COVER SHEET

A 1 9 9 9 1 0 0 6 5

SEC Registration Number

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

(Company's Full Name)

2 4 0 1 B P h i l i p p I n e S t o c k E x c h a n g e C e n t r e , E x c h a n G e R o a d , O r t i g a s C e n t e r , P a s i g C i T y

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

Ms. Catherine L. Ong	636-5411 local 103
(Contact Person)	(Company Telephone Number)

1 2 / 3 1	1 7 - A	
Month *Day* (Calendar Year)	(Form Type)	*Month* *Day* (Annual Meeting)

Broker

(Secondary License Type, If Applicable)

CFD	Not Applicable
Dept. Requiring this Doc.	Amended Articles Number/section

Total Amount of Borrowings

38		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

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, 2011**

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	**458,550,000 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.
₱10,501,090,000 (206,335,800 @ ₱22.60 per share as of February 29, 2012)

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Company Overview

COL Financial Group, Inc. (formerly "CitisecOnline.com, Inc.") (the Parent Company, COL Financial or COL) is a Filipino-owned corporation incorporated on August 16, 1999 primarily to engage in the business of broker and/or dealer of securities and to provide stock brokerage services through Internet technology.

COL is the leading online stockbroker in the Philippines today. With over 28,000 customers and almost ₱17.0 billion in customer assets, it has built itself as a formidable institution and a force to reckon with in the stockbrokerage industry.

Since 2008, it has continued to be the Number 1 Broker in the Philippine Stock Exchange (PSE or the Exchange) in terms of the total number of transactions traded in the Exchange with almost 20% market share in 2011, besting over 130 local and foreign brokers.

With its customer-focused strategy, it aims to deliver the best service to its customers with key enhancements on its online trading platform and value-added offerings to further improve their online trading experience and empower them to make better-informed investment decisions.

COL's mission is to make successful investors out of every Filipino by providing easy access to financial products and services that suit the different investment profiles and objectives of its customers.

Its proprietary online trading platform, www.citiseconline.com, has set the standards for online stock investing, with a full sweep of features, including up-to-date and comprehensive research and analysis, streaming market information and superior online tools and functionalities catered for both first-time investors and even the more sophisticated active market players. Over the years, it has also launched innovative products and services such as the COL Margin Facility Account and COL Easy Investment Program (EIP), among others, to further provide online tools and actionable investment programs to maximize their portfolios in the stock market.

COL also formed the Private Clients Group (PCG), composed of a team of seasoned investment professionals, to focus on addressing the needs of high net worth individuals and institutions to improve their investment performance in their stock market investments. The PCG was established to address the specific investment objectives and risk profiles of the higher tier of clients of COL. Services being offered under the PCG are advisory services and institutional broking.

COL owns 100% of its HK subsidiary, COL Securities (HK) Limited (the HK Subsidiary or COLHK) which was incorporated on June 20, 2001 and commenced its operations on May 29, 2002. The change in name of COLHK from CitsecOnline.com Hong Kong Limited to its current name was approved on May 24, 2011 by the Companies Registry of the Securities and Futures Commission. COLHK is a member of the Hong Kong Exchanges (HKEx) and as such is a registered owner of a HKEx Trading Right. In August 2010, COLHK successfully upgraded and launched its online trading platform in line with COL's commitment of empowering the investors by providing them with the tools they need to make great investment decisions.

On July 12, 2006, COL completed its Initial Public Offering (IPO) of 110,000,000 common shares, thus raising its paid-up capital from ₱320.0 million to ₱464.7 million. Today, COL's market capitalization stands at ₱8.8 billion allowing it to remain well positioned to stay ahead of its competitors, backed up with the necessary resources to strengthen its product and service delivery platform to all its customers.

On August 15, 2006, the Board of Directors (BOD) of COL approved the acquisition of the Trading Right of Mark Securities Corporation for an aggregate purchase price of ₱5.0 million. The acquisition is for the purpose of making COL a Trading Participant in the PSE.

On December 13, 2006, the BOD of the PSE approved the application of COL as a Corporate Trading Participant in the PSE through the transfer of the Trading Right registered in the name of Mark Securities Corporation and the designation of Mr. Conrado F. Bate as its Nominee Trading Participant.

On October 20, 2008, COL became a clearing member of the Securities Clearing Corporation of the Philippines (SCCP) and commenced trading directly with the PSE on February 16, 2009.

Over the next few years, COL will continue to strengthen its customer focus and will expand its vision by aiming to be the preferred source of financial services, a trusted provider of help and guidance and a stable firm committed to delivering great value to its customers.

COL is composed of a strong and respectable team of professionals and entrepreneurs with decades of experience and knowledge in the fields of financial services and information technology. Its Chairman, Edward K. Lee, has served as Governor and Head of the computerization committee of the PSE. Its President, Conrado F. Bate, who has over 25 years of experience in fund management and stockbroking, heads its Management Team.

Business Model

The business model of COL has four major revenue streams, primarily derived from the trading-related revenues of both its Philippine and HK operations:

1. Commission generated from trades;
2. Interest income from margin financing;
3. Interest income from short-term placements; and
4. Investments made in financial assets.

With its solid foundation deeply rooted in its core values of Value, Innovation, Trust and Service, 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

Online Investing in the Philippine Stock Market

COL provides an online access to all investors who wish to trade stocks in the Philippine stock market. Through www.citiseconline.com, customers can get 24x7 access to up-to-date market information, direct order execution, fundamental and technical research and analysis reports, and their account status and portfolio values. The investing public can also register online to join the COL Seminar Series and view educational videos and webinars on stock market investing.

To open an account, the customer simply has to fill up the account opening forms which can be downloaded from COL's website, and send the accomplished forms to COL's office, together with the required documents and deposit for the opening balance. The customer's account will be opened within 24 hours of receipt, approval and validation of the application form and supporting documents. Once the application is processed and approved, the customer will receive an email with his assigned username and password.

The minimum opening balance of COL is one of the lowest in the industry at ₱5,000. It also charges the lowest allowable commission rate at 0.25% per transaction or a minimum of ₱20.0 per transaction.

Furthermore, COL believes in its advocacy of investor education for both its customers and the investing public. Weekly seminars are held at the COL Training Center with topics ranging from the basics of stock market investing to introduction to technical analysis and advanced trading strategies, as well as briefings on the COL EIP.

Launched in August 2008, the COL EIP is an investment program which uses peso cost averaging methodology designed for all types of investors. This program provides the investor the ability to invest a fixed amount at regular intervals over a period of time, thereby minimizing risk. COL EIP also makes investing more convenient and easy as it automatically reminds customers of their investment scheduled dates which can all be done online. 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 also provides regular market briefings supported by research reports on the outlook of the stock market twice a year, as well as special briefings on relevant and timely topics to provide investors timely investment advice and actionable investment strategies on the stock market.

The table below is a comprehensive list of COL's website features and its corresponding benefits to the customers:

Features	Benefits
Market Information ❑ Market summary and indices ❑ Real-time market ticker ❑ Index intraday and historical charts ❑ Index composition and contribution ❑ Top 20 gainers and losers ❑ Most active stocks by value ❑ Stock sectors with price, year-to-date and market capitalization data ❑ News from the PSE ❑ Historical java based stock and index graphs ❑ Dividend and rights calendar	❑ Real-time Market Information Functions enable the users to keep abreast with all the relevant market activities. ❑ Comprehensive data ensures that all the market information needed by the client are available.
Stock Information ❑ Stock details ❑ Top buyers and sellers ❑ Trade prices ❑ Intraday and historical charts ❑ Company profile (3rd party feed) ❑ Company valuation (3rd party feed) ❑ Financial highlights (3rd party feed) ❑ Dividend history (3rd party feed) ❑ Company news (3rd party feed) ❑ Related research information ❑ Multi-quote display (up to 24 stocks)	❑ Real-time Stock Information Functions enable the users to keep abreast with all the relevant stock activities. ❑ Comprehensive stock data ensures that all the stock information needed by the client are available.

Features	Benefits
❑ Time and sales ❑ Watch list (up to 50 stocks) ❑ Stock list	
Broker Information ❑ Historical broker transactions ❑ Brokers ranking ❑ Brokers List	Comprehensive broker data ensures that all the broker information needed by the client are available.
Research ❑ Morning Notes (daily morning news updates) ❑ Listed companies updates and reports ❑ Company Snapshots ❑ Investment Guide ❑ Economic Indicators ❑ Bull's Eye (daily technical analysis) ❑ Technical Guide (small and big cap) ❑ Technical Spotlight ❑ Research archive	Expert opinions and analysis from COL Financial's Research Team updated regularly are made available to the clients to help them in their trade decisions.
StreetSmart (other trading-related information) ❑ Media center ❑ Message board ❑ Business News	Provides clients with downloadable instructional materials as well as up-to-date local and international business news.
Trade Functions ❑ Order entry with quick entry functions ❑ Order preview and password entry before order is sent to the PSE ❑ View and modify orders function ❑ Trading history ❑ Trade portfolio with gain and loss values ❑ Off-hours ordering	❑ Complete order entry functions. ❑ Prompt execution of customer's order. ❑ Immediate updates of the customer's stock and cash position. ❑ Ability to trace the customer's order history. ❑ Ability to enter orders after trading hours to be sent to the Exchange the next trading day.
Virtual Tycoon (simulation game) ❑ User contest creation function ❑ Module for simulated order entry ❑ Results monitoring and publishing ❑ Order Matching Module for simulated orders ❑ Scoring Module for keeping track of progress and determining contest winners	Simulation game for those who want to learn and trade in the stock market. Has a scoring module to engage teams and individuals to compete without the necessary investment or cash-out.

Features	Benefits
Security ❑ Full proprietary messaging formats and encryption. All databases are secured via firewalls using the latest firewall hardware. ❑ SSL Certificates from VeriSign.	Best-in-class security and encryption systems with back-up facilities. SSL Certificates guarantee message privacy and message integrity.
COL EIP ❑ EIP portfolio ❑ Schedule calendar ❑ Email reminders	Peso cost- averaging methodology is made easier and convenient with COL EIP: ❑ Monitors the customer's EIP positions under a schedule. ❑ Creates an order schedule to automatically track and alert the customer to an intended trade. ❑ Sends email alerts informing the customer 2 days before of a scheduled order.
COL PRO ❑ Real-time, customizable, all-in-one trading windows-based application	The COL Pro allows the premier customers to have a faster access to market information, quicker order entry and full control of their trading screen that will definitely enhance their trading experience and decisions. This feature is offered only to the Private Clients of COL.

The New Trading System of COL Financial

With the ever increasing market in terms of volume and value traded, the more it has become necessary that customers get the relevant data in as short a time as possible. In line with this, COL Financial has completely revamped its trading system from the hardware which now uses the latest in cpu and disk technology to the software which now allows real-time data through html. These upgrades have allowed us to give our clients real-time market and stock data through a browser without the need to download any application. The new site and its functions are compatible with the major mobile devices such as ipad and android tablets and mobile phones.

Product and Service Offerings

CitisecOnline prides itself in its array of competitive product and service offerings which provide best-in-class benefits to its customers to help them make better and well-informed investment decisions, such as:

- ❑ Investor education seminars through the COL Investor Seminar Series. The COL Investor Seminar Series is composed of progressive training sessions starting from the basics of stock market investing to introduction of fundamental and technical analysis, advanced technical analysis and how to use margin financing. COL is the only broker that has set-up its own Training Center in its corporate headquarters to provide a venue for the seminar series.

- Market updates and information-driven briefings. COL holds twice-a-year Market Outlook briefings, Industry Forums, Company Update Briefings, its Best Buy Briefings, Technical Spotlight Sessions and other relevant and timely events that provide supplemental investment information to all COL customers.

- Advisory Services through COL's Private Client Group or PCG. The PCG, is composed of a team of seasoned investment professionals whose goal is to focus on addressing the needs of high net worth individuals and institutions and to provide personalized investment advice on their stock market investments.

- Issuance of the Chairman's Message, an annual product that provides the experienced views and market insights of COL Chairman, Mr. Edward Lee. The message aims to guide COL's customers to be in the proper investment mindset against the current market conditions and to encourage them to stay focused on building their wealth.

- Strategy Reports and Industry Reports by the COL Research Team. Aside from its regular daily and weekly reports available online, COL's Research group releases supplemental Strategy Reports and industry-specific reports on a timely and as-needed basis. These reports provide further in-depth analysis into hot topics and key stock issues to its COL customers.

- More superior and user-friendly online tools and functionalities. COL's Technology Group regularly upgrades and launches tools and platform features to improve one's trading experience by making it faster, more convenient and more user-friendly.

- Continuous offering of value-added products and services such as Margin Financing. COL X2 Margin Financing Account allows its customers, with a minimum portfolio of at least ₱200,000, to receive a credit line that they can conveniently use to buy selected marginable stocks. A competitive interest rate is charged on a daily basis for the utilized amount of the credit line. These allow the 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 in their portfolio.

- COL has also setup a Relationship Manager desk that supports customer service needs for high-end customers. They serve as a concierge of action to centralize requests from these customers and issue forth necessary replies at much quicker reaction times. They may also provide special services like sending selected reports or data to such customers upon request.

- Innovation of a simple yet effective investment program called the COL EIP. The COL 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. The COL EIP offers the investors a list of pre-selected stocks chosen by its seasoned financial analysts. Customers who availed of this program can schedule their investments by setting up a fixed amount to be invested at regular intervals through the COL's online platform.

- COL ensures that all its customers have access to a Customer Service team through email and phone and through its New Account Officers in COL's Business Center for all its navigational, technical and account queries. All customer service personnel are fully equipped to handle account information and technical assistance as well as the ability to take and course orders to COL's order desk, through recorded phone calls, should the site be inaccessible to the customers.

Competitor Analysis

There are around 8 online stockbrokers in the Philippines, ranging from those that offer just the basic trading platform to a wide range of services. Presented below is the comparison of some of the features of COL against three (3) nearest competitors:

Features	COL	Competitor 1	Competitor 2	Competitor 3
Trade Execution	Yes	Yes	Yes	Yes
Market Information	Yes	Yes	Yes	Yes
Real-Time / Streaming Data	Yes	No	No	Yes
Charting Functions	Yes	Yes	No	No
Daily News	Yes	Yes	Yes	Yes
Research Reports	Yes	Yes	Yes	Yes
Price Alerts	Yes	No	No	Yes
Stock Watch List	Yes	No	No	Yes
Seminars	Yes	Yes	No	Yes
T + 3	Yes	Yes	No	No
Commissions	0.25%	0.25%	0.25%	0.25%

Business Strategy

For 2012 and beyond, we will continue to remain customer-focused and aim to achieve the following:

1. We will scale our business to respond to the needs of all types of investors by making stock market investing accessible to all.
2. We will innovate in the way we do things by improving the overall online trading experience and keep to our tradition of personal service and expertise in the stock market.
3. We will continue to strengthen the knowledge base of our customers because ultimately, their success is our success.

All these initiatives and priorities will allow us to focus on what matters most and drive shareholder value over the long-term.

Transactions with and/or Dependence on Related Parties

Contracts which may be entered into by COL with companies associated with its major stockholders shall be on arm's length terms as it would deal with unrelated third persons. 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 material transaction involving COL and companies of the major stockholders or its affiliates, COL shall subject such material transaction to the approval of a majority of its independent members of the Board of Directors or by an independent firm selected by such members.

COL, in the ordinary course of business, executed done-through trading transactions of its customers through Citisecurities, Inc. (CSI), a related party through common stockholders. Total commission paid to CSI amounted to ₱111,087.00 and ₱20,300.00 in 2011and 2010, respectively.

COL also provides management, research and marketing services to its HK Subsidiary. The fees received by COL for these services amounted to ₱44.9 million and ₱73.7 million in 2011 and 2010, respectively.

COL HK, on the other hand, also 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. Total fees paid to LMS in 2011 and 2010 amounted to ₱4.5 million and ₱3.7 million, respectively. In 2009, COLHK likewise entered into a contract with iGet.com Limited (iGet), a related party through common stockholders, for the provision of financial advisory services. Total fees paid to iGet in 2011 and 2010 amounted to ₱6.7 million and ₱7.0 million, respectively.

Other than the foregoing contracts, COL has not had any transaction in which any of its director, executive officer, stockholder or a member of the immediate family of such director, executive officer and stockholder has had a direct or indirect material interest in the last two years.

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, the PSE 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 customers. If COL were to engage in this activity, it would become subject to certain rules and regulations governing such sales practice.

On June 20, 2000, the Electronic Commerce Act took effect. The law aims to facilitate domestic and international dealings, transactions, arrangements, agreements, contracts and exchanges and storage of information through the utilization of electronic, optical and similar medium, mode, instrumentality and technology to recognize the authenticity and reliability of electronic data messages or electronic documents related to such activities and to promote the universal use of electronic transactions in the government and by the general public. It applies to any kind of electronic data message and electronic document used in the context of commercial and non-commercial activities. The law appears, however, to be protective of E-commerce and can only benefit the security of COL’s operations.

