. COL believes that it is important the its employees share in its advocacy or "just cause" in order to understand the direction and the overall focus of the Company.

To address engagement and foster a spirit of community within COL, the Company hosts various employee related events including teambuilding, year-end party, and quarterly town halls, to name a few.

The Company's leaders also practice an "open door" policy which allows personnel to approach them directly in case of any concerns. The Company also has a grievance mechanism and has implemented a whistleblowing policy that provide additional avenues for personnel to forward their grievances. The Company has also started measuring its employee net promoter score, which will allow COL to keep track of the employee's happiness and engagement and address any issues that arise.

[2] Zayed, Leila; Talent Culture, "Four Tips for Measuring Employee Engagement" at https://talentculture.com/four-tips-for-measuring-employee-engagement/ (last visited, 30 March 2020)

(5) <u>Identified Opportunities</u>

There are many new developments in human resources that provide the Company with opportunities to deepen employee engagement and drive employment retention. Further, each interaction with the employee also provides the Company with an opportunity of understanding his/ her needs and seeing how COL can properly address them.

The Company studies each trend in human resources against the needs of the employees to see the former can address the latter. The Company does this by sending its human resources team for continuous learning and through its memberships in HR organizations. The Company also encourages employees to make suggestions and explores these ideas to see if they can be applied.

b. Employee Training and Development

Disclosure	**Quantity**
Total training hours provided to employees	-
a. Female employees	-
b. Male employees	-
Average training hours provided to employees	-
a. Female employees	-
b. Male employees	-

The above information is not available. While the Company has a list of employees who underwent training programs in 2019, it does not have on file the total number of hours of training of each employee.

For 2019, select personnel of the Company attended the following seminars:

Training	***In-house / External Trainer***	***Department Concerned***
January		
Seminar for Corporate Secretaries and New Requirements in the GIS	*External*	*Legal & Compliance*
Beat the Market: As Real as It Gets	*External*	*Research*
Market Outlook	*In-house*	*Advisory Group, Marketing, Research, Sales & Customer Support*
Content Marketing Masterclass	*External*	*Marketing*
February		
Beat the Market: As Real as It Gets	*External*	*Research*
PDTC EQ Depository System	*External*	*Operations*
How to Comply with DOLE, SSS, ECC, Pag-	*External*	*Human Resources*

Training	***In-house / External Trainer***	***Department Concerned***
Ibig, PhilHealth Regulations		
Certification Seminar for Prospective Equities Securities Salesmen	*External*	*Advisory Group, Business Development, Sales & Customer Support*
March		
Daiwa Conference	*External*	*Research*
International Women's Day Celebration	*External*	*Human Resources, Legal & Compliance*
Eye on 20/20: What Philippine Businesses Need to Focus On	*External*	*Legal & Compliance*
Understanding RA11036: Mental Health Law (Mental Wellness in the Workplace)	*External*	*Human Resources*
2019 Joint Forum on the Revised Corporation Code	*External*	*Legal & Compliance*
Corporate Governance Training	*External*	*Directors, Select Representatives from All Departments*
April		
Trading Participants Seminar	*External*	*Legal & Compliance*
May		
Trader Summit	*In-house*	*Advisory Group, Marketing, Research, Sales & Customer Support*
Leadership Strategy for Young Managers	*External*	*Human Resources*
June		
Sustainability Reporting Workshop	*External*	*Legal & Compliance*
Law x Tech Summit	*External*	*Legal & Compliance*
July		
IT Security Seminar	*External*	*IT*
Mid-year Market Outlook	*In-house*	*Advisory Group, Marketing, Research, Sales & Customer Support*
CompTIA Security+	*External*	*IT*
August		
CompTIA Security+	*External*	*IT*
Philippine Corporate Compliance Forum	*External*	*Legal & Compliance*

Training	In-house / External Trainer	Department Concerned
SunLife Seminar	External	Accounting, Sales & Customer Support
Customer Malasakit Training	External	Accounting, Sales & Customer Support
Clifton Strengths Module 1	External	All Departments
September		
Inhouse Congress Manila 2019: Legal Updates	External	Legal & Compliance
Certification Seminar for Prospective Equities Securities Salesmen	External	Advisory Group
Annual & Sustainability Reporting Workshop	External	Marketing
3rd Data Privacy Summit: Building Mastery for Global, Robust, Future Proof Data Protection Programs	External	Legal & Compliance
Clifton Strengths Module 1	External	All Departments
Certified Data Center Facilities Operations Manager	External	IT
Writing Bootcamp: Learn to Up Your Writing Game and Score Clients!	External	Marketing
Investor Summit	In-house	Advisory Group, Marketing, Research, Sales & Customer Support
October		
BOSH (Basic Occupational Safety and Health)	External	Admin
Foundations of Organizational Development	External	Human Resources
Certification Seminar for Phase 1 SEC Certification Examination	External	Business Development, Human Resources
#FEELS Learn to Create Content that Sets Emotions in Motion	External	Marketing
Strategic Thinking Process Overview Session	External	Accounting
Road to Richer Life	External	All Departments
November		
Red Cross Standard First Aid with BLS Training	External	Sales & Customer Support
Certified Data Center Professional CDCP	External	IT
Clifton Strengths Session on Coaching	External	All Departments
IT Security Seminar	External	Admin, IT, Human Resources. Legal & Compliance

Training	***In-house / External Trainer***	***Department Concerned***
December		
Anti-Money Laundering Refresher Seminar	*In-house*	*All Departments*
Data Privacy Seminar	*In-house*	*All Department*

(1) Impact

The continued improvement and learning of the Company's personnel directly impacts the organization. The Company further believes in the capabilities of each individual member of the organization, and thus seeks different methods to help them reach their full potential.

On an annual basis, during the performance evaluation, Company managers provide recommendations on how their team members may continue their professional development. These may be in the form of learning a new set of skills, attending a training program, or exposure to a different facet of the job to help them have a more meaningful understanding of their role in the Company. These trainings are Company sponsored and all concerned employees are highly encouraged to attend.

The Company also encourages the employees to join outside organizations related to their tasks to help deepen their networks and expose them to the best practices of other companies.

The Company also allows its employees to take long leaves (sabbaticals) to give them an opportunity to pursue further studies. As long as allowed by the individual's role, the Company is also amenable to adjusting the work schedule of employees who are taking additional studies to fit their school schedule.

Employee training may also involve topics for personal development, such as leadership training and strengths training.

Aside from the above, the Company culture also encourages employees to approach either their managers, department heads, or the human resources department if they have any suggestions, including possible topics for further study.

(2) Identified Risks

Each learning and development training or activity is an investment in the employee, requiring resources on the part of the Company. There is a risk that the employee leaves the Company after completion of his training, bringing his upgraded skills to a competitor or other organization.

For the Company to move to the next level and meet new challenges, it must continually invest in the learning, training, and development of its personnel. The risk of employee resignation, after investment on his training is addressed as follows:

i. For training requiring a substantial investment on the part of the Company, the employee is required to sign a training bond;
ii. The Company employs a selection mechanism who will receive training which includes the consideration of, among others, the following factors: tenure and employee performance;
iii. Employment of employee retention / employee engagement strategies as listed previously.

(3) <u>Identified Opportunities</u>

Technology is breaking barriers in terms of accessibility – programs that used to be only available overseas may be accessed remotely, some courses by renowned institutions are available online, and what used to be classroom only type lectures may now be translated to an online platform. All of these present opportunities to the Company and give it and its employees more options in finding the training most suited to them.

The Company's human resources department is continually exploring which learning methodologies, courses, platforms, etc. fit the needs and profile of the employees.

c. Labor Management Relations

Disclosure	**Quantity**
% of employees covered with Collective Bargaining Agreements	*0*
Number of consultations conducted with employees concerning employee-related policies	-

The Company does not have formal data on this. However, prior to implementation of any policy, consultations are done with employee representatives of different departments to obtain their views on the proposed policy.

(1) <u>Impact</u>

The Company believes that its people are its most valuable resource. Any issue that directly affects the Company's personnel will have an impact on the organization. Likewise, most Company decisions will impact its employees, directly or indirectly.