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 or dealer’s total measured risk to its liquid capital. The broker or dealer must ensure that the RBCA ratio is at least 110% and that its net liquid capital is at least ₱5.0 million and is greater than the total risk capital requirement. Failure to maintain the required RBCA may subject the Parent Company to 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. COL HK 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 HKD3.0 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 2011 and the projected number of employees for 2012 to complement the operational requirements of the Group are broken down as follows:

	2012	**2011**
Executives	3	3
Senior Officers	6	6
Junior Officers	19	16
Professional/Technical/Others	69	69
TOTAL	97	94

Risk Factors and Risk Management

Risks Associated with the Stock Brokerage Business

COL expects its online electronic brokerage 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 currently, there is less than full awareness and acceptance by the general investing public of the concept of investing in the stock market as well as trading online, COL has embarked on several programs that will 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. A basic seminar on the benefits of investing in the stock market and how to trade online successfully will be conducted twice a week at the COL Business Center and will 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 will be done 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.

Dependence on Key Personnel

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. The fact, however, that certain key officers have an equity stake in COL reduces this risk.

In addition, some technical personnel are covered by employment contracts which 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.

Potential Local and Foreign-Based Competition

COL expects to encounter direct and indirect competition from local and foreign firms offering online brokerage services, established Trading Participants, as well as software development companies, banks and other financial institutions which in the future might establish their own online securities system 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 compete actively with other participants in the online stock trading market. 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.

Technology Risks

The on-line 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

₱500.0 million in paid-up capital thereby 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.

Other technological factors include security breaches and delays in the execution of customers' trades caused by any speed degradation or system failure of COL's computer system, or any other system in the trading process, *i.e.*, COL's ISP, PSE's front-end server, and data processing functions done by third parties. *CitisecOnline.com* maintains the necessary level of system security through the installation of appropriate firewalls and application of SSL encryption technology. COL also maintains digital certificates for client authentication. Likewise, the system is designed to be redundant to ensure continuity of operations. The system has two (2) parallel servers concurrently operating at two (2) secured sites that are connected to different ISPs.

Risk of Power Interruption/ Power Failure

Power interruption and power failure can adversely affect the efficient execution of COL Financial's transactions and operations. Currently, all servers and equipment are connected to their own UPS systems, which provide up to 2 and ½ hours of backup power. This is enough to power the machines until trading has completed and the building generator powered on.

All servers are connected to UPS systems, which in turn are connected to the building generator-enabled outlets. COL Financial has its primary backup facility on the 24th floor of the Tektite building which runs on hot standby allowing for an automatic switchover should there be an 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 will be of a 'Hot' nature.

A Hot backup site 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.

When the primary site experiences a complete failure, COL Financial enacts 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.

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.

Recognizing the importance of customer service, COL has established a customer service team which went through a rigorous training program to address the technical and website navigation concerns of the customers. The customer service team can be expanded, as the need arises, to meet COL's operational requirements. A Relationship Manager desk was also set up to assist the needs of high-end customers and a team of New Account Officers was formed to respond to navigational, technical and account queries of walk-in customers. COL also has a full complement of support staff from its information technology and research departments trained to serve as additional customer service officers.

Fiduciary Risk

Where there is a relationship of trust and reliance between a broker and a customer, that relationship gives rise to a fiduciary relationship. A fiduciary, like a trustee, is subject to rigorous duties of loyalty and care and must conduct its activities with the utmost good faith and integrity while keeping the customer's best interest in mind. A breach of fiduciary duties to customers could result in a potential 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 becoming inadequate due to adverse market conditions.

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

To further expand the clientele base of the Parent Company, it formally launched in January 2007 its margin trading facility called COL X2 which is collateralized by securities in the customers' trading accounts. In order to manage the potential credit risk arising from this new product, COL 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, a set of criteria have been established to identify securities that are eligible for margin trading. This list of marginable stocks is monitored to ensure that they continue to qualify. Finally, while there are statutory requirements relative to margin limits and cover, COL has put in place a more conservative set of requirements for monitoring the daily activities of its margin accounts.

To complement COL's existing retail business, COL has also established new business lines and partnerships through the PCG which was launched in 2010 to tap institutional clients which account for a significant percentage of total trading volumes in the equity market. Settlement of trades of institutional accounts is on a postpaid basis. The main risk associated with postpaid or traditional brokerage account set up on 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 which 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 conducts regular review and establishment of limits versus counterparty credit exposures. Rigid procedures were also established to avoid human-related errors in the dealing and servicing process. Counterparties are also being encouraged to utilize direct market access to minimize execution dealing risk.

Risks of Infringement

COL may receive notices of claims of infringement on the proprietary rights of other groups. These claims may result in litigation against COL. Any such claims, with or without merit, would be time-consuming to defend against, 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 can have a material adverse effect on COL's business, financial position and operating results.

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

Item 2. Properties

COL's Corporate and Business Centers, where substantially all of its operations are conducted, are currently located at a leased facility at the 24th floor, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. During the last quarter of 2010, a Disaster Recovery Site has been set up at the 5th floor of Ayala Tower One located in Ayala, Makati. These 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. COL pays a monthly rental of ₱390.00 and ₱700.00 per square meter for the leased premises in Pasig and in Ayala consisting of approximately 1,219 and 219 square meters, respectively.

As an Internet trader, COL's other properties consist of computer equipment and related accessories as well as proprietary software developed especially 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.

Item 3. Legal Proceedings

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

It should be noted that the trademark infringement case between Citigroup, Inc. and Citibank N.A. and Citisecurities, Inc. and COL filed on June 30, 2006 has been resolved by way of a compromise agreement executed by the parties on September 16, 2011. The compromise agreement was approved by Branch 149 of the Regional Trial Court of Makati (where the case was pending) in its Judgment (Based on Compromise Agreement) dated October 7, 2011 and reaffirmed by the same court in its Amended Judgment dated February 6, 2012.

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

None

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The common shares of COL Financial were listed at the PSE on July 12, 2006 under the ticker symbol “COL”. The total number of outstanding shares of COL as of December 31, 2011 is 458,550,000 with a market capitalization of ₱8.76 billion as of end of 2011, based on the closing price of ₱19.10 per share.

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

	2011		2010	
	High	**Low**	**High**	**Low**
1st Quarter	13.30	12.40	11.00	9.80
2nd Quarter	14.20	12.50	11.75	10.00
3rd Quarter	21.50	12.98	13.00	10.00
4th Quarter	19.98	14.50	13.50	11.20

The high and low prices of COL at the PSE on April 3, 2012 were ₱22.75 and ₱22.50, respectively.

Holders of Common Equity

TOP 20 STOCKHOLDERS
as of February 29, 2012

Rank	Name	Citizenship	Total Shares	%
1	PCD Nominee Corp. - Filipino	FILIPINO	284,950,900	61.3259%
2	Lee, Edward K.	FILIPINO	85,150,000	18.3256%
3	PCD Nominee Corp. – Non-Filipino	FOREIGN	43,932,000	9.4549%
4	Yu, Alexander C.	FILIPINO	20,000,000	4.3043%
5	Yu, Johnson C.	FILIPINO	7,750,000	1.6679%
6	Ang, Valentina L.	FILIPINO	5,000,000	1.0761%
7	Yuson, Frederick	FILIPINO	4,000,000	0.8609%
8	Mendiola, Jocelyn E.	FILIPINO	3,200,000	0.6887%
9	Chua, Michael T.	FILIPINO	3,000,000	0.6456%
10	Barredo, Juan G.	FILIPINO	1,400,000	0.3013%
11	Kobayashi, Hirotsugu	JAPANESE	1,000,000	0.2152%
12	Lee, Grace	FILIPINO	1,000,000	0.2152%
13	Lee, Lydia C.	FILIPINO	1,000,000	0.2152%
14	Tan, Jessalynn L.	FILIPINO	1,000,000	0.2152%
15	Vinzon, Regina Cielo M.	FILIPINO	1,000,000	0.2152%
16	Cruz, Leopoldo	FILIPINO	350,000	0.0753%
17	Bautista, Nikos J.	FILIPINO	300,000	0.0646%
18	Lim, Hernan G.	FILIPINO	100,000	0.0215%
19	Yu, Raymond C.	FILIPINO	100,000	0.0215%
20	Yu, Wellington C.	FILIPINO	100,000	0.0215%
	TOTAL		464,332,900	99.9318%

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.

The table below shows the cash dividends declared from COL's unappropriated retained earnings for the years 2011 and 2010:

2011

Cash Dividend	Ex-date	Record Date	Payment Date
Regular			
₱0.07 per share	April 11, 2011	April 14, 2011	April 29, 2011
Special			
₱0.33 per share	April 11, 2011	April 14, 2011	April 29, 2011

2009

Cash Dividend	Ex-date	Record Date	Payment Date
Regular			
₱0.05 per share	April 13, 2010	April 16, 2010	May 12, 2010
Special			
₱0.15 per share	April 13, 2010	April 16, 2010	May 12, 2010

There are no known restrictions to COL's ability to pay dividends whether current or future.

Recent Sales of Unregistered or Exempt Securities

On July 20, 2006, the SEC approved COL's application for exemption from the registration requirements of the SRC, for the issuance of 18,750,000 common shares of stock of COL under its Stock Option Plan for an exercise price of One Peso (₱1.00) per share to its directors, senior managers and officers and its affiliates, as well as other qualified individuals.

As of December 31, 2007, a total of 46,000,000 stock options were granted which are exercisable one and a half (1 ½) years from the date of listing of COL's shares at the PSE and will terminate ten (10) years from the said date. During the year 2011, a total of 15,900,000 stock option shares have been exercised.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of COL Financial Group, Inc. and its HK Subsidiary collectively referred to as the Group should be read in conjunction with the audited consolidated financial statements filed as part of this report.

Industry and Economic Review

The year 2011 proved to be challenging for all equity markets globally, including the Philippines. During the first half of the year, central banks tightened their monetary policies globally as threats of a double dip recession diminished and as central banks took steps to pre-empt sharp increases in inflation resulting from high levels of liquidity and rising commodity prices. In the Philippines, the Bangko Sentral ng Pilipinas (BSP) raised the benchmark rate twice, resulting to a 50 basis point increase in rates. It also increased the reserve requirement by two percentage points to 21%. Conditions worsened during the second half of the year as the growing threat that Greece would default on its loans raised concerns of contagion and liquidity crunch in other European countries. This was evidenced by the steep rise in bond yields and credit default swaps of European countries. Being considered as one of the safest investment globally, the price of US treasuries increased sharply, as investors shifted their focus away from returns to capital preservation. Meanwhile, prices of other risky assets including stocks fell due to the risk off trade.

During 2011, the PSEi rose marginally, by only 4.1%. Aside from unfavorable developments globally, sentiment locally was negatively affected by the country's weak Gross Domestic Product (GDP) growth numbers and continuous delays in the launch of much anticipated public private partnership (PPP) projects. During 2011, GDP growth fell to 3.7% from 7.6% in 2010. Meanwhile, for the whole of 2011, the government was only able to launch one PPP project, namely the Daang Hari project which had a value of only ₱2.0 billion.

The Hong Kong stock market was even worse off. Hong Kong stocks were out of favor as China was expected to be among the most sensitive to weakness in developed economies, it being highly dependent on exports. Coupled with aggressive tightening measures that were implemented in 2010, investors became increasingly concerned that the Chinese economy would suffer a hard landing. As a result, for 2011, the Hang Seng Index fell by 20%, the Hang Seng China Enterprises Index dropped by 21.7%, while the Hang Seng China Affiliate Corp. Index declined by 11.7%

Business Review

Key Performance Indicators

COL recognizes the importance of its shareholders. Thus, it is committed to maximizing profitability through the efficient use of the Group's capital resources with the ultimate objective of increasing shareholder value. Given this, the Group regularly monitors and reviews 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:

	2011	2010
Number of Customer Accounts	28,127	15,405
Customers' Net Equity (in millions)	₱16,960.0	₱12,598.8
Net Revenues (in millions)	₱401.7	₱302.3
Return on Equity	27.7%	24.9%
Risk Based Capital Adequacy Ratio*	1,278.0%	1,210.0%
Liquid capital** (in millions)	HKD75.7	HKD67.6

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

The number of **Customer accounts** posted a remarkable increase of 12,722 new accounts, up 82.6% year-on-year, mostly from the Group's local operations as it benefits from the steady flow of customer referrals and endorsements which account for 40% of new accounts generated and the aggressive effort to convert leads from the regular seminars conducted. COL continued to expand its market base as 90% of its new customers were first time investors in the stock market.

Notwithstanding the difficult markets, COL was able to register a 32.9% improvement in **Net revenues** to ₱401.7 million while **Return on equity (ROE)** computed as net income divided by average equity increased by 2.8 percentage points. The growth in consolidated net revenues is largely due to the strong performance of the Philippine operations which now account for 82.2% of total revenues generated by the Group in 2011 versus 60.0% in 2010.

Customers' net equity (customers' deposited cash and stocks), posted an increase of ₱4,361.2 million or 34.6% year-on-year due to the remarkable increase in the number of new individual and institutional accounts and as existing customers added cash and transferred stocks to their portfolio. The strong growth in customers' net equity is a solid proof of the customers growing trust in COL and in their ability to be self-directed investors.

The Parent Company and the HK Subsidiary maintain stockbroker licenses which subject both to the stringent rules of regulators in the Philippines and Hong Kong. As such, the Parent Company is required to maintain a minimum **Risk based capital adequacy ratio** (RBCA) or the ratio of total measured risk to liquid capital of 110% while the HK Subsidiary is required to maintain a **Liquid capital** of HKD3.0 million or 5% of its adjusted liabilities, whichever is higher. The RBCA ratio of the Parent Company and the liquid capital of the HK Subsidiary both consistently exceeded the minimum statutory requirement.

Material Changes in the Financial Condition

2011 vs 2010

Total assets of the Group increased by ₱1,044.4 million or 42.4 % while **total liabilities** increased by ₱868.8 million or 64.5 %, respectively, principally because of the following changes:

Cash and cash equivalents increased by ₱1,392.7 million or 174.9 % as the net result of the following movements in related accounts: (a) **Trade receivables** balance posted a net decrease of ₱260.1 million or 18.3 % as most of the Parent Company's margin customers liquidated their positions towards the end of the third quarter of 2011 as markets weakened. From a balance of ₱1,114.1 million in 2010, receivable from customers went down to ₱965.4 million Another major factor is the decrease in the receivable from clearing house which went down by ₱111.1 million from ₱305.5 million to ₱194.4 million largely due to the collection of the settlement amounts for the net selling transactions of the Parent Company's customers during the last trading days of 2010 which were included in the settlement cut-off; and (b) **Held-to-maturity investments** representing the Parent Company's investment in a 5-year Fixed Rate Treasury Note with a face value of ₱100.0 million was sold on March 14, 2011 at a net gain of ₱4.0 million to fund the working capital requirements of the growing local operations.(c) **Trade payables** representing payable to customers and clearing house posted an increase of ₱861.6 million or 67.7 % coming mostly from the additional deposit of trading funds of the Parent Company's existing and new customers.

Property and equipment-net grew by ₱15.1 million or 56.4 % attributable primarily to the investments made by the Parent Company in new hardware and software requirements for its secondary back-up facility to ensure non-disruption of the services it is providing to its customers. Moreover, the Parent Company leased additional spaces for its Disaster Recovery Site and also to house its Private Clients Group and to expand the Business and Training Centers to better serve its customers. Total capital expenditure for 2011 amounted to ₱26.4 million.

Deferred tax assets decreased by ₱4.6 million due to the exercise of 15,900,000 SOP shares in 2011; thus, reducing the tax benefits it can claim in the future.

Other current liabilities increased by ₱13.1 million or 21.2 % because of the accrual of performance bonuses of the employees of the Parent Company because of its exceptional performance in 2011 and also because of the increase in the amounts of customers' deposits which were received after the cut-off time for the processing of collections and which were credited to the clients' trading accounts on the next business day following the end of the reporting period.

2010 vs 2009

Total assets of the Group went up by ₱612.3 million or 33.0% over the same period last year. **Total liabilities**, likewise, increased by ₱441.7 million or 48.8 %. These changes are the net result of the following factors:

Cash and cash equivalents decreased by ₱405.3 million or 33.7 % due to the funding of purchases of margin accounts and as funds held in trust by the HK Subsidiary for the account of its customers decreased by ₱152.0 million or 51.4 % due to the cash withdrawals of some of the clients of the HK Subsidiary who decided to cash in their equities due to the lackluster performance of the HK markets. **Trade receivables** balance posted an increase of ₱1.0 billion or 242.6 %. ₱801.4 million of the total increase in this account was brought about by the additional margin availment of the Parent Company's customer while ₱205.7 million came from the increase in the balance of receivables from clearing house due to the net selling transactions of the local customers at the end of the year. On the other hand, **Trade payables** increased by ₱426.6 million or 50.5% coming substantially from the net additional funds deposited by the local customers.