As part of its mission to provide a conducive and rewarding work environment to all personnel, the Company strives to provide employees with compensation, benefits, and a work environment that are at least at par with, or better, than what is required by labor laws and best practices of other corporations.

Given the relatively small size of the Company, however, there is no labor union as of the moment. Thus, to ensure transparency and open dialogue with the employees, the Company seeks many ways to engage them. These include the imposition of an "open door" policy for all officers, the hosting of events such as townhall meetings where employees may openly ask their questions to management, the seeking of employee opinion and employee representatives in certain human resources initiatives.

(2) <u>Identified Risks and Opportunities</u>

The Company has not identified any significant risks and/or opportunities with regards to this matter.

d. Diversity and Equal Opportunity

Disclosure	**Quantity**
% of female workers in the workforce	*74.5%*
% of male workers in the workforce	*25.5%*
Number of employees from indigenous communities and/or vulnerable sector	-

While the Company employs persons from the vulnerable sector, it does not monitor the headcount from such sectors. The term "vulnerable sector" includes elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

(1) <u>Impact</u>

The gender ratio affects the predominant needs of the employees as well as defines the approach taken by Management to respond to them. It should be noted that unlike traditional institutions, COL is a predominantly female organization. Seventy-five percent (75%) of its employees are female. While only one (1) out of its eleven (11) directors is female, it is worth noting that six (6) out of its eleven (11) officers (defined as those with rank of at least Assistant Vice President), or fifty-five percent (55%), are female.

Preliminarily, it bears stressing that the Company employs a merit-based approach in hiring and employee movements (e.g. promotions). While admittedly there are certain departments that are predominantly male or female, this was not a result of a deliberate preference by the Company of one gender over another. An applicant or employee is evaluated only against factors that affect his or her job performance, ignoring aspects which have no bearing on them such as their gender, age, race, religion, or social status.

Given the predominant female population of the Company, the Company has developed programs catered to women – such as the company maternity benefit policy. However, Department Heads are also given some degree of flexibility in defining some of their programs to suit their employees.

(2) <u>Identified Risks</u>

There is a risk that the needs of the minority may be ignored or not given the proper priority. The Human Resources Department must continually exert efforts to interact with all employees and keep itself updated on ongoing issues, to avoid becoming tone-deaf and inadvertently exclude the needs of a minority group.

The Company encourages accessibility of all officers and the human resources department. Further, prior to implementation of policies, the Company seeks the opinion of its personnel, and tries to ensure that all interests and groups are represented.

(3) Identified Opportunities

There is an opportunity in understanding what makes each member of the organization unique. Diversity should not be understood only in the limited male-female dichotomy. Rather, there is a need for the Company to look at diversity in terms of age, sexual orientation, religion, experiences, roles, and skill sets, among others.

The Company engages in constant dialogue between the human resources team, Management, and the personnel to understand what makes each individual unique, what binds all of them together, and how the Company may best address their needs.

e. Occupational Health and Safety

Disclosure	**Quantity**
Safe Man-Hours	-
No. of work-related injuries	*0*
No. of work-related fatalities	*0*
No. of work-related ill-health	*0*
No. of safety drills	-

(1) Impact

Given the nature of the Company's business as a financial institution, work-related hazards are limited to occasional accidents, such as slipping, falling, or contact with sharp objects, as well as those that affect the community, such as pandemics, as a whole.

The Company has tasked its Admin department, together with select personnel who are Occupational Safety and Health (OSH) certified to ensure that the work premises are safe for its personnel, clients, and guests. Work areas are routinely checked and items deemed to be hazardous or with a potential to cause injury are immediately remedied.

The Company likewise is in close coordination with the building administration office to ensure that any building-related issues affecting the health and safety of the personnel are immediately raised and addressed.

As part of its benefits, the Company sponsors the health card of its employees. With the help of its HMO provider, the Company regularly reviews the common illnesses, if any, of its employees, and finds solutions to address them. On an annual basis, the Company also sponsors the annual physical exam of all personnel, including non-employees, to ensure their continued health and safety. Prior to reporting for their first day in the office, new employees are required to complete a pre-employment examination and receive cleared results. Those who are not cleared by the doctor are given additional time to address their medical issues before joining the Company. In terms of its employees, the Company requires employees who have been on sick leave for at least two (2) days to obtain a fit to work prior to reporting for office.

(2) Identified Risks

The Company manages all applicable risks using the approaches mentioned above.

In addition to the risks that have been discussed above, the onset of the novel coronavirus (COVID-19) pandemic is an unprecedented black swan event. The health crisis has affected the Company as a Luzon-wide lockdown was implemented and public transportation was curtailed. While this report should cover only events that occurred in the calendar year 2019, the pandemic's effect is so pervasive globally that the Company feels it would be remiss in its duties to its stakeholders not to discuss it.

With respect to the situation caused by the COVID-19 pandemic, the Company instituted its business continuity protocols which allowed most employees to work remotely, and the implementation of a skeletal staff and rotational staff system. The Company has also complied with the recommended protocols of the World Health Organization, such as the more frequent disinfection and sanitation of its office spaces, conduct of temperature checks, and making alcohols and masks available for its employees. To reduce potential exposure of both its employees and clients, the Company has also informed its clients that all transactions in the meantime will be done online.

(3) Identified Opportunities

Each crisis provides the Company with an opportunity of discovering new and improved ways to deliver services to its clients and look after the safety and welfare of its personnel.

The Company is always open and seeks to remain flexible in order to explore new alternatives and solutions. The Company has identified key personnel who will spearhead the Occupational and Safety Committee of the organization. The Company also has an Emergency Response Team in place, comprised mostly of Company decision-makers such as its department heads, to handle the more critical issues.

f. Labor Laws and Human Rights

Disclosure	Quantity
No. of legal actions or employee grievances involving forced or child labor	*0*

Topic	Company Policy
Forced labor	*The Company complies with all applicable laws, including the Philippine Constitution and labor laws, which prohibit forced labor.*
Child labor	*The Company only hires applicants who are of legal age, or at least 18 years old.*

Topic	**Company Policy**
Human Rights	*The Company complies with all applicable laws, including the Philippine Constitution and labor laws, which protect human rights.*

(1) Impact

Any violation of labor laws or human rights against the Company's personnel directly impacts its people.

The Company believes that its people are its greatest resource. As such, apart from ensuring compliance with the requirements of all applicable laws and regulations, the Company, as much as possible, tries to adopt the best practices in other organizations. Further, the Company ensures that there are open lines of communication between its personnel and management, to ensure that the personnel's critical needs are addressed.

(2) Identified Risks

Being in the financial services industry, there are instances when Company personnel are ill-treated by clients or other third parties.

As much as possible, the Company tries to find a win-win solution for any incident. However, this is never at the expense of the rights of its personnel. Clients are informed in advance that Company personnel must be treated with courtesy and respect, and that unprofessional behavior will not be tolerated. Under the Company's contract with its clients, any such behavior will give rise to the Company's right to terminate the engagement. Further, the Company ensures that there are security guards posted at or near its business centers, to protect its employees.

(3) Identified Opportunities

New solutions to emerging or existing issues are constantly being developed which the Company can learn from.

The Company reviews these potential solutions vis-à-vis the factual circumstances of the Company and its personnel. Depending on the urgency of the situation, applicable solutions may be adopted on a staggered basis.

2. Supply Chain Management

While there is no formal written policy on supplier accreditation, the Company requires new vendors/suppliers to complete a Vendor Information Sheet and to submit the same together with supporting documents which includes, among others:

i. Company Profile
ii. Business Permit
iii. SEC Registration
iv. Audited Financial Statement
v. BIR Registration Form 2303
vi. VAT Exemption Certificate
vii. Sample Official Receipt/Sales Invoice/Collection Receipt

The Company then conducts a background check of the prospective vendor based on their trade references. In conducting its background check, it considers a variety of factors which include sustainability topics such as environmental performance, forced labor, child labor, human rights, and bribery and corruption, among others.

(1) Impact

The Company highly values integrity and its reputation may be affected by its partnerships with various persons, including its vendors and service providers. Thus, the reputation of the prospective supplier or service provider forms part of the criteria to be considered prior to entering into any agreement. Any adverse news on the above topics will cause the Company to reconsider its relationship with said supplier or service provider.