Meanwhile, **Deferred tax assets** increased by ₱13.5 million or 20.4% primarily due to the appreciation of the peso against the HK dollar which is the functional currency of the HK Subsidiary and the 47.3% increase in the market value of the Parent Company's stock, thus increasing the intrinsic value of its unexercised stock options.

Other current liabilities increased by ₱27.9 million or 82.0 % partly due to the temporary booking of customers' deposits which were included in the bank cut-off during the end of the reporting period. These were receipted and posted to the Payable to customers account on the first trading day of the following month. Another factor to the increase is the accrual of the incentive compensation given to the employees.

In spite of the increase in the income of the Parent Company, **Income tax payable** was lower by ₱9.9 million or 52.0% mainly because of the tax benefit derived from the exercise by some of the grantees of the stock options issued by the Parent Company. For 2010, a total of 9,650,000 SOP shares were exercised with an intrinsic value of ₱102.9 million.

Material Changes in the Results of Operations

2011 vs 2010

The Group's **Consolidated Income** jumped from ₱490.2 million in 2010 to ₱658.7 million in 2011 or a growth of ₱168.4 million or 34.4%. **Expenses,** likewise, grew by ₱69.1 million or 36.8% from ₱187.9 million to ₱256.9 million. These movements resulted in a **Net Income** growth of ₱76.9 million or 29.8% from ₱257.9 million to ₱334.8 million year-on-year.

Commissions which account for 68.0% and 76.0% of the consolidated revenues in 2011 and 2010, respectively, was up 19.7% or ₱73.3 million from ₱371.4 million last year to ₱444.7 million this year. This remarkable increase was driven primarily by the surge in trading volumes experienced in the Philippine operations amidst weak financial markets globally. The Philippine average daily turn-over increased significantly by ₱218.9 million from ₱273.6 million to ₱492.5 million which translates to an annual growth in value traded of ₱55.8 billion or 83.5% from ₱66.8 billion in 2010 to ₱122.6 billion in 2011. The Parent Company was successful not only in growing its retail customer base but also in growing the institutional accounts and penetrating the high-net worth individuals category through its Private Clients Group. Total postpaid customers in 2011 totaled 58 accounts versus last year's 27 accounts which contributed 25.0% and 21.0% of the total commissions generated from local operations for 2011 and 2010, respectively.

Hong Kong commissions, on the other hand, fell by 61.3% year-on-year from ₱191.0 million in 2010 to ₱118.2 million in 2011. The weak revenues in Hong Kong was brought about by the unfavorable market conditions as investors stayed sidelined and focused on the Chinese government's continuous efforts to cool down the economy. Average daily turn-over fell by 41.0% from ₱399.3 million in 2010 down to ₱235.8 million in 2011, ending the current year with ₱58.8 billion value turnover versus last year's ₱94.6 billion. It is worth noting, however, that in spite of the steep drop in its commission revenues, Hong Kong operations remained profitable.

Another strong driver in the Group's revenues is the **Interest** income, mostly from margin financing, which reached ₱146.5 million in 2011 compared to the ₱82.8 million it recorded in 2010. This strong performance is a solid proof of the local customers' appreciation of the advantages in using the margin facility in enhancing their trading capabilities. Average monthly margin utilization almost doubled from ₱569.9 million in 2010 to ₱1,105.5 million in 2011.

The increase in Expenses**,** on the other hand, is primarily driven by the increase in the amount of **Commissions** paid to the Private Clients Group handling the high net worth and institutional accounts and the incentives given to the sales team for facilitating the opening of new accounts. Commissions paid in 2011 amounted to ₱57.2 million versus ₱22.2 million in the previous year.

Meanwhile, **Personnel costs and management bonus** increased by 24.8% or ₱18.9 million due to the hiring of additional manpower to complement the increase in the local operations starting in the second quarter of 2010 and to beef up the Parent Company's sales and customer service team. A performance bonus was also allocated to the officers and employees of the Parent Company to incentivize them for their contribution in reaching the Parent Company's targets for 2011. Although it is still a major expense item, its percentage share to the total expenses (after deducting the provisions for impairment and credit losses) even decreased from 43.3% in 2010 versus the current year's 37.0%.

Stock exchange dues and fees recorded an increase of ₱3.6 million or 59.7% due to the increase in the trading-related fees paid by the Parent Company as a result of the significant increase in its trading volume.

Likewise, **Communication** grew by ₱2.4 million or 20.3% primarily due to the additional subscription costs incurred by the HK Subsidiary for the trading and market data being provided to its customers thru the Infocast system. The Parent Company, on the other hand, doubled its bandwidth and hastened its order entry mechanism to speed up the passing of its trades to the system of the Exchange.

Following the expansion of the Parent Company's business centers and its Disaster Recovery and training areas, **Rental** expense went up to ₱8.4 million which is higher by ₱3.1 million or 58.0% over last year's expense of ₱5.3 million.

Depreciation also increased by ₱2.0 million or 24.7% as the costs of the leasehold improvements and additional IT equipment and facilities are charged to operations.

Similarly, **Stock option expense** increased by ₱3.7 million or 162.9% due to the acceleration of the booking of the cost of SOP shares exercised during the period.

The increase in **Taxes and licenses** amounting to ₱1.2 million or 63.2% resulted from the payment of bigger local taxes during the year which is based on the Parent Company's previous year's gross revenues.

For the year 2011**,** no additional **Provision for credit losses** was booked due to the reduction of the amount of receivables that are subject to the mandatory 2% provision.

2010 vs 2009

In line with our projection for 2010, trading volumes from our local operations remained weak during the first half of the year before gradually picking–up towards the second half to end the year slightly higher as global recovery takes root. Meanwhile, trading volumes of the HK Subsidiary slowed down as investors digest and unwind their crowded positions in the market due to the earlier than anticipated policy shift by the Chinese government from a loose policy to being more cautious about liquidity and inflation. Given this operating environment, the overall impact of the slowdown in our Hong Kong's business outweighed the gains generated from the Philippine operations, thus bringing the Group's overall business to end slightly lower over the prior year.

The Group's **Consolidated Income** was up ₱26.8 million or 5.8% from ₱463.4 million to ₱490.2 million while **Expenses** which includes a one-time booking of provision for possible impairment amounting to ₱8.9 million increased by ₱55.0 million or 41.4% from ₱132.9 million to ₱187.9 million. As a result, the year ended with a **Net Income** of ₱257.9 million, slightly down₱11.3 million or 4.2% compared to last year's ₱269.2 million.

Trading-related revenues comprised of **Commissions** from customer transactions, **Interest on margin financing** and **gain on proprietary trading** posted a net increase of ₱23.1 million or 5.0% from last year's ₱461.9 million to this year's ₱485.0 million. The value turnover of our Philippine operations doubled from ₱33.0 billion to ₱66.8 billion year-on-year owing to the continued growth in the Parent Company's client base along with the overall recovery in the Philippine markets. The turnover of the local operations consistently progressed from one quarter to the next, the fourth quarter value of ₱27.2 billion accounting for 41% of its total trading value for 2010 and 82% of last year's full year trading value. Meanwhile, the value turnover of the HK Subsidiary went down by ₱59.4 billion from ₱157.5 billion to ₱98.1 billion year-on-year as the tightening policy of the Chinese government impacted negatively its economy. Consequently, total Commissions generated decreased by ₱30.1 million or 7.5% over the year ago period from ₱ 401.5 million to ₱371.3 million.

On the other hand, Interest earned from customers who availed of the Parent Company's margin facility, offset the foregoing reduction in commissions revenue having posted an increase of ₱48.7 million or 142.3% from ₱34.1 million to ₱82.8 million year-over-year as the Parent Company's top customers held on to their margin position longer given the reduced margin rate and the improving economic and corporate outlook. At the same time, there were also a number of local customers who utilized their margin facility to take advantage of the volatility of the market. Average daily margin utilization went up significantly to ₱570.0 million from ₱200.5 million over the same period last year.

In view of the strong performance of Philippine operations, COL now accounts for 59.0% of total revenues compared to last year's 31.0%.

Total **Expenses** grew by or ₱55.0 million 41.4% to ₱187.9 million from ₱132.9 million year-over-year. This upward movement is primarily due to the increase in the **Personnel costs** and in the amount of **Commissions** and **Referral fees** paid. All other expense accounts which are not directly related to trading are kept at their planned levels as the Group continued to focus on its operating discipline in order to maximize profitability.

Personnel costs and **management bonus** include salaries and wages, employee benefits and incentive compensation comprised primarily of discretionary bonus. In order to retain key talents and align the employees' pay to market rate, an across-the board salary increase was given in 2010. To reward the employees for their contribution to the exceptional performance of the local operations, a discretionary bonus was also distributed. The Parent Company further invested in expanding and improving its service capabilities by beefing up its manpower resources to complement the increasing number of its clientele base. In spite of the increase in Personnel costs, its percentage share over total expenses remained relatively unchanged at 40.5% and 42.0% in 2010 and 2009, respectively.

Likewise, **commission** expense significantly increased by ₱21.2 million primarily because of the rebates paid to the agents handling the private client group of the Parent Company. This group was set up during the last quarter of 2009 to ensure that high-quality service and advice are available to meet the needs of the new market segment composed of institutional accounts and high net-worth individuals which were tapped by the Parent Company to further build up and strengthen its revenue source. Commissions contributed by this group amounted to ₱36.0 million or 21.0% of the total commission generated by the Parent Company in 2010.

Depreciation decreased by ₱2.3 million mainly due to the acceleration of depreciation in August 2009 of the obsolete trading- related software which was replaced by a new system which is compliant with the New Trading System (NTS) of the PSE. To adapt to these new requirements, COL invested on new hardware servers and on the corresponding applications which were certified by the PSE on January 12, 2010 making COL fully prepared and compliant to the NTS. Depreciation of the software costs started upon its utilization in July 2010.

Communication grew by ₱1.9 million primarily due to the additional costs incurred by the HK Subsidiary when it subscribed to a system that makes available real time market data and financial news service which is expected to provide its customers access to information that can help them make better trading decisions.

Stock exchange dues and fees, which are mostly trading-related and computed as a percentage of the total trading value, recorded an increase of ₱3.3 million due to the increase in the trading-related fees paid by the Parent Company as a result of the increase in its trading volume.

Provision for impairment losses increased by ₱6.0 million partly due to the automatic 2% provisioning made on the Parent Company's customer receivables that are aged 4 to 14 days to comply with the prescribed method of computing for the allowance set up applicable to stockbrokers. Another factor to the increase is the 100% provision that was set up for the Parent Company's additional income tax of ₱8.9 million paid under protest for the taxable year 2009 representing the difference in the income tax computed using the optional standard deduction (OSD) versus the itemized deduction.

Other Matters

a. We are 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 the HK 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. We are 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. We are 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. We are not aware of any material commitments for capital expenditures.

e. We are 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. We are not aware of any significant elements of income or loss that did not arise from the Group's continuing operations.

g. We are not aware of any seasonal aspects that had a material effect on the financial position or results of operations of the Group.

Prospects for the Future

Near-Term Prospects: COL believes Philippines has one of the most attractive medium-term investment and consumption growth stories among emerging markets. Global growth could be weak in 2012 and volatility high, with events in Europe dictating market direction. However, with interest rate at its all-time low and the financial system awash with cash, this could underpin the market from any market shocks. That said, COL expects its Philippine operations to continue to grow, by focusing on the customer needs by not only expanding its products and services but also by continuously aiming to better serve and create value for them.

In Hong Kong, COL expects the market sentiment to improve as government policy in China is likely to moderate with lower inflation and a weak global economy. Having said that, COL expects the trading volumes in Hong Kong to be at best flat. Given the prospects of the market, we expect that majority of the HK Subsidiary's customers will prefer to stay invested in the Philippines given the prospects of the market.

Overall, as the Group came from a high base in 2011, it expects to end 2012 slightly better with growth to be primarily driven by its Philippine operations.

Medium to Long Term prospects: Philippine economic growth is expected to remain above its long term average growth rate of 4-5% during the next few years. This will be driven by a rebound in investments, thanks to the pro-investment policies of the new administration and robust private consumption fueled by the continuous growth in OFW remittances and BPO activity. With this solid macroeconomic backdrop and the low penetration rate of retail investor in the stock market, the Group expects its medium to long term revenue growth to remain attractive.

Item 7. Financial Statements

Please refer to the attached Consolidated Audited Financial Statements for the years ended December 31, 2011 and 2010.

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.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors

The Directors of COL as of December 31, 2011 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
Wellington C. Yu	Member
Kho Boo Boon	Member
Manuel S. Estacion	Member
Joel Litman	Member

Following are descriptions of the business experience of each of the Directors of COL covering the past five years:

Edward K. Lee, 56, Filipino, is concurrently the Chairman of the Board of COL since 1999 and up to the present; Chairman of the Board of CSI since 1986 and Chairman of the Board of COLHK since 2001. He served as Nominee of CSI to Manila Stock Exchange (MSE) and the PSE. In addition, he is the Chairman and Chief Executive Officer of the CWC Group of Companies which includes CWC Development, Inc., Barrington Carpets, Inc., Citimex, Inc. and CWC International, Inc for 31 years now. Mr. Lee previously served as a Governor of the PSE and was the Chairman of the Computerization Committee of the MSE and PSE in 1994. He went on to become a member of the Board of Directors of A. Soriano Corporation (Anscor) serving for two terms. Mr. Lee was also a finalist to the 2007 Entrepreneur of the Year Philippines by Ernst & Young.

Alexander C. Yu, 56, Filipino, is the Vice-Chairman of COL since its incorporation in 1999. He is concurrently the Vice-Chairman and Treasurer of CTS. He is also a Director of COLHK since 2001 and of Winner Industrial Corporation for more than 10 years now. He is the proprietor of Trans-Asia General Merchandise and has also served as a Director of Anscor.

Conrado F. Bate, 49, Filipino, 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 1995-1997; 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 PSE (2005-2006) and served as Chairman of its 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, 59, Filipino, is currently the Chief Financial Officer of COL. She has served as Member of the Board of Directors of COL from 1999 to 2005 and was reelected in 2007. She is concurrently a Director of COLHK, the President of CSI and Executive Vice President and Treasurer of the CWC Group of Companies for more than10 years now. 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, 53, Malaysian, is a Member of the Board of Directors of COL since March 2001. Mr. Khoo has extensive experience in international trading, advertising, market research and corporate management. He finished his degree in Psychology and Political Science (summa cum laude) as a state scholar at the National University of Malaysia and a Masters Degree in Management from the Asian Institute of Management. He was the General Manager and Treasurer Designate of the Waterfront Group and spearheaded its efforts in two casino-hotel projects in Cebu City. In 1995, Waterfront was listed on the PSE. Mr. Khoo became the Managing Director and Chief Operating Officer of the said company until the Malaysian group's divestment from Waterfront Philippines, Inc. He is currently the President and Chief Executive Officer of GTF Worlwide Philippines, Inc.. He is also a shareholder and sits on the Board of Directors of GEKA Property Holdings Inc., an investment holding company. From August 5, 2002 to February 2007, he serves as the Executive Director and Chief Executive Officer of Legend International Resorts Limited, a gaming and hospitality company.

Manuel S. Estacion, 66, Filipino, has served as a Member of the Board of Directors of COL since his election in March 2001. Mr. Estacion is a Bachelor of Science in Commerce graduate of San Beda College. He is presently engaged by the Hongkong and Shanghai Banking Corporation Limited (HSBC) as the Bank Representative in the remaining labor related cases pending in court. He previously served HSBC in various capacities and was the Vice President Human Resources from 1996 to 1999 after which he acted as a Consultant to HSBC prior to his present engagement. He is the Proprietor of MSE Building Maintenance Services. Mr. Estacion is a Charter Member and a Director of the Rotary Club of Ortigas Center for the Rotary Year 2011-2012.

Wellington C. Yu, 68, Filipino, was elected as Member of the Board of Directors of CitiseOnline in March 2001. Mr. Yu finished his BS Chemical Engineering at De La Salle University in 1965 and his MBA and MS Chemical Engineering from the University of Pittsburgh. From 1973 to 1985 he was the Dean of the College of Business and Economics of De La Salle University and of the Graduate School of Business from 1981 to 1984. He was conferred the title of Dean Emeritus in the College of Business and Economics. He was the Senior Vice President of Tropical Rent-A-Car in Hawaii from 1986 to 1990 and the President of Sunstrips, Inc. of San Jose, California from 1990 to 1997.

Raymond C. Yu, 57, Filipino, became a Member of the Board of Directors of COL in March 2005. He is concurrently a Director of CSI. Mr. Yu is a Bachelor of Science in Commerce graduate of De La Salle University in 1974 and a Certified Public Accountant. He is currently the President of Winner Industrial Corporation and a Director for more than 16 years of the CWC Group of Companies.

Hernan G. Lim, 58, Filipino, was elected as Member of the Board of Directors of COL in March 2005. He is also a Director of CSI. Mr. Lim is currently the President of Hoc Po Feeds Corporation and the Executive Vice President of Philstar Marketing & Development Corporation and HGL Development Corporation. He is also a Director CWC Group of Companies. He holds a degree in Bachelor of Science in Electronic and Communication Engineering at the University of Sto. Tomas. He also took the Basic Management Course at the Asian Institute of Management.

Paulwell Han, 52, Chinese, is a graduate of Business Finance at San Francisco State University, USA. He is currently a Director and General Manager of different corporations located in Hong Kong namely: Dai Heng Pharmaceutical Co., Ltd., Yee Ting Tong Company Limited, Tecworld Investment Co., Ltd., Silver Jubilee Co., Ltd., Sunning Restaurant and Etta Trading Company Limited.

Joel Litman

Joel Litman, 41, was elected as Director of COL on August 12, 2011. He is currently the Managing Director of Equity Analysis & Strategy, Inc. headquartered in New York City, and Chairman of the Board of Directors of the EAS Group, which includes the Institute of Strategy & Valuation, EAS Digital, and other private holdings. Previously, he held Director/Manager positions at Credit Suisse First Boston, Deloitte Consulting, and American Express. He is co-author of the book, *DRIVEN: Business Strategy, Human Actions, and the Creation of Wealth* and has published in Harvard Business Review. Professor Litman teaches and is on faculty at multiple business schools for strategy and valuation courses and has lectured at Harvard Business School and other top universities. He is also Chairman of the Foundation for Socioeconomic Advancement focused on philanthropic efforts in underdeveloped communities. He is a Certified Public Accountant in the United States, a member of the Global CFA Institute, received his B.S. Accountancy at DePaul University and his MBA/MM from the Kellogg Graduate School of Management at Northwestern University.

Messrs. Khoo and Estacion are the Independent Directors of COL.

Management Team

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

Caesar A. Guerzon

SVP, Corporate Secretary and Head of Legal Department and Human Resource and Administration Department

Caesar A. Guerzon, 61, Filipino, is concurrently a Director of COLHK and the Corporate Secretary of Citisecurities, Inc. and the CWC Group of Companies. He was elected as Director of COL from March 31, 2011 to August 12, 2011. Presently, he serves as the Chairman of the Board of Rural Bank of Sta. Maria, Ilocos Sur, Inc., a member of the Board of Trustees of COG - Makati, Inc. and Secretary to the Sangguniang Barangay of Bel-Air, Makati City. He served as a board member of listed companies Omico Mining Corporation and Vulcan Mining Corporation and as a member of the Governance Committee of the PSE and the Legislative Committee of the Philippine Association of Securities Brokers & Dealers, Inc. Atty. Guerzon is a Certified Securities Representative and a member of the Integrated Bar of the Philippines.

Juan G. Barredo

Vice President for Sales and Sales Support Services

Juan “Juanis” G. Barredo, 44, Filipino, manages the day-to-day operations of COL's Business Center, its Sales division as well as its Customer Service division. He also spearheads the COL Investor Seminar Series, the flagship investor education program of the 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 30,000 people in the last five years nationwide with topics ranging from the basics of stock market investing to introductory and advanced technical analysis seminars. Mr. Barredo holds a Bachelor of Arts degree in Philosophy from De La Salle University in 1990 and is a Certified Securities Representative.

Nikos J. Bautista
Vice President and Chief Technology Officer

Nikos J. Bautista, 42, Filipino, is the Chief Technology Officer of COL. He is also 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, 41, Filipino, was appointed as Financial Controller of COL in 2010 after having served as the Company's Head of Accounting from 2001 to 2009. She is concurrently the Compliance Officer of 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 C. Lee-Tan, 35, Filipino, heads the Research Team of COL from 2003 to present. She joined CSI's Research group in 1996. Ms. Tan holds a Bachelor of Science Degree in Management Engineering from the Ateneo de Manila University. She is a Certified Securities Representative and is a Chartered Financial Analyst (CFA). She earned the right to use the CFA designation in 2000. She is currently the President of the CFA Society of the Philippines and Chair of its Investment Research Challenge committee.

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

Melissa O. Ng, 39, 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.

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, 2011

None

Significant Employees

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

Family Relationships

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

Involvement in Certain Legal Proceedings

There are no legal proceedings, material or otherwise, pending or, to the best of COL's knowledge, 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, except for a Complaint filed by Citigroup, Inc. and Citibank N.A. on June 30, 2006, against COL and CSI before the Regional Trial Court of Makati, Branch 149. Citibank claims to have exclusive rights over the use of the trademark "CITI". Defendants, on the other hand, claim they have been using the trademark since 1986 and that the parties are in different lines of business, i.e. plaintiffs are in the banking and credit card business while defendants are stockbrokers. This case has been resolved by way of a compromise agreement executed by the parties on September 16, 2011. The compromise agreement was approved by Branch 149 of the Regional Trial Court of Makati (where the case was pending) in its Judgment (Based on Compromise Agreement) dated October 7, 2011 and reaffirmed by the same court in its Amended Judgment dated February 6, 2012.

The Directors of COL are not and have not been involved in any legal proceedings during the last five years up to the date of filing of this report. Neither are they aware of any legal proceedings pending or threatened against them personally, or any fact which is likely to give rise to any legal proceedings which may materially affect their personal capacity as Directors of COL.

Item 10. Executive Compensation

Regular Remuneration

Directors

Each director is entitled to a per diem of Five Thousand Pesos (₱5,000.00) per meeting. 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 2012 (est)	Annual Salary 2011	Annual Salary 2010	Annual Salary 2009	Bonuses 2009 - 2011	Other Annual Compensation 2009 - 2011
a) **Chief Executive Officer and the Four Most Compensated Executives:** Conrado F. Bate President & CEO Catherine L. Ong SVP/Treasurer/Chief Finance Officer Caesar A. Guerzon SVP/Corp. Sec/Head of Legal and HRAD Juan Jaime G. Barredo VP/Head of Sales and Sales Support Services April Lynn Lee-Tan VP/Head of Research						
All above-named Executives and Officers as a Group	₱12.2	₱11.5	₱10.8	₱6.9	₱49.3	-nil-
b) **All other Executives and Officers as a Group named**	₱3.4	₱3.3	₱5.1	₱5.5	₱13.6	-nil-

Special Remuneration

Stock Option Plan

COL has an existing SOP which was granted in two tranches in favor of its Directors, senior managers and officers and its affiliates as well as other qualified individuals. The number of SOP Shares granted to each qualified individual was based on factors such as rank, past performance, years of service, potential for future development and contribution to the establishment and success and development of COL.

The first grant consisting of Twenty Seven Million Two Hundred Fifty Thousand (27,250,000) Common Shares was made on July 12, 2000 while the second grant consisting of Eighteen Million Seven Hundred Fifty Thousand (18,750,000) Common Shares was made on July 3, 2006.

As of December 31, 2011, a total of Forty Six Million (46,000,000) Common Shares were granted to qualified individuals. The Directors and officers of COL who have been granted SOP shares are as follows:

Name	**No. of shares**	**Date of Grant**	**Exercise Price**	**Market Price at Date of Grant**
Conrado F. Bate		July 12, 2000 and July 3, 2006	₱1.00	N/A
Edwin A. Mendiola		July 12, 2000	₱1.00	N/A
Catherine L. Ong		July 12, 2000	₱1.00	N/A
Caesar A. Guerzon		July 12, 2000	₱1.00	N/A
Wellington C. Yu		July 12, 2000	₱1.00	N/A
Hirotsugu Kobayashi		July 12, 2000	₱1.00	N/A
Khoo Boo Boon		July 12, 2000	₱1.00	N/A
Manuel S. Estacion		July 12, 2000	₱1.00	N/A
Juan G. Barredo		July 12, 2000	₱1.00	N/A
Nikos J. Bautista		July 12, 2000	₱1.00	N/A
Lorena E. Velarde		July 12, 2000	₱1.00	N/A
April Lynn C. Lee-Tan		July 12, 2000	₱1.00	N/A
All above-named directors and officers as a group	41,700,000			

The subscription price for each SOP Share in respect of which an option is exercisable shall be at the par value of One Peso (₱1.00).

Under the terms of the SOP, the exercise of an option under the SOP shall be subject to the following:

1. An Option may be exercised at anytime during the option period, in whole or in part, by a participant giving notice in writing to COL in, or substantially in, the form as provided, subject in each case by such modification as the Committee may from time to time determine. Such notice must be accompanied by a remittance for the aggregate subscription cost in respect of the SOP Shares for which that Option is exercised and any other documentation the Committee may require. An Option shall be deemed to be exercisable upon receipt by COL of the said notice, duly completed, and the Aggregate Subscription Cost.

2. In the event of an Option being exercised in part only, the balance of the Option not thereby exercised shall continue to be exercisable in accordance with the SOP until such time as it shall lapse in accordance with the SOP.

3. An Option shall, to the extent unexercised, immediately lapse without any claim against COL:

    a. Upon the participant ceasing to be an employee of COL or a qualified individual for any reason whatsoever; or
    b. Upon the bankruptcy of the participant or the happening of any other event which results in the participant being deprived of the legal or beneficial ownership of such Option; or
    c. In the event of any misconduct on the part of the participant as determined by the Committee in its discretion.

For the entire year of 2011, 15,900,000 SOP shares were exercised by the above Directors and officers of COL.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. **Security Ownership of Certain Record and Beneficial Owners** of more than 5% of COL's voting securities as of **December 31, 2011** 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 (%)
Common	**PCD Nominee Corp. - Filipino** G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	Citisecurities, Inc. (CTS) COL Financial Group, Inc. (COL)	Filipino Filipino	175,653,300 95,833,800	54.14% 29.54%
Common	**PCD Nominee Corp. - Non - Filipino** G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	Various Stockholders/ Clients	Various	40,710,100	8.88%
Common	**Edward K. Lee** 186 N. Averilla St., San Juan, Metro Manila *Stockholder*	Edward K. Lee	Filipino	100,191,700	21.85%
Common	**Alexander C. Yu** 211 Ortega St., San Juan, Metro Manila *Stockholder*	Alexander C. Yu	Filipino	65,061,800	14.19%
Common	**Paulwell Han** 9E G/F Broom Road, Happy Valley, Hong Kong *Stockholder*	Paulwell Han	Chinese	25,600,000	5.58%

**No other single individual has reached more than 5% - 10% of the total outstanding shares of COL.*

2. **Security Ownership of Management as of December 31, 2011**

Title of Class	Name of Owner	Position	Citizenship	Total No. of Shares	Percent (%)
Common	Edward K. Lee	Chairman	Filipino	100,191,700	21.85%
Common	Alexander C. Yu	Vice-Chairman	Filipino	65,061,800	14.19%
Common	Conrado F. Bate	President	Filipino	14,998,600	3.27%
Common	Hernan G. Lim	Director	Filipino	19,567,500	4.27%
Common	Raymond C. Yu	Director	Filipino	18,063,000	3.94%
Common	Wellington C. Yu	Director	Filipino	395,000	0.09%
Common	Paulwell Han	Director	Chinese	25,600,000	5.58%

Title of Class	Name of Owner	Position	Citizenship	Total No. of Shares	Percent (%)
Common	Joel Litman	Director	American	34,000	0.01%
Common	Manuel S. Estacion	Independent Director	Filipino	166,000	0.04%
Common	Khoo Boo Boon	Independent Director	Malaysian	1,000	0.00%
Common	Caesar A. Guerzon	SVP/Corporate Secretary/Head of Legal & HRAD	Filipino	2,935,400	0.64%
Common	Catherine L. Ong	Director/SVP/Chief Financial Officer/Treasurer	Filipino	8,265,000	1.80%
Common	Juan Jaime G. Barredo	VP/Head of Sales and Sales Support Services	Filipino	1,630,000	0.36%
Common	Nikos J. Bautista	VP/Chief Technology Officer	Filipino	610,200	0.13%
Common	Lorena E. Velarde	VP/Financial Controller	Filipino	310,000	0.07%
Common	April Lynn L. Tan	VP/Head of Research	Filipino	2,382,900	0.52%
Common	Melissa O. Ng	AVP/Head of Operations	Chinese	233,500	0.05%
Common	**Key Officers and Directors (as a group)**			**260,445,600**	**58.84%**

Item 12. Certain Relationships and Related Transactions

There have been no material transactions during the past two years in which COL was a party or in which any of its directors and/or executive officers or owners of more than 5% of its voting securities, or any relative or spouse of any such director or executive officer or owner of more than 5% of COL's voting securities, is involved.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

a. Compliance with COL's Corporate Governance Manual is being monitored regularly by the Compliance Officer. Orientation and workshop meetings are held to operationalize the Manual. As a guide, COL uses the Corporate Governance Scorecard for Publicly-listed Companies as its evaluation system to measure level of compliance with its Manual.

b. A continuing and on-going review and evaluation of COL's key result areas and key performance indicators of all its departments are being closely monitored to ensure that measures are being undertaken to fully comply with the leading practices on good governance it adopted.

c. There are no deviations from COL's Manual on Corporate Governance that it is aware of.

d. COL continues to review and evaluate its policies and measures being undertaken to continue to adhere to the principles and practices of good corporate governance.

PART V - EXHIBITS AND SCHEDULES

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

Exhibits

Please refer to the attached Index to Consolidated Financial Statements and Supplementary Schedules on page 37.

Reports on SEC Form 17-C

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

	Items Reported	Date filed
1)	Change in shareholdings of officer	July 27, 2011
2)	Change in shareholdings of officers	August 4, 2011
3)	Change/s in shareholdings of directors and officers	August 10, 2011
4)	Board approval of operations and financial report for quarter ended June 30, 2011; Special Stockholders' Meeting on October 5, 2011, Record Date on August 31, 2011; election of director	August 15, 2011
5)	Press Release: "COL Income up 123% for 2Q 2011"	August 15, 2011
6)	Changes in shareholdings of directors and officers	August 15, 2011
7)	Changes in shareholdings of directors and officer	August 22, 2011
8)	Changes in shareholdings of directors and officers	August 25, 2011
9)	Changes in shareholdings of officers	September 1, 2011
10)	Changes in shareholdings of officers	September 1, 2011
11)	Amendment to previous disclosure re: change in venue of Special Stockholders' Meeting on October 5, 2011	September 6, 2011
12)	Changes in shareholdings of officers	September 15, 2011
13)	Update on Board approval of change in corporate name; resetting of Special Stockholders' Meeting to November 16, 2011, Record Date on October 14, 2011	September 30, 2011
14)	Changes in shareholdings of director/officer	October 6, 2011
15)	Change in shareholdings of director	October 11, 2011
16)	Changes in shareholdings of officer	November 9, 2011
17)	Receipt of Judgment issued by Regional Trial Court of Makati City re: Civil Case No. 06-537 filed by Citigroup, Inc. and Citibank, N.A.	November 14, 2011
18)	Board approval of Operations and Financial Report for quarter ended September 30, 2011	November 16, 2011
19)	Results of Special Stockholders' Meeting: change in corporate name and venue of stockholders' meetings	November 16, 2011
20)	Press Release: "COL Earnings up 53%"	November 16, 2011
21)	Change in shareholdings of director/officer	December 8, 2011
22)	Changes in shareholdings of directors/officers	December 13, 2011
23)	Changes in shareholdings of officers	December 22, 2011
24)	Changes in shareholdings of officer	December 27, 2011

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on April 10, 2012.

COL FINANCIAL GROUP, INC.
Issuer

By:

Conrado F. Bate
President and Chief Executive Officer

Caesar A. Guerzon
SVP, Corporate Secretary

Catherine L. Ong
SVP, Treasurer/Chief Financial Officer

Lorena E. Velarde
VP and Financial Controller

APR 13 2012

SUBSCRIBED AND SWORN to before me this ___ day of April 2012 affiants exhibiting to me their Residence Certificates, as follows:

NAMES	PASSPORT NO./DRIVER'S LICENSE	DATE OF ISSUE	PLACE OF ISSUE
Conrado F. Bate	EB1473902	Nov. 10, 2010	Manila
Catherine L. Ong	EA0001667	Oct. 13, 2009	Manila
Caesar A. Guerzon	EB2801974	June 27, 2011	Manila
Lorena E. Velarde	D16-97-165067	July 5,2011	Quezon City

Notary Public

PAULA DANICA B. LANDAYAN
NOTARY PUBLIC
Appointment No. 215 / 12-31-2012
2704 East Tower, PSE, Ortigas, Pasig
PTR No. 7545980 / 01-04-2012 / Pasig City
IBP No. 875863 / 12-27-2011/ Cavite
Roll No. 59179

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Series of 2012

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	✓
Report of Independent Auditors	✓
Consolidated Statements of Financial Position as of December 31, 2011 and 2010	✓
Consolidated Statements of Income for the Years Ended December 31, 2011, 2010 and 2009	
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2011, 2010 and 2009	✓
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2011, 2010 and 2009	✓
Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009	✓
Notes to Consolidated Financial Statements	✓
SUPPLEMENTARY SCHEDULES	
Report of Independent Auditors on Supplementary Schedules	✓
Schedule I. Retained Earnings Available for Dividend Declaration Pursuant to SEC Memorandum Circular No. 11	✓
Schedule II. Schedule of Effective Standards and Interpretations under the 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. A Map Showing the Relationship Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries, and Associates Pursuant to SRC Rule 68, as Amended	✓
Schedule V. Schedule Showing Financial Soundness Pursuant to SRC Rule 68, as Amended	✓

COVER SHEET

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SEC Registration Number

C I T I S E C O N L I N E . C O M , I N C . A N D S U B S I D I A R Y

(Company's Full Name)

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

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

Mr. Conrado F. Bate	(02) 636-5411
(Contact Person)	(Company Telephone Number)

1 2 3 1	A A F S	
Month *Day*	(Form Type)	*Month* *Day*
(Fiscal Year)		(Annual Meeting)

Broker

(Secondary License Type, If Applicable)

CFD	Not Applicable
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

38	NA	NA
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of CitisecOnline.com, Inc. and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, 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, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the Philippines, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CitisecOnline.com, Inc. and Subsidiary as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with accounting principles generally accepted in the Philippines.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-2 (Group A),
March 18, 2010, valid until March 17, 2013
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 3174591, January 2, 2012, Makati City

March 1, 2012

CITISECONLINE
STOCKBROKERS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of CitisecOnline.com, Inc. and Subsidiary (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with accounting principles generally accepted in the Philippines. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

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

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 1st day of March 2012.