(2) Identified Risks and Opportunities

The Company has not identified any substantial risks and/or opportunities with respect to the above matters.

3. Relationship with Community

a. Significant Impacts on Local Community

(1) Impact

COL believes that every Filipino deserves to be rich. Because of this, the Company has chosen to focus its efforts on educating more Filipinos every day on the merits of financial literacy and investor education. To this end, COL holds free seminars and workshops every day in our headquarters in Pasig, as well as in its investor centers all around the Philippines. COL also regularly partners with public and private companies and organizations, as well as schools and student organizations, to further its advocacy and reach.

As the Company's operations are located in urban areas, it is not aware of any impact its business may have on local communities, vulnerable groups, and indigenous people.

(2) <u>Identified Risks and Opportunities</u>

There are no significant risks and/or opportunities identified with respect to this matter.

4. Customer Management

a. Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Net Promoter Score	*31*	*No*

(1) <u>Impact</u>

The net promoter score survey is a customer satisfaction survey developed by Bain and Co and is the standard measure used by global brands and companies. It’s conducted by asking customers how likely are they to recommend COL to their family and friends from a scale of 1 to 10. Promoters are those who gave a score of 9 or 10. Detractors are those who gave a score of 7 or 8, the rest are considered detractors. The net promoter score (NPS) is computed by subtracting the percentage of detractors from the percentage of promoters.

The Company conducted the annual Net Promoter Score for the year 2018 for clients of COL with the results interpreted and presented in January of 2019. The survey was conducted, designed, and interpreted in house using an online survey service called Survey Monkey. The Company received an NPS score of 31.

The Company conducted the survey to select COL customers. The selection process was designed to replicate the client structure of COL. It was delivered via email through a service called Survey Monkey.

The Company NPS score is collated and presented both to Management and the Board of Directors. For both promoters and detractors, the Company asked a follow up question which sought to identify what they liked most or least (as applicable) in the Company’s services. Client feedback is reviewed, and addressed accordingly.

(2) <u>Identified Risks</u>

Any inability to address customer pain points may lead clients to avail of the services of competing brokers.

The Company reviews all customer complaints and finds solutions to address them. Priority is given to the more critical and/ or common items. These solutions form part of the deliverables and key result areas of the concerned department. The success of the improvements, if any, is measured in the following customer satisfaction rating.

(3) Identified Opportunities

Customer feedback provides the Company with opportunities to improve its services. It gives COL a unique insight into the needs of its clients, and keeps the Company grounded.

The Company reviews all customer complaints and finds solutions to address them. Priority is given to the more critical and/ or common items. These solutions form part of the deliverables and key result areas of the concerned department. The success of the improvements, if any, is measured in the following customer satisfaction rating.

b. Health and Safety

Disclosure	**Quantity**
No. of substantiated complaints on product or service health and safety	*0*
No. of complaints addressed	*0*

Given the nature of the Company's business, substantiated customer complaints, if any, do not involve health and safety issues. Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

(1) Impact

As the Company is an online broker / dealer of securities and mutual fund distributor, its services do not have any impact on the physical health and safety of its clients.

(2) Identified Risks and Opportunities

The Company has not identified any material risks and/or opportunities with respect to the above.

c. Marketing and Labelling

Disclosure	**Quantity**
No. of substantiated complaints on marketing and labelling	*0*
No. of complaints addressed	*0*

Given the nature of the Company's business, substantiated customer complaints, if any, do not involve marketing and labelling issues. Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

(1) <u>Impact</u>

The Company conducts its advertising mostly through its digital or social media platforms.

Most marketing campaigns are done in-house. They are reviewed by the concerned departments, to ensure that the language used is accurate and easy to understand. Paid advertisements through social media channels, if any, must comply with the ad standards of said channel (e.g. Facebook).