Statement of Management's Responsibility
for Financial Statements

SUBSCRIBED AND SWORN to before me this 5th day of March 2012, at Manila, affiants exhibited to me their respective Community Tax Certificates, as follows:

Name	**CTC No.**	**Date/Place Issued**
Edward K. Lee	03135651	Jan. 14, 2012/Quezon City
Conrado F. Bate	09806306	Jan. 09, 2012/Mandaluyong
Catherine L. Ong	03135653	Jan. 14, 2012/Quezon City

NOTARY PUBLIC

CAESAR A. GUERZON
Notary Public
Until December 31, 2013
PTR No. 0363016
Issued on January 6, 2012
At Manila
Roll of Atty. No. 27749
IBP No. 869283

Doc. No. : 398
Page No. : 81
Book No. : XXIV
Series of 2012

CITISECONLINE.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31					
	2011			2010		
		Security Valuation			Security Valuation	
	Money Balance	**Long**	**Short**	Money Balance	Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	**₱2,188,940,069**			₱796,209,875		
Financial assets at fair value through profit or loss (FVPL; Note 5)	**1,313,282**	**₱1,313,282**		779,800	₱779,800	
Trade receivables (Note 6)	**1,160,690,295**	**4,359,793,839**		1,420,745,451	4,111,767,365	
Other receivables (Note 6)	**8,130,814**			7,475,523		
Prepayments	**2,206,021**			1,438,151		
Total Current Assets	**3,361,280,481**			2,226,648,800		
Noncurrent Assets						
Held-to-maturity investment (HTM; Note 7)	–			102,456,071		
Property and equipment (Note 8)	**41,731,847**			26,674,510		
Intangibles (Note 9)	**23,027,647**			22,989,686		
Deferred income tax assets - net (Note 17)	**75,178,490**			79,806,548		
Other noncurrent assets (Note 10)	**8,626,513**			6,915,945		
Total Noncurrent Assets	**148,564,497**			238,842,760		
TOTAL ASSETS	**₱3,509,844,978**			₱2,465,491,560		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			**₱15,793,197,812**			₱12,474,285,648

(Forward)

	December 31					
	2011			2010		
		Security Valuation			Security Valuation	
	Money Balance	**Long**	**Short**	Money Balance	Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Note 11)	**₱2,133,524,943**	**₱11,432,090,691**		₱1,271,907,127	₱8,361,738,483	
Other current liabilities (Note 12)	**75,193,971**			62,019,014		
Income tax payable	**–**			9,190,638		
Total Current Liabilities	**2,208,718,914**			1,343,116,779		
Noncurrent Liability						
Retirement obligation (Note 16)	**6,152,980**			3,134,824		
Total Liabilities	**2,214,871,894**			1,346,251,603		
Equity (Notes 13 and 16)						
Capital stock	**458,550,000**			442,650,000		
Capital in excess of par value	**44,899,024**			35,539,024		
Cost of share-based payment	**63,541,685**			71,073,568		
Accumulated translation adjustment	**(26,007,546)**			(26,873,680)		
Retained earnings:						
Appropriated	**45,004,197**			26,881,330		
Unappropriated	**708,985,724**			569,969,715		
Total Equity	**1,294,973,084**			1,119,239,957		
TOTAL LIABILITIES AND EQUITY	**₱3,509,844,978**	**₱15,793,197,812**	**₱15,793,197,812**	₱2,465,491,560	₱12,474,285,648	₱12,474,285,648

See accompanying Notes to Consolidated Financial Statements.

CITISECONLINE.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2011	2010	2009
REVENUES			
Commissions	**₱444,675,036**	₱371,348,657	₱401,487,503
Others:			
Interest (Notes 4, 6, 7 and 14)	**187,261,774**	105,980,093	57,958,949
Gain on financial assets at FVPL - net (Note 5)	**16,027,838**	7,717,255	2,404,116
Foreign exchange gains - net	**109,526**	765,431	321,722
Others	**10,582,399**	4,413,181	1,254,642
	658,656,573	490,224,617	463,426,932
COST OF SERVICES			
Commission expense (Note 18)	**57,202,457**	22,152,678	448,560
Personnel costs - operations (Note 15)	**55,347,373**	45,283,387	34,231,431
Stock exchange dues and fees	**9,576,859**	5,998,073	4,168,792
Central depository fees	**4,043,001**	2,141,568	960,442
Research	**2,851,166**	–	–
Others:			
Communications	**14,256,059**	11,846,735	10,351,532
Others (Note 8)	**1,972,874**	994,717	–
	145,249,789	88,417,158	50,160,757
GROSS PROFIT	**513,406,784**	401,807,459	413,266,175
OPERATING EXPENSES			
Administrative expenses:			
Personnel costs (Note 15)	**24,340,576**	22,826,347	18,060,588
Professional fees (Note 18)	**21,325,506**	20,211,730	20,591,261
Management bonus	**15,335,034**	8,018,720	3,672,720
Rentals (Note 19)	**8,447,671**	5,347,721	4,616,672
Stock option expense (Notes 16 and 18)	**5,980,000**	2,275,000	1,846,000
Advertising and marketing	**3,811,116**	3,423,586	4,311,636
Taxes and licenses	**3,003,449**	1,840,027	1,230,565
Power, light and water	**2,845,011**	2,486,321	1,747,150
Security and messengerial services	**1,836,737**	1,457,227	1,168,980
Insurance and bonds	**1,740,489**	838,187	716,142
Office supplies	**1,577,809**	1,609,568	839,437
Representation and entertainment	**1,563,858**	504,431	500,947
Condominium dues	**1,548,890**	921,958	738,203
Transportation and travel	**1,399,065**	848,154	248,326
Trainings, seminars and meetings	**1,132,792**	756,780	655,745
Bank charges	**971,057**	402,999	84,530
Repairs and maintenance	**859,177**	528,281	543,320
Directors' fees	**775,000**	605,000	735,000
Membership fees and dues	**602,913**	543,211	271,500
Communications	**544,890**	1,297,798	1,214,919
Others	**1,343,133**	1,385,677	1,600,698
	100,984,173	78,128,723	65,394,339
Depreciation and amortization (Note 8)	**10,159,215**	8,147,917	11,468,435
Interest expense	**426,667**	1,284,722	–
Provision for credit losses (Note 6)	**120,995**	11,907,240	343,514
Provision for impairment losses on other noncurrent assets (Note 10)	–	–	5,524,200
	111,691,050	99,468,602	82,730,488
INCOME BEFORE INCOME TAX	**401,715,734**	302,338,857	330,535,687
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)			
Current	**67,025,552**	45,921,682	61,491,267
Deferred	**(108,694)**	(1,469,384)	(164,220)
	66,916,858	44,452,298	61,327,047
NET INCOME	**₱334,798,876**	₱257,886,559	₱269,208,640

See accompanying Notes to Consolidated Financial Statements.

CITISECONLINE.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2011	2010	2009
NET INCOME	**₱334,798,876**	₱257,886,559	₱269,208,640
OTHER COMPREHENSIVE INCOME (LOSS)			
Translation adjustments - net of tax effect of ₱371,200 in 2011, ₱7,292,313 in 2010 and ₱3,180,347 in 2009	**866,134**	(17,015,398)	(7,420,809)
TOTAL COMPREHENSIVE INCOME	**₱335,665,010**	₱240,871,161	₱261,787,831
Earnings Per Share (Note 24)			
Basic	**₱0.74**	₱0.59	₱0.62
Diluted	**₱0.72**	₱0.55	₱0.57

See accompanying Notes to Consolidated Financial Statements.

CITISECONLINE.COM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009

	Capital Stock	Capital In Excess of Par Value	Cost of Share-Based Payment	Accumulated Translation Adjustment	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total
Balances at January 1, 2009	₱433,000,000	₱34,759,024	₱21,926,438	(₱2,437,473)	₱8,649,725	₱191,366,121	₱687,263,835
Cost of share-based payment (Note 16)	–	–	42,895,708	–	–	–	42,895,708
Declaration of cash dividend	–	–	–	–	–	(43,300,000)	(43,300,000)
Net income	–	–	–	–	–	269,208,640	269,208,640
Other comprehensive loss	–	–	–	(7,420,809)	–	–	(7,420,809)
Total comprehensive income (loss) for the year	–	–	–	(7,420,809)	–	269,208,640	261,787,831
Appropriation of retained earnings	–	–	–	–	5,083,872	(5,083,872)	–
Balances at December 31, 2009	433,000,000	34,759,024	64,822,146	(9,858,282)	13,733,597	412,190,889	948,647,374
Issuance of shares upon exercise of stock options (Note 16)	9,650,000	780,000	–	–	–	–	10,430,000
Cost of share-based payment (Note 16)	–	–	6,251,422	–	–	–	6,251,422
Declaration of cash dividend (Note 13)	–	–	–	–	–	(86,960,000)	(86,960,000)
Net income	–	–	–	–	–	257,886,559	257,886,559
Other comprehensive loss	–	–	–	(17,015,398)	–	–	(17,015,398)
Total comprehensive income (loss) for the year	–	–	–	(17,015,398)	–	257,886,559	240,871,161
Appropriation of retained earnings (Note 13)	–	–	–	–	13,147,733	(13,147,733)	–
Balances at December 31, 2010	442,650,000	35,539,024	71,073,568	(26,873,680)	26,881,330	569,969,715	1,119,239,957
Issuance of shares upon exercise of stock options (Note 16)	15,900,000	9,360,000	–	–	–	–	25,260,000
Cost of share-based payment (Note 16)	–	–	(7,531,883)	–	–	–	(7,531,883)
Declaration of cash dividend (Note 13)	–	–	–	–	–	(177,660,000)	(177,660,000)
Net income	–	–	–	–	–	334,798,876	334,798,876
Other comprehensive income	–	–	–	866,134	–	–	866,134
Total comprehensive income for the year	–	–	–	866,134	–	334,798,876	335,665,010
Appropriation of retained earnings (Note 13)	–	–	–	–	18,122,867	(18,122,867)	–
Balances at December 31, 2011	**₱458,550,000**	**₱44,899,024**	**₱63,541,685**	**(₱26,007,546)**	**₱45,004,197**	**₱708,985,724**	**₱1,294,973,084**

See accompanying Notes to Consolidated Financial Statements.

CITISECONLINE.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱401,715,734**	₱302,338,857	₱330,535,687
Adjustments for:			
Interest income (Notes 4, 6, 7 and 14)	**(187,261,774)**	(105,980,093)	(57,958,949)
Depreciation and amortization (Note 8)	**12,132,089**	9,142,634	11,468,435
Stock option expense (Note 16)	**5,980,000**	2,275,000	1,846,000
Gain on disposal of HTM investment (Note 7)	**(3,974,316)**	–	–
Retirement expense (Note 16)	**3,018,156**	2,336,561	2,175,177
Interest expense	**426,667**	1,284,722	–
Unrealized loss (gain) on financial assets at FVPL	**161,642**	520,316	(633,013)
Provision for impairment losses on other noncurrent assets	**–**	–	5,524,200
Dividend income (Note 5)	**(27,362)**	(378)	(20,720)
Operating income before working capital changes	**232,170,836**	211,917,619	292,936,817
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade receivables	**263,163,770**	(1,053,522,736)	(252,927,532)
Other receivables	**1,963,720**	4,789,501	(246,483)
Financial assets at FVPL	**(695,124)**	1,085,099	(1,802,148)
Prepayments	**(765,969)**	1,053,875	(349,856)
Other noncurrent assets	**(4,224,566)**	(10,459,814)	(5,980,022)
Increase in:			
Trade payables	**861,278,015**	444,451,175	279,930,569
Other current liabilities	**11,709,168**	33,915,004	24,747,614
Net cash generated from (used in) operations	**1,364,599,850**	(366,770,277)	336,308,959
Interest received	**187,702,374**	107,229,245	58,141,904
Income taxes paid	**(76,674,630)**	(54,143,965)	(46,600,119)
Interest paid	**(426,667)**	(1,284,722)	–
Dividends received	**27,362**	378	20,720
Net cash flows from (used in) operating activities	**1,475,228,289**	(314,969,341)	347,871,464
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of HTM investment	**106,474,792**	–	–
Acquisition of property and equipment (Note 8)	**(27,212,887)**	(8,063,004)	(11,618,392)
Contribution to retirement fund (Note 16)	**–**	(5,188,281)	(1,527,705)
Net cash flows from (used in) investing activities	**79,261,905**	(13,251,285)	(13,146,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends declared and paid (Note 13)	**(177,660,000)**	(86,960,000)	(43,300,000)
Payment of loan	**(80,000,000)**	(100,000,000)	–
Proceeds from availment of loan	**80,000,000**	100,000,000	–
Issuance of additional shares (Notes 13 and 16)	**15,900,000**	9,650,000	–
Net cash flows used in financing activities	**(161,760,000)**	(77,310,000)	(43,300,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,392,730,194**	(405,530,626)	291,425,367
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**796,209,875**	1,201,740,501	910,315,134
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,188,940,069**	₱796,209,875	₱1,201,740,501

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

CitisecOnline.com, Inc. (CitisecOnline, Parent Company) 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. CitisecOnline.com Hong Kong Limited (COLHK, Subsidiary), a wholly-owned foreign subsidiary, was domiciled and incorporated in Hong Kong, primarily to act as stockbroker and invest in securities. In the normal course of business, the Parent Company and COLHK (the Group) are 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 registered address of the Parent Company is Unit 2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Philippines. The registered address of COLHK is Room 803, Luk Yu Building, 24-26 Stanley Street, Hong Kong.

On July 12, 2006, the Parent Company completed its initial public offering (IPO) of 110,000,000 common shares (25.58% of the total outstanding common stock) through the Philippine Stock Exchange (PSE).

On August 15, 2006, the Board of Directors (BOD) of the Parent Company approved the acquisition of the 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 CitisecOnline as a Corporate Trading Participant in PSE through the transfer of the Trading Right registered in the name of Mark Securities Corporation and the designation of Mr. Conrado F. Bate as its Nominee Trading Participant.

On October 20, 2008, the Parent Company made an initial contribution to the Clearing and Trade Guaranty Fund (CTGF) of the Securities Clearing Corporation of the Philippines (SCCP) as a prerequisite to its accreditation as a clearing member of SCCP. On August 20, 2009, the Parent Company made a top-up contribution six (6) months after it started operating its own seat in the PSE on February 16, 2009.

Pursuant to a special resolution passed at an extraordinary general meeting of the Subsidiary held on May 19, 2011 and approved by the Companies Registry of the Securities and Futures Commission, the name of the Subsidiary was changed from CitisecOnLine.com Hong Kong Limited to COL Securities (HK) Limited.

On February 21, 2012, SEC approved the Parent Company's application for the change in company name from CitisecOnline.com, Inc. to COL Financial Group, Inc.

The accompanying consolidated financial statements of the Group as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 were authorized for issue by the BOD on March 1, 2012.

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

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), which have been measured at fair value. The Group's consolidated financial statements are presented in Philippine peso, which is the presentation currency under Philippine Financial Reporting Standards (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and COLHK have been determined to be Philippine peso and Hong Kong (HK) dollar, respectively. All values are rounded to the nearest peso, except as otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with the PFRS, except for the use of closing prices for the valuation of equity securities as required by the Securities Regulation Code (SRC). PFRS requires the use of current bid prices for valuation of equity securities held.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and COLHK, a 100% owned and controlled foreign subsidiary, after eliminating significant intercompany balances and transactions.

The Subsidiary is consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the Subsidiary are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS and Philippine Interpretations which were adopted as of January 1, 2011.

- Philippine Accounting Standards (PAS) 24, *Related Party Disclosures (Revised)*
  The revised standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. Furthermore, the revised standard introduces a partial exemption of disclosure requirements for government-related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The revised standard does not have an impact on the financial position or performance of the Group.

- PAS 32, *Financial Instruments: Presentation (Amendments) - Classification of Rights Issues*
  The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment has no impact on the consolidated financial statements of the Group after initial application.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 14, *Prepayments of a Minimum Funding Requirement (Amendments)*
  The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the consolidated financial statements of the Group.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
  Philippine Interpretation IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation has no effect on the consolidated financial statements of the Group.

- Improvements to PFRS 2010
  Improvements to PFRS are an omnibus of amendments to PFRS. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011.
  - PFRS 3, *Business Combinations (Measurement options available to noncontrolling interest)*
  - PFRS 3, *Business Combinations [Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008)]*
  - PFRS 3, *Business Combinations (Unreplaced and voluntarily replaced share-based payment awards)*
  - PFRS 7, *Financial Instruments: Disclosures*
  - PAS 1, *Presentation of Financial Statements*
  - PAS 27, *Consolidated and Separate Financial Statements*
  - Philippine Interpretation IFRIC 13, *Customer Loyalty Programme*

The new, revised, amended and improved standards and/or interpretations that have been adopted are deemed to have no impact on the financial position or performance of the Group.

<u>Standards Issued But Not Yet Effective</u>
The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its consolidated financial statements.

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This interpretation, effective for annual periods beginning on or after January 1, 2015, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are

transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. Implementation of this Interpretation has been deferred until the final Revenue Standard is issued by the International Accounting Standards Board and after an evaluation on the requirements and guidance in the said standard vis-a-vis the practices and regulations in the Philippine real estate industry is completed.

Effective in 2012:

- PAS 12, *Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets*
  The amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

- PFRS 7, *Financial Instruments: Disclosures (Amendments)* **-** *Transfers of Financial Assets*
  The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Effective in 2013:

- PAS 1, *Presentation of Financial Statements (Amendments) - Presentation of Items of Other Comprehensive Income*
  The amendments are effective for annual periods beginning on or after July 1, 2012. The amendments change the grouping of items presented in other comprehensive income. Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in other comprehensive income, nor do they impact the determination of whether items of other comprehensive income are classified through profit or loss in the future periods. The amendments will be applied retrospectively.

- PAS 19, *Employee Benefits (Revised)*
  The revised standard is effective for annual periods beginning on or after January 1, 2013. The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The significant changes include immediate recognition of actuarial gains or losses for defined benefit plans in other comprehensive income when they occur, new disclosure requirements including qualitative information of sensitivity of the defined benefit obligation, recognition of termination benefits and distinction between short-term and long-term employee benefits. The revised standard will be applied retrospectively.

- PAS 27, *Separate Financial Statements (Amendments)*
  As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (Amendments)*
The amendment becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities*
The amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;

  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;

  c) The net amounts presented in the statement of financial position;

  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and

     ii. Amounts related to financial collateral (including cash collateral); and

  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 10 replaces the portion of PAS 27, *Separate and Consolidated Financial Statements*, which addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12, *Consolidation - Special Purpose Entities*, resulting to SIC being withdrawn. It does not change the consolidation procedures. Rather, it changes whether an entity is consolidated by revising the definition of control. It also provides a number of clarifications in applying this new definition. The new standard will be applied retrospectively.

- PFRS 11, *Joint Arrangements*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 introduces the definition of "joint control", for which the reference to "control" in "joint control" refers to the definition of "control" in PFRS 10. It also changes the accounting for joint arrangements by moving from three categories under PAS 31 to two categories, either joint operation or joint venture. Under this new classification, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either joint operation or a joint venture. Further, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances. In addition, PAS 28, *Investment in Associates*, was amended to include the application of the equity method to investments in joint ventures. PFRS 11 will be applied using modified retrospective approach.

- PFRS 12, *Disclosure of Interests in Other Entities*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. The objective of the new disclosure requirements is to help the users of the financial statements to understand the effects of an entity's interests in other entities on its financial position, financial performance and cash flows and the nature of, and the risks associated with, the entity's interest in other entities. It also includes more extensive qualitative and quantitative disclosures. PFRS 12 will be applied retrospectively.

- PFRS 13, *Fair Value Measurement*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by PFRS.

  Under PFRS 13, fair value is defined as "the 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". Fair value as used in PFRS 2, *Share-based Payments*, and PAS 17, *Leases,* is excluded from the scope of PFRS 13. The standard also provides clarification on a number of areas. New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurement and the effect of fair value measurements on profit or loss. PFRS 13 is applied prospectively. Early application is permitted and must be disclosed.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation becomes effective for annual periods beginning on or after January 1, 2013 and applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

Effective in 2014:

- PAS 32, *Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*
  The amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement*
  This standard is effective for annual periods beginning on or after January 1, 2015. It introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in PAS 39, *Financial Instruments: Recognition and Measurement*. The approach in the new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in PAS 39. The Group expects significant impact on its financial statements when it adopts this standard.

The revised, amended and additional disclosure or accounting changes provided by the standards and interpretations will be included in the consolidated financial statements in the year of adoption, if applicable.

Summary of Significant Accounting Policies

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

The financial statements of the foreign consolidated subsidiary are translated at closing exchange rates with respect to the consolidated statement of financial position, and at the average exchange rates for the year with respect to the consolidated statement of income. Resulting translation differences are included in equity (under accumulated translation adjustment). Upon disposal of the foreign subsidiary, accumulated exchange differences are recognized in the consolidated statement of income as a component of the gain or loss on disposal.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of acquisition and that are subject to insignificant risk of changes in value.

Cash in Banks - Reserve Bank Account
Cash in banks - reserve bank account includes Parent Company's reserved cash in compliance with SRC Rule 49.2 covering customer protection and custody of securities and clients' monies maintained by COLHK with a licensed bank arising from its normal course of business.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition

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.

Initial Recognition and Classification of Financial Instruments

All financial assets, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for securities valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, HTM investments, available-for-sale (AFS) investments, and loans and receivables. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. The Group's financial assets are of the nature of financial assets at FVPL, HTM investments, and loans and receivables. As at December 31, 2011 and 2010, the Group has no AFS investments.

Also under PAS 39, all financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. Financial liabilities are classified as at FVPL or other financial liabilities. The Group's financial liabilities as at December 31, 2011 and 2010 are of the nature of other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

Financial Assets and Financial Liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading purposes, financial assets and financial liabilities designated upon by management at initial recognition as at FVPL, and derivative instruments (including bifurcated embedded derivatives). Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.

Financial assets or financial liabilities are designated as at FVPL on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in 'Gain on financial assets at FVPL - 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.

As at December 31, 2011 and 2010, the Group has no financial assets and financial liabilities that have been designated as at FVPL.

Embedded Derivatives
An embedded derivative is separated from the host contract and accounted for as derivative if all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;

- A separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and

- The hybrid or combined instrument is not recognized at FVPL.

Separated embedded derivatives are classified as financial assets or financial liabilities at FVPL unless they are designated as effective hedging instruments. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of income.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

As at December 31, 2011 and 2010, the Group has no bifurcated embedded derivatives.

HTM Investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, during either the current financial year or the two preceding financial years, the entire category would be tainted and reclassified as AFS investments and will be re-measured to fair value. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method (EIR), 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 income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

Loans and Receivables
These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

This accounting policy mainly relates to the consolidated statement of financial position captions 'Cash and cash equivalents' and 'Trade and other receivables', which arise primarily from service revenues and other types of receivables.

Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the EIR method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment are recognized in 'Provision for credit losses' in the consolidated statement of income.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in 'Foreign exchange gains - net' account in the consolidated statement of income.

This accounting policy applies primarily to the consolidated statement of financial position captions 'Trade payables' and 'Other current liabilities' and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

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

For investments 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.

Day 1 Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the Group statement of income unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is recognized in the Group statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method for recognizing the "Day 1" difference amount.

Trade Receivables and Payables
Trade receivable from customers, which include margin accounts, and payables to clearing house and other brokers arise from securities purchased (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. 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 on the reporting date. Refer to the accounting policy for 'Loans and Receivables' and 'Other Financial Liabilities' for recognition and measurement.

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.

When the Group continues to recognize an asset to the extent of its continuing involvement, the entity also recognizes an associated liability. Despite the other measurement requirements in PFRS, the transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

a. the amortized cost of the rights and obligations retained by the entity, if the transferred asset is measured at amortized cost; or

b. equal to the fair value of the rights and obligations retained by the entity when measured on a stand-alone basis, if the transferred asset is measured at fair value.

The Group shall continue to recognize any income arising on the transferred asset to the extent of its continuing involvement and shall recognize any expense incurred on the associated liability.

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

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

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost
The Group first assesses 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 loans and receivables 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
Financial assets and liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable 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.

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 in value. 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
Furniture, fixtures and equipment	3-10
Lease 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 financial year end.

Intangibles
Intangibles are composed of exchange trading rights, which are carried at cost less any allowance for impairment losses. 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 Group does not intend to sell the exchange trading rights in the near future.

Input Value-added Taxes (VAT)
Input VAT represents VAT imposed on the Parent Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

Input VAT is stated at its estimated net realizable values.

Impairment of Non-financial Assets
The Group assesses at each reporting date whether there is an indication that its property and equipment, intangibles and other noncurrent 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 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 value-in-use is the present value of

estimate 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.

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

Determination of Whether an Arrangement Contains a Lease

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.

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 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 deducted from equity when they are approved by the Group's BOD and stockholders, respectively. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Revenue Recognition
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. The Group is acting as principal in all 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 based on a flat rate for every trade transaction.

Interest
Interest income is recognized as it accrues taking into account the effective yield of the asset.

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

Expenses
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. Expenses are recognized when the related revenue is earned or when the service is incurred. The majority of expenses incurred by the Group such as commissions, personnel costs, professional fees, and computer services, are overhead in nature and are recognized with regularity as the Group continues its operations.

Share-Based Payment Transactions
Certain employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will vest. The fair value is determined using an appropriate pricing model, further details of which are given in Note 16 to the consolidated notes to financial statements.

The cost of equity-settled transactions is recognized in the consolidated statement of income, together with a corresponding increase in equity, over the period in which service conditions are fulfilled, ending on the date on which relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards, based on the best available estimate of number of equity instruments in the opinion of the management of the Group, will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum, expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has applied PFRS 2, only to equity-settled awards granted after November 7, 2002 that had not vested on or before January 1, 2005. Prior to January 1, 2005, the Group did not recognize any expense for share options granted but disclosed required information for such options (see Note 16).

Retirement Cost
The Parent Company has a noncontributory defined benefit retirement plan.

The retirement cost of the Parent Company is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The liability recognized in the consolidated statement of financial position in respect of the defined benefit retirement plan is the present value of the defined benefit retirement obligation at the reporting date less the fair value of any plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit retirement obligation is calculated annually, as necessary, by an independent actuary using the projected unit credit method. The present value of the defined benefit retirement obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded ten percent (10.00%) of the higher of the defined benefit retirement obligation and the fair value of plan assets, if any, at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in income, unless the changes to the retirement plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The defined benefit asset or liability comprises the present value of the defined benefit retirement obligation less past service costs not yet recognized and less the fair value of any plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the 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 stock options 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.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date 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, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences 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.

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.

The carrying amount of deferred income tax assets is reviewed at each reporting date 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 tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date 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 tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Current income tax and deferred income tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statement of income.

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.

<u>Contingencies</u>
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 disclosed when an inflow of economic benefits is probable.

<u>Segment Reporting</u>
The Group's operating businesses are organized and managed separately according to the geographical location of its operations, with each segment representing a unit that offers stockbrokerage services and serves different markets. Financial information on geographical segments is presented in Note 25. The Group operates in one business segment, being stockbrokerage services; therefore, business segment information is no longer presented.

<u>Events After the Reporting Date</u>
Post-year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed when material.

3. Summary of 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 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.

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and COLHK have been determined to be Philippine peso and Hong Kong dollar, respectively. The Philippine peso and the Hong Kong dollar are the currencies of the primary economic environments in which the Parent Company and COLHK, respectively, operate. They are the currencies that mainly influence the revenue and expenses of each of the respective entities of the Group.

Operating Lease Commitments - Group as Lessee
The Group has entered into commercial property leases on its facility and administrative office locations. The Group has determined that these are operating leases since they do not retain all the significant risks and rewards of ownership of these properties.

Classifying Financial Assets at FVPL
The Group classifies financial assets that are held for trading as financial assets at FVPL. These financial assets are held for the purpose of selling in the short term. As at December 31, 2011 and 2010, the Group has financial assets at FVPL amounting to ₱1,313,282 and ₱779,800, respectively (see Note 5).

Classifying HTM Investments
The Group follows the guidance of PAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances explained in PAS 39, it will be required to reclassify the whole amount as AFS investments. The investments would therefore be measured at fair value, not amortized cost. If the class of HTM investment is tainted, its fair value would change with a corresponding entry in the fair value reserve in equity. As at December 31, 2011 and 2010, the Group has HTM investment amounting to nil and ₱102,456,071, respectively (see Note 7).

Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each reporting date 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 Group has net deferred income tax assets amounting to ₱75,178,490 and ₱79,806,548 as at December 31, 2011 and 2010, respectively (see Note 17).

Estimating Contingencies
The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 23).

Determining Useful Lives and 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 Parent Company's exchange trading right is based on the available market value while COLHK's exchange trading right is based on value-in-use calculation that uses a discounted cash flow model. The cash flows are derived from the budget for the next five (5) years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used. The key assumptions used to determine the recoverable amount for the cash generating unit are further explained in Note 9. The Group does not intend to sell the exchange trading rights in the near future. As at December 31, 2011 and 2010, the carrying values of intangibles amounted to ₱23,027,647 and ₱22,989,686, respectively (see Note 9).

Estimating Useful Lives of Property and Equipment
The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the factors mentioned. Depreciation and amortization amounted to ₱12,132,089, ₱9,142,634 and ₱11,468,435 in 2011, 2010 and 2009, respectively. As at December 31, 2011 and 2010, the net book values of property and equipment amounted to ₱41,731,847 and ₱26,674,510, respectively (see Note 8).

Assessing Impairment of Property and Equipment and Other Noncurrent Assets
The Group assesses impairment on property and equipment and other noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value-in-use 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.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

Based on management's assessment, there are no indications of impairment on the Group's property and equipment as at December 31, 2011 and 2010.

As at December 31, 2011 and 2010, allowance for impairment losses on other noncurrent assets amounted to ₱13,724,200.

No impairment loss was recognized in 2011, 2010 and 2009 for property and equipment. The net book values of property and equipment amounted to ₱41,731,847 and ₱26,674,510 as at December 31, 2011 and 2010, respectively (see Note 8).

Provision for impairment losses on other noncurrent assets amounted to nil, nil and ₱5,524,200 in 2011, 2010 and 2009, respectively. The net book values of other noncurrent assets amounted to ₱8,626,513 and ₱6,915,945, respectively (see Note 10).

Share-based Payments
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payments are disclosed in Note 16. As at December 31, 2011 and 2010, cost of share-based payment in equity amounted to ₱63,541,685 and ₱71,073,568, respectively (see Note 16).

Retirement Obligation
The cost of defined benefit retirement plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting dates. As at December 31, 2011 and 2010, the retirement obligation of the Parent Company amounted to ₱6,152,980 and ₱3,134,824, respectively (see Note 16).

Estimating Impairment of Receivables and HTM Investment
The Group reviews its receivables and HTM investment at each reporting date to assess whether provision for impairment losses should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. The Group

individually assesses receivables when the value of the collateral falls below the management-set level. When no payment is received within a specified timeframe, the outstanding balance is deemed impaired. Collective assessment is based on the age of the financial assets and historical expected losses adjusted for current conditions.

As at December 31, 2011 and 2010, the allowance for credit losses on trade and other receivables amounted to ₱12,830,410 and ₱12,709,415, respectively. The carrying value of trade and other receivables as at December 31, 2011 and 2010 amounted to ₱1,168,821,109 and ₱1,428,220,974, respectively (see Note 6).

There is no allowance for impairment of HTM investment as at December 31, 2011 and 2010. The carrying value of HTM investment amounted to nil and ₱102,456,071 as at December 31, 2011 and 2010, respectively (see Note 7).

4. Cash and Cash Equivalents

Cash and Cash Equivalents

	2011	2010
Cash on hand and in banks	**₱586,526,418**	₱528,581,230
Short-term cash investments	**1,602,413,651**	267,628,645
	₱2,188,940,069	₱796,209,875

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group's immediate cash requirements, and earn interest at 1.80% to 4.56% per annum in 2011, 1.50% to 4.25% per annum in 2010 and 3.70% to 5.80% per annum in 2009. Interest income of the Group from cash in banks amounted to ₱39,522,787, ₱17,318,452 and ₱17,968,876 in 2011, 2010, and 2009, respectively (see Note 14). The Parent Company has United States (US) dollar-denominated cash in banks as at December 31, 2011 and 2010 (see Note 21).