(2) <u>Identified Risks and Opportunities</u>

The Company has not identified any material risks and/or opportunities with respect to the above.

d. Customer Privacy

Disclosure	**Quantity**
No. of substantiated complaints on customer privacy	*0*
No. of complaints addressed	*0*
No. of customers, users and account holders whose information is used for secondary purposes	*0*

The Company did not receive any substantiated complaints on customer privacy for the calendar year ending 31 December 2019. Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

(1) <u>Impact</u>

The Company values the privacy of its customers. Unless otherwise required by applicable law or regulations, or necessary to process customer transactions, the Company does not disclose any customer data. Further, in case disclosures are needed, only the required minimum information is disclosed.

The Company has published its privacy policy in the website. In case the basis of processing is consent, such as marketing emails, the customer may choose to withdraw such consent or unsubscribe from such email blasts. The Company also regularly reviews its account opening documentation and other customer forms to minimize, as much as is reasonably and legally possible, the customer data being collected.

In case customers have a concern with respect to their data, they may contact through any of COL's official customer channels, such as its hotline, helpdesk email, and social media accounts. Said client may also directly contact the Company's Data Privacy Officer at dpo@colfinancial.com.

(2) <u>Identified Risks</u>

A privacy incident may lead to the disclosure of customer information.

To manage this risk, the Company has imposed policies to protect customer privacy. These include, among others, the following:

i. having an annual training on data privacy to all Company personnel;
ii. identifying persons in charge of data from each department;
iii. imposing levels of access that would limit access to customer data to what is needed by a particular personnel's role;
iv. incorporating a review process for requests of customer data; and
v. cybersecurity and other IT measures as will be discussed in the succeeding portion of this report.

(3) <u>Identified Opportunities</u>

There are a variety of training as well as security protocols that are being developed. The Company can take advantage of these trainings and products to further enhance its customer privacy protocols.

e. Data Security

Disclosure	**Quantity**
No. of data breaches, including leaks, thefts and losses of data	*0*

(1) <u>Impact</u>

The Company needs to collect and process personal data in the pursuit of its services. The Company needs to ensure security and integrity of such data to maintain the trust of its clients.

The Company prioritizes the security and integrity of its online systems. The Company has established its security operations center (SOC) that responds to all potential security issues and threats. All online systems are subjected to penetration tests and points of vulnerability are identified and addressed immediately.

The Company has assigned a data protection officer and a compliance officer for privacy to ensure protection of the data subjects. Under the Data Privacy Act, the Company is mandated to comply with the Five Pillars of Compliance, namely, (a) appointment of data protection officer; (b) conduct of ongoing privacy impact assessments; (c) implementation of a privacy management program; (d) establishing data privacy and security measures; and (e) exercise of data breach protocols.

(2) Identified Risks

Any data breach or security incident may result in disruption of Company operations, the loss of data, or compromise the integrity of data. In case of such event, some clients may choose to no longer transact with COL.

To ensure data and IT security, the Company, among others:

i. Ensures all employees are trained on relevant data privacy policies;
ii. Ensures relevant IT employees receive the appropriate advance training to help them address any changes in IT security; and
iii. Ensures that it is kept up to date on all trends and developments in IT and data security through its partnerships with its external providers and data privacy organizations.

(3) Identified Opportunities

The Company finds new and more innovative ways to keep its data secure.

Aside from keeping abreast of the fast-changing technology involving data security, the Company has also taken advantage of the available training for its personnel.

E. UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

1. Product or Service Contribution to UN SGDs

Topic	Remarks
Key Products and Services	Online Stock Brokerage Services
Societal Value/ Contribution to UN SDGs	Goal 1: End poverty in all its forms everywhere Goal 10. Reduce inequality within and among countries The Company's financial literacy program, online platform, low minimum investment rates, give clients the opportunity to participate in and access to the capital markets. Through its peso cost averaging system, it is hoped that the retail sector, comprising of individuals of different social statures, are able to get into an investment habit which will allow them to protect themselves financially.
Potential Negative Impact of Contribution	The stock market does not have a guaranteed return, thus clients risk losing some of their capital.
Management Approach to Negative Impact	The Company has a gamut of financial literacy seminars, webinars, and events to help guide its clients in their investment journey. The Company espouses the use of the peso cost averaging system, which reduces the risk of investment and potentially increases the value of the client's investment in the long-term. Clients are also encouraged to invest in mutual funds to help minimize their risk.