Cash in Banks - Reserve Bank Account

In compliance with SRC Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve bank accounts for the exclusive benefit of its customers amounting to ₱1,663,501,898 and ₱327,053,167 as at December 31, 2011 and 2010, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at December 31, 2011 and 2010, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

COLHK maintains segregated account with a licensed bank to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies under the cash and cash equivalents 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. The Group is not allowed to use the clients' monies to settle its own obligations.

As at December 31, 2011 and 2010, cash in a segregated account for COLHK amounted to ₱178,180,571 and ₱143,755,312, respectively.

5. Financial Assets at FVPL

Financial assets at FVPL pertain to investments in shares of stocks of companies listed in the PSE and major US Stock Exchanges. Net gains recognized from fair value changes of these financial instruments amounted to ₱16,027,838 and ₱7,717,255 and ₱2,404,116 in 2011, 2010 and 2009, respectively. Dividend income amounted to ₱27,362, ₱378 and ₱20,720 in 2011, 2010 and 2009, respectively.

Financial assets at FVPL as at December 31, 2011 and 2010 amounted to ₱1,313,282 and ₱779,800, respectively.

6. Trade and Other Receivables

	2011	2010
Trade receivables:		
Customers	**₱965,366,128**	₱1,114,084,041
Clearing house	**194,394,567**	305,500,961
Other brokers	**4,799,765**	4,909,619
	1,164,560,460	1,424,494,621
Less allowance for credit losses on receivable from customers	**3,870,165**	3,749,170
	₱1,160,690,295	₱1,420,745,451

Other receivables:		
Accrued interest	**₱1,239,835**	₱1,680,435
Others	**15,851,224**	14,755,333
	17,091,059	16,435,768
Less allowance for credit losses on other receivables	**8,960,245**	8,960,245
	₱8,130,814	₱7,475,523

The Parent Company has a credit line facility (involving margin accounts) for qualified customers with the outstanding balance subject to an interest rate ranging from 1.00% to 1.50% per month. Total credit line offered by the Parent Company amounted to ₱4,011,540,000 and ₱3,102,065,000 as at December 31, 2011 and 2010, respectively. Interest income from customers amounted to ₱146,475,134, ₱82,774,097 and ₱34,141,951 in 2011, 2010 and 2009, respectively (see Note 14).

Other receivables as at December 31, 2011 and 2010 include the amount of ₱8,960,245 representing additional corporate income tax paid under protest by the Parent Company for the taxable year 2009. For the first, second and third quarters of the taxable year 2009, the Parent Company used the itemized method of deduction in determining its income tax payable for the same period. In its final adjusted income tax return, it opted to use the 40% optional standard deduction (OSD) to determine the final income tax payable for 2009, pursuant to Republic Act (RA) No. 9504 effective July 7, 2008, as implemented by Revenue Regulations (RR) No. 16-08 dated November 26, 2008 (see Note 17). However on March 14, 2010, RR No. 2-2010 became effective and amended Section 7 of RR No. 16-08, which required taxpayers to signify the election to claim either the OSD or itemized deduction during the filing of the first quarter income tax return which must be consistently applied for all succeeding quarterly returns and in the final income tax returns for the taxable year. Likewise, Revenue Memorandum Circular (RMC) No. 16-2010 was issued on February 26, 2010 giving retroactive application to RR No. 2-2010. The additional income tax paid under protest is for the sole purpose of avoiding any interest or penalty which may be subsequently imposed in erroneously applying RR No. 2-2010 and RMC No. 16-2010 retroactively in violation of Section 246 of the 1997 Tax Code, as amended. Payment of the additional income tax does not constitute an admission of any deficiency tax liability for the taxable year 2009 nor shall the same be construed as a waiver of the right to apply for and secure a refund of the tax erroneously paid for the period. Pending the outcome of the payment under protest, a 100% allowance for impairment loss was set up.

Other receivables as at December 31, 2011 also include the amount of ₱3,576,644 and ₱2,298,151 representing overpayment of corporate income tax by the Parent Company and COLHK, respectively, for the taxable year 2011.

The Group's receivable from customers, arising from the credit line facility, and its security valuation follows:

	2011		2010	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
Cash and fully secured accounts:				
More than 250%	**₱547,166,376**	**₱3,548,258,577**	₱705,634,047	₱3,421,549,419
Between 200% and 250%	**259,656,597**	**561,782,521**	218,784,229	505,599,160
Between 150% and 200%	**127,339,875**	**240,891,741**	54,021,731	102,098,358
Between 100% to 150%	**2,958,701**	**4,011,000**	4,714,382	5,272,000
Less than 100%	**4,904,963**	**4,850,000**	130,927,166	77,248,428
Unsecured accounts	**23,339,616**	**–**	2,486	–
	965,366,128	**4,359,793,839**	1,114,084,041	4,111,767,365
Less allowance for credit losses on receivable from customers	**3,870,165**	**–**	3,749,170	–
	₱961,495,963	**₱4,359,793,839**	₱1,110,334,871	₱4,111,767,365

Receivables from 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 stocks to cover their account balance. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at December 31, 2011 and 2010, ₱937,121,549 and ₱983,154,389, respectively, of the total receivable from customers are fully covered by collateral.

Receivables from clearing house as at December 31, 2011 and 2010 were fully collected subsequently in January 2011 and 2010, respectively.

Movements in the allowance for credit losses follow:

	2011			2010		
	Customers	**Others**	**Total**	Customers	Others	Total
Balances at beginning of year	**₱3,749,170**	**₱8,960,245**	**₱12,709,415**	₱802,175	₱–	₱802,175
Provisions for the year	**120,995**	**–**	**120,995**	2,946,995	8,960,245	11,907,240
Balances at end of year	**₱3,870,165**	**₱8,960,245**	**₱12,830,410**	₱3,749,170	₱8,960,245	₱12,709,415

7. Held-to-Maturity Investment

On March 14, 2011, the Parent Company sold its HTM investment which consists of investment in a 5-year Fixed Rate Treasury Note, with face value of ₱100,000,000, purchased on October 3, 2008 at a premium of ₱5,006,606 and with coupon rate of 8.75% per annum. This was supposed to mature on March 3, 2013. Gain on sale of HTM investment amounted to ₱3,974,316.

Interest income earned from this investment amounted to ₱1,249,961, ₱5,866,429 and ₱5,846,984 in 2011, 2010 and 2009, respectively (see Note 14).

As at December 31, 2011 and 2010, the amortized cost of HTM investment amounted to nil and ₱102,456,071, respectively.

8. Property and Equipment

2011

	Furniture, Fixtures and Equipment	**Leasehold Improvements**	**Total**
Cost:			
At beginning of year	**₱61,139,670**	**₱16,326,279**	**₱77,465,949**
Additions	**17,720,175**	**9,492,712**	**27,212,887**
Translation adjustments	**29,512**	**1,703**	**31,215**
At end of year	**78,889,357**	**25,820,694**	**104,710,051**
Accumulated depreciation and amortization:			
At beginning of year	**40,004,677**	**10,786,762**	**50,791,439**
Depreciation and amortization for the year	**8,805,619**	**3,326,470**	**12,132,089**
Translation adjustments	**52,973**	**1,703**	**54,676**
At end of year	**48,863,269**	**14,114,935**	**62,978,204**
Net book values	**₱30,026,088**	**₱11,705,759**	**₱41,731,847**

2010

	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost:			
At beginning of year	₱55,264,031	₱15,010,653	₱70,274,684
Additions	6,699,030	1,363,974	8,063,004
Translation adjustments	(823,391)	(48,348)	(871,739)
At end of year	61,139,670	16,326,279	77,465,949
Accumulated depreciation and amortization:			
At beginning of year	33,983,323	8,192,644	42,175,967
Depreciation and amortization for the year	6,500,169	2,642,465	9,142,634
Translation adjustments	(478,815)	(48,347)	(527,162)
At end of year	40,004,677	10,786,762	50,791,439
Net book values	₱21,134,993	₱5,539,517	₱26,674,510

9. Intangibles

Philippine Operations
On August 15, 2006, the Parent Company purchased the Trading Right of Mark Securities Corporation amounting to ₱5,000,000. As discussed in Note 1, on December 13, 2006, the BOD of the PSE, in its regular meeting, approved the application of the Parent Company as a PSE Corporate Trading Participant. As at December 31, 2011 and 2010, the market value of said exchange trading right amounted to ₱8,500,000 and ₱7,500,000, respectively.

Hong Kong Operations
COLHK's exchange trading right is carried at its cost of HK$3,190,000. 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 said exchange trading right is nontransferable and cannot be sold to any third party independent of the total assets and liabilities of COLHK. As at December 31, 2011 and 2010, the carrying value of COLHK exchange trading right in Philippine peso amounted to ₱18,027,647 and ₱17,989,686, respectively.

The recoverable amount of exchange trading rights of COLHK has been determined based on a value-in-use calculation. That calculation uses cash from projections based on a financial budget approved by management covering a five-year period, and a discount rate ranging from 8.38% to 11.50%. Management believes that any reasonably possible change in the key assumptions on which the exchange trading rights' recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.
Movements in exchange trading rights follow:

	2011	2010
At beginning of year	**₱22,989,686**	₱24,067,268
Translation adjustment	**37,961**	(1,077,582)
At end of year	**₱23,027,647**	₱22,989,686

10. Other Noncurrent Assets

	2011	2010
Deposit to CTGF	**₱13,724,200**	₱13,724,200
Refundable deposits:		
Rental deposits	**2,378,081**	1,829,045
Other refundable deposits	**2,939,697**	3,218,714
	5,317,778	5,047,759
Input VAT	**3,308,735**	1,868,186
	22,350,713	20,640,145
Less allowance for impairment losses on other noncurrent assets	**13,724,200**	13,724,200
	₱8,626,513	₱6,915,945

As mentioned in Note 1, as a prerequisite to its accreditation as a clearing member of SCCP, the Parent Company made an initial contribution of ₱8,200,000 on October 20, 2008 to the CTGF of the SCCP. The CTGF is a risk management tool of SCCP, whose primary purpose is to protect the settlement system from any default by a clearing member. The amount of contribution was computed based on the previous six months trading data and a calculation for the ideal fund level using the Value-at-Risk Model. The said amount was recalculated after six (6) months based on the effective rate of eleven percent (11%) applied to the actual netted trade value of the clearing member. 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.

In addition to the collection of the initial contribution and as part of the build-up plan for the CTGF, SCCP collects a monthly contribution at the rate of 1/500 of 1.00% of the clearing member's gross trade value less block sales and cross transactions of the same flag.
Under SCCP Rule 5.2, the cash contributions made by the clearing members to the CTGF are nonrefundable. However, in consideration of the 100% increase in the CTGF contributions which took effect on August 1, 2007, the BOD of SCCP has approved the full refund of contributions to the CTGF upon cessation of the business of the clearing member and upon termination of its membership with SCCP. Such amendment has been submitted for the further approval of the SEC. Pending the approval of the SEC, the rule on nonrefundability still applies. In view of this, the Parent Company made a provision for impairment losses amounting to ₱5,524,200 in 2009.

11. Trade Payables

	2011		2010	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	**₱2,133,442,971**	**₱11,062,358,289**	₱1,239,346,027	₱8,059,410,037
No money balances	**–**	**369,732,402**	–	302,328,446
	2,133,442,971	**11,432,090,691**	1,239,346,027	8,361,738,483
Dividend payable - customer	**81,972**	**–**	9,300	–
Payable to clearing house and other brokers (see Note 18)	**–**	**–**	32,551,800	–
	₱2,133,524,943	**₱11,432,090,691**	₱1,271,907,127	₱8,361,738,483

Payable to customers with money balances amounting to ₱179,221,794 and ₱128,508,340 as at December 31, 2011 and 2010, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. These balances are payable on demand (see Note 4).

12. Other Current Liabilities

	2011	2010
Accrued expenses (see Note 18)	**₱27,156,742**	₱25,767,217
Accrued management bonus	**26,575,192**	15,518,400
Due to Bureau of Internal Revenue	**17,388,880**	14,337,986
Trading fees	**3,862,395**	6,235,537
Others	**210,762**	159,874
	₱75,193,971	₱62,019,014

Accrued expenses and accrued management bonus mainly include accruals for the officers and employees' performance bonus and other operating expenses and deposits of clients which were received after the cut-off time for the processing of collections and which were credited to the clients' trading accounts on the next business day following the end of the reporting period.

13. Equity

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

	2011		2010		2009	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Common Stock - ₱1 per share						
Authorized	**1,000,000**	**₱1,000,000**	1,000,000	₱1,000,000	1,000,000	₱1,000,000
Issued and Outstanding						
Balances at beginning of year	**442,650**	**442,650**	433,000	433,000	433,000	433,000
Issuance of common shares upon exercise of stock options (Note 16)	**15,900**	**15,900**	9,650	9,650	–	–
Balances at end of year	**458,550**	**₱458,550**	442,650	₱442,650	433,000	₱433,000

As at December 31, 2011 and 2010, the Parent Company has 38 and 35 stockholders, respectively.

Retained Earnings
In compliance with SRC Rule 49.1 B Reserve Fund, the Parent Company is required to annually appropriate ten percent (10%) of its audited net income and transfer the same to appropriated retained earnings account. On December 11, 2006, the BOD approved the annual appropriation commencing on the year 2006. Based on the audited net income of the Parent Company in 2009 amounting to ₱131,477,331, the appropriation for 2010 amounted to ₱13,147,733. In 2011, an appropriation of ₱18,122,867 was made based on the 2010 audited net income of the Parent Company of ₱181,228,667. Total unappropriated retained earnings amounted to ₱708,985,724 and ₱569,969,715 as at December 31, 2011 and 2010, respectively (see Note 20).

On March 13, 2009, the BOD declared a regular and a special dividend amounting to ₱0.02 per share held or ₱8,660,000 (433,000,000 shares multiplied by ₱0.02 cash dividend per share) and ₱0.08 per share held or ₱34,640,000 (433,000,000 shares multiplied by ₱0.08 cash dividend per share), respectively, to stockholders as of record date of March 27, 2009. These dividends were paid on April 27, 2009.

On December 31, 2009, the Hong Kong SFC approved the increase in the authorized capital stock of COLHK from 50,000,000 shares to 150,000,000 shares at HK$1 par value. On March 1, 2010, the COLHK's BOD declared a scrip dividend corresponding to 21,999,995 shares at HK$1 par value to its existing stockholders as of December 31, 2009.

On March 30, 2010, the BOD declared a regular and a special dividend amounting to ₱0.05 per share held or ₱21,740,000 (434,800,000 shares multiplied by ₱0.05 cash dividend per share) and ₱0.15 per share held or ₱65,220,000 (434,800,000 shares multiplied by ₱0.15 cash dividend per share), respectively, to stockholders as of record date of April 16, 2010. These dividends were paid on May 12, 2010.

On February 3, 2011, COLHK's BOD declared a scrip dividend of HK$13,000,000 (65,000,000 shares multiplied by HK$0.20 scrip dividend per share) to stockholders as of record date of February 3, 2011.

On March 31, 2011, the BOD declared a regular and a special dividend amounting to ₱0.07 per share held or ₱31,090,500 (444,150,000 shares multiplied by ₱0.07 cash dividend per share) and ₱0.33 per share held or ₱146,569,500 (444,150,000 shares multiplied by ₱0.33 cash dividend per share), respectively, to stockholders as of record date of April 14, 2011. These dividends were paid on April 29, 2011.

On February 7, 2012, COLHK's BOD has proposed to pay a final dividend of HK$0.064 per share in scrip. The proposed dividend is not reflected in the financial statements, but will be reflected as an appropriation of retained earnings in the year ending December 31, 2012.

14. **Interest**

	2011	2010	2009
Customers (Note 6)	**₱146,475,134**	₱82,774,097	₱34,141,951
Banks - net of final tax (Note 4)	**39,522,787**	17,318,452	17,968,876
HTM investment - net of final tax (Note 7)	**1,249,961**	5,866,429	5,846,984
Others	**13,892**	21,115	1,138
	₱187,261,774	₱105,980,093	₱57,958,949

15. **Personnel Costs**

	2011	2010	2009
Salaries and wages	**₱71,112,084**	₱60,976,698	₱45,739,482
Retirement costs (see Note 16)	**3,265,441**	2,591,691	2,442,011
Other benefits	**5,310,424**	4,541,345	4,110,526
	₱79,687,949	₱68,109,734	₱52,292,019

16. **Employee Benefits**

<u>Stock Options</u>

On July 12, 2000 and July 3, 2006, the Group granted stock options (SOP) in favor of directors, senior managers and officers of the Group as well as other qualified individuals determined by a committee constituted by the BOD to administer the SOP. As at December 31, 2006, a total of 46,000,000 stock options were granted. The agreement provides for an exercise price of ₱1.00 per share. These options will be settled in equity once exercised. All options are exercisable one and a half (1½) years from July 12, 2006, the effective date of listing of the Parent Company's shares at the PSE, and will terminate ten (10) years from the said date. There was no new SOP granted in 2011, 2010 and 2009.

There have been no cancellations or modifications to the plan in 2011, 2010 or 2009.

The following table illustrates the number of and movements in stock options:

	2011	2010	2009
Outstanding at beginning of year	**33,350,000**	43,000,000	43,000,000*
Exercised during the year	**(15,900,000)**	(9,650,000)	–
Outstanding at end of year	**17,450,000**	33,350,000	43,000,000

**27,250,000 of the total stock options have not been recognized in accordance with PFRS 2, Share-Based Payment, as these options were granted on or before November 7, 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with PFRS 2.*

The options have a contractual term of ten (10) years. The weighted average remaining contractual life of options outstanding is 5.5 years, 6.5 years, and 7.5 years as at December 31, 2011, 2010 and 2009, respectively.

The fair value of each option is estimated on the date of grant using the Black-Scholes Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of options granted on July 12, 2000 and July 3, 2006 amounted to ₱0.89 per share and ₱1.04 per share, respectively.

The assumptions used to determine the fair value of the 27,250,000 stock options granted on July 12, 2000 were (1) share price of ₱1.07 obtained through the use of the Discounted Cash Flow model since the stock was not quoted at the time; (2) exercise price of ₱1.00; (3) expected volatility of 44.00%; (4) option life of ten (10) years; and (5) risk-free interest rate of 15.61%.

The assumptions used to determine the fair value of the 18,750,000 stock options granted on July 3, 2006 were (1) share price of ₱1.36 as the latest valuation of stock price at the time of the IPO; (2) exercise price of ₱1.00; (3) expected volatility of 24.00%; (4) option life of 10 years; and (5) risk-free interest rate of 11.04%.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. Since the stock is not quoted at the time of grant date, the Group used the historical volatility of the nearest market comparable available. Risk-free interest rate is the equivalent 10-year zero coupon rate at the time of grant date.

Movements in the cost of share-based payment included in equity are as follows:

	2011	2010	2009
Balances at beginning of year	**₱71,073,568**	₱64,822,146	₱21,926,438
Cost of share-based payment recognized as capital in excess of par value	**(9,360,000)**	(780,000)	–
Stock option expense	**5,980,000**	2,275,000	1,846,000
Movement on deferred tax asset on intrinsic value of outstanding options	**(4,151,883)**	4,756,422	41,049,708
Movements during the year	**(7,531,883)**	6,251,422	42,895,708
Balances at end of year	**₱63,541,685**	₱71,073,568	₱64,822,146

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 the employees. The defined retirement benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement for the years ended December 31, 2011, 2010 and 2009.

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:

	2011	2010	2009
Current service cost	**₱2,326,382**	₱1,630,445	₱1,527,705
Expected return on plan assets	**(457,726)**	(425,078)	(299,841)
Interest cost on benefit obligation	**1,149,500**	1,131,194	952,464
Net actuarial gain recognized	**–**	–	(5,151)
	₱3,018,156	₱2,336,561	₱2,175,177

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

	2011	2010
Retirement obligation at beginning of year	**₱3,134,824**	₱5,986,544
Retirement costs during the year	**3,018,156**	2,336,561
Actual contributions to the fund during the year	**–**	(5,188,281)
Retirement obligation at end of year	**₱6,152,980**	₱3,134,824

Retirement obligation:

	2011	2010
Present value (PV) of defined benefit obligation	**₱20,236,661**	₱14,368,751
Fair value of plan assets	**(6,714,435)**	(6,538,937)
Unrecognized actuarial loss	**(7,369,246)**	(4,694,990)
	₱6,152,980	₱3,134,824

Changes in the PV of defined benefit obligation are as follows:

	2011	2010
Opening PV of defined benefit obligation	**₱14,368,751**	₱12,568,812
Current service cost	**2,326,382**	1,630,445
Interest cost	**1,149,500**	1,131,194
Actuarial loss on obligation	**2,707,028**	4,113,250
Benefits paid	**(315,000)**	(5,074,950)
Closing PV of defined benefit obligation	**₱20,236,661**	₱14,368,751

Changes in the fair value of plan assets:

	2011	2010
Balances at beginning of year	**₱6,538,937**	₱6,072,538
Expected return on plan assets	**457,726**	425,078
Contributions	**–**	5,188,281
Benefits paid	**(315,000)**	(5,074,950)
Actuarial gain (loss) on plan assets	**32,772**	(72,010)
Balances at end of year	**₱6,714,435**	₱6,538,937

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

	2011	2010
Short-term cash investments	**99.96%**	100.00%
Cash in bank	**0.04%**	–
	100.00%	100.00%

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

	2011	2010	2009
Discount rate	**6.80%**	8.00%	9.00%
Expected rate of return on plan assets	**6.00%**	7.00%	7.00%
Future salary increases	**7.00%**	7.00%	7.00%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on the date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous four (4) years are as follows:

	2011	2010	2009	2008	2007
PV of defined benefit obligation	**₱20,236,661**	₱14,368,751	₱12,568,812	₱8,658,762	₱9,173,518
Fair value of plan assets	**(6,714,435)**	(6,538,937)	(6,072,538)	(4,283,447)	(2,929,959)
Unfunded status	**₱13,522,226**	₱7,829,814	₱6,496,274	₱4,375,315	₱6,243,559
Experience adjustments on plan liabilities	**₱170,425**	₱2,501,782	(₱465,365)	(₱897,195)	(₱274,458)
Change in assumptions on plan liabilities	**2,536,603**	1,611,469	1,895,246	(2,672,350)	–
Actual return on plan assets	**490,498**	353,068	261,386	73,202	61,577

As of March 1, 2012, the Parent Company has not yet reasonably determined the amount of the 2012 contributions to the retirement plan.

COLHK makes monthly contribution to a fund under the mandatory provident fund schemes ordinance enacted by the Hong Kong Government. The plan is a defined contribution retirement plan. Under the plan, COLHK should contribute five percent (5.00%) of the monthly relevant income of all its qualified employees. The contribution recognized as expense amounted to ₱247,285, ₱255,130 and ₱266,834 in 2011, 2010 and 2009, respectively.

17. **Income Taxes**

The Group's current provision for income tax represents the regular corporate income tax in 2011, 2010 and 2009.

The components of the Group's deferred income tax assets and deferred income tax liabilities follow:

	2011	2010
Cost of share-based payment	**₱58,965,685**	₱63,117,568
Accumulated translation adjustment	**11,146,092**	11,517,292
Accrued retirement costs	**2,450,637**	1,629,993
Stock option expense	**1,372,800**	2,386,800
Allowance for credit and impairment losses	**1,161,049**	1,124,751
Unrealized loss in the valuation of FVPL	**82,856**	34,388
Unrealized foreign exchange gains	**(629)**	(4,244)
	₱75,178,490	₱79,806,548

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 carryover period.

The Parent Company has temporary differences arising from allowance for impairment on deposit to CTGF amounting to ₱13,724,200 as at December 31, 2011 and 2010, for which no deferred income tax asset was recognized since management believes that it is probable that these temporary differences will not be realized in the future.

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

	2011	2010	2009
Income tax at statutory income tax rates	**₱120,514,721**	₱90,701,657	₱99,160,706
Additions to (reductions in) income tax resulting from:			
40% OSD	**(40,508,282)**	–	–
Nondeductible expenses	**28,329,550**	3,077,313	–
Exercise of stock option	**(23,143,800)**	(30,626,700)	–
Interest income subjected to final tax	**(12,231,824)**	(6,955,464)	(7,145,758)
Income of COLHK subject to income tax	**(10,892,488)**	(27,820,070)	(48,998,241)
Income tax expense of COLHK	**6,049,460**	16,075,675	25,596,154
Others	**(1,200,479)**	(113)	(7,285,814)
Provision for current income tax	**₱66,916,858**	₱44,452,298	₱61,327,047

On July 7, 2008, RA No. 9504 of the Philippines, which amended the provisions of the 1997 Tax Code, became effective. It includes provisions relating to the availment of the OSD. Corporations, except for nonresident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. A corporation must signify in its returns its intention to avail of the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made. In 2011, the Parent Company has availed of the OSD method in claiming its deductions. In 2010 and 2009, the Parent Company has availed of the itemized deductions method in claiming its deductions.

18. **Related Party Disclosures**

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

a. The Parent Company, in the ordinary course of business, executed done-through trading transactions of its customers through Citisecurities, Inc. (CSI), a related party through common stockholders. Total commission charged to operations amounted to ₱111,087, ₱20,300 and ₱448,560 in 2011, 2010 and 2009, respectively. As at December 31, 2011 and 2010, the Parent Company has a payable to CSI amounting to nil and ₱38,098, respectively.

b. Lancashire Management Services Limited (Lancashire), a company incorporated in Hong Kong and a related party of COLHK through a common director, provides COLHK accounting services. Total management fee included in professional fees amounted to ₱4,513,950, ₱3,720,645 and ₱5,800,231 in 2011, 2010 and 2009, respectively. COLHK has no payable balance to Lancashire as at December 31, 2011 and 2010 (see Note 12).

c. iGet.com, Limited (iGet), a company incorporated in British Virgin Islands and a related party of COLHK through common stockholders, provides COLHK financial advisory services including but not limited to research on local and overseas securities. Total financial advisory services fee included in professional fees amounted to ₱6,676,617 and ₱6,970,763 in 2011 and 2010, respectively. COLHK has no payable balance to iGet as at December 31, 2011 and 2010 (see Note 12).

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

	2011	2010	2009
Short-term employee benefits	**₱17,597,285**	₱41,919,082	₱29,236,542
Cost of share-based payment	**5,980,000**	2,275,000	1,846,000
Pension benefits	**100,149**	1,429,925	1,889,999
	₱23,677,434	₱45,624,007	₱32,972,541

The consolidated statements of financial position include the following amounts resulting from the above transactions with related companies and stockholders:

Related Parties		Payable to related party	Receivable from related party	Commission and referral expense	Professional fees
CSI	**2011**	**₱–**	**₱–**	**₱111,087**	**₱–**
	2010	38,098	–	20,300	–
	2009	–	1,994	448,560	–
Lancashire	**2011**	**–**	**–**	**–**	**4,513,950**
	2010	–	–	–	3,720,645
	2009	1,049,894	–	–	5,800,231
iGet	**2011**	**–**	**–**	**–**	**6,676,617**
	2010	–	–	–	6,970,763
	2009	3,073,459	–	–	7,376,302
Total	**2011**	**₱–**	**₱–**	**₱111,087**	**₱11,190,567**
Total	2010	₱38,098	₱–	₱20,300	₱10,691,408
Total	2009	₱4,123,353	₱1,994	₱448,560	₱13,176,533

19. **Leases**

The Group leases its office premises under separate operating lease agreements expiring on various dates and whose lease terms are negotiated every 1-3 years. Rental costs charged to operations amounted to ₱8,447,671, ₱5,347,721 and ₱4,616,672 in 2011, 2010 and 2009, respectively.

The future minimum lease payments are as follows:

	2011	2010
Within one (1) year	**₱12,271,336**	₱6,958,542
After one (1) year but not more than five (5) years	**5,668,997**	9,206,808
	₱17,940,333	₱16,165,350

20. **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, 2011, 2010 and 2009.

The Amended Implementing Rules and Regulations of the SRC effective February 28, 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 110% and a net liquid capital (NLC) of at least ₱5.0 million or five percent (5%) of its aggregate indebtedness, whichever is higher. Also, the Aggregated Indebtedness (AI) of every stockbroker should not exceed two thousand percent (2,000%) of its NLC. In the event that the minimum RBCA ratio of 110% 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, 2011 and 2010, the Parent Company is compliant with the foregoing requirements.

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

The RBCA ratio of the Parent Company as at December 31, 2011 and 2010 are as follows:

	2011	2010
Equity eligible for net liquid capital	**₱872,980,645**	₱724,115,625
Less ineligible assets	**192,910,902**	188,076,569
NLC	**₱680,069,743**	₱536,039,056
Position risk	**₱480,243**	₱4,278,927
Operational risk	**52,746,292**	40,011,909
Total Risk Capital Requirement	**₱53,226,535**	₱44,290,836
AI	**₱2,030,945,889**	₱1,182,677,032
5% of AI	**₱101,547,294**	₱59,133,852
Required NLC	**101,547,294**	59,133,852
Net Risk-Based Capital Excess	**₱578,522,449**	₱476,905,204
Ratio of AI to NLC	**299%**	221%
RBCA ratio	**1,278%**	1,210%

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 million effective December 31, 2009, and ₱30 million effective December 31, 2010 and onwards. In 2011 and, 2010, the Parent Company is compliant with the new capital requirement.

In addition, SRC Rule 49.1 (B), Reserve Fund of such circular, requires that every broker dealer shall annually appropriate a certain minimum percentage of its audited profit after tax and transfer the same to Appropriated Retained Earnings. Minimum appropriation shall be 30%, 20% and 10% of profit after tax for brokers/dealers with unimpaired paid up capital of ₱10 million to ₱30 million, between ₱30 million to ₱50 million and more than ₱50 million, respectively (see Note 13).

The Parent Company's regulated operations have complied with all externally-imposed capital requirements as at December 31, 2011 and 2010.

COLHK monitors capital using liquid capital as provided for under Hong Kong'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$3,000,000 and computed variable required capital. As at December 31, 2011 and 2010, COLHK is compliant with the said requirement.

21. Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and cash equivalents, cash in a segregated account, financial assets at FVPL, trade receivables, other receivables, trade payables and other current liabilities, which arise from operations. The Group also has HTM investment which is acquired for purposes of investing idle funds.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk, and equity price risk. The BOD reviews and agrees on the policies for managing each of these risks. A summary of which follows:

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

The business model of the Group minimizes its exposure to credit risk. The Group's customers, except those granted by 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 stocks identified by the Parent Company using a set of criteria.

Cash and cash equivalents are deposited to reputable banks duly approved by the BOD.

As at December 31, 2011 and 2010, ₱942,026,512 and ₱1,114,081,555 of total receivable from customers is secured by collateral comprising of cash and equity securities of listed companies with total market value of ₱4,359,793,839 and ₱4,111,767,365, respectively (see Note 6). Transactions through the stock exchange are covered by the guarantee fund contributed by member brokers and maintained by the clearing house.

There are no past due accounts as at December 31, 2011 and 2010.

The Group's loans and receivables, 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).

As at December 31, 2011 and 2010, the Group's financial assets at FVPL are classified as high grade since the counter party has no history of default or late payment of interest.

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 (see Note 6).

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

	2011	2010
Cash and cash equivalents (see Note 4)	**₱2,188,916,901**	₱796,188,453
Financial assets at FVPL (see Note 5)	**1,313,282**	779,800
Trade receivables (see Note 6)	**1,160,690,295**	1,420,745,451
Other receivables (see Note 6)	**8,130,814**	7,475,523
HTM investment (see Note 7)	–	102,456,071
Refundable deposits (see Note 10)	**5,317,778**	5,047,759
	3,364,369,070	2,332,693,057
Unutilized margin trading facility	**3,114,681,139**	2,158,432,304
	₱6,479,050,209	₱4,491,125,361

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

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, 2011 and 2010, all of the Group's financial liabilities are contractually payable on demand.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as at December 31, 2011 and 2010 consist of cash and cash equivalents, trade receivables and financial assets at FVPL.

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.

Interest Rate Risk
The Group's interest rate risk originates primarily from its holdings of HTM investment, which is for a fixed rate and term (see Note 7). The Group's policy is to manage its interest income using fixed rate investments or a mix of fixed and variable rate investments. As at December 31, 2011 and 2010, the Group's investment is at a fixed rate of interest, thus, changes in market interest rates have no impact on the Group's profit and loss and equity.

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

The Group's exposure to foreign currency exchange risk arises from its US dollar-denominated cash amounting to US$5,869 and US$3,898 as at December 31, 2011 and 2010, respectively.

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 2011 and 2010 is not significant.

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 FVPL which pertains to investments in shares of stocks of companies listed in the PSE and major US Stock Exchanges.

The Group's policy is to maintain the risk to 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 2011 and 2010 is not significant.

22. Financial Instruments

Fair Values
The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Financial Instruments Whose Carrying Amount Approximate Fair Value
The carrying amounts of cash and cash equivalents, trade receivables, other receivables, refundable deposits, trade payables and other current liabilities, which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

Financial Assets at FVPL
The Group's financial assets at FVPL are carried at their fair values as at December 31, 2011 and 2010. Fair value of financial assets at FVPL is based on quoted prices of stock investments published by the PSE and major US Stock Exchanges.

HTM Investment
The fair value of the fixed rate interest-bearing HTM investment is based upon quoted market price.

Categories of Financial Instruments
The carrying values and fair values of the Group's financial assets and liabilities per category are as follows:

	Carrying Amount		Fair Value	
	2011	2010	**2011**	2010
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱2,188,940,069**	₱796,209,875	**₱2,188,940,069**	₱796,209,875
Trade receivables	**1,160,690,295**	1,420,745,451	**1,160,690,295**	1,420,745,451
Other receivables	**8,130,814**	7,475,523	**8,130,814**	7,475,523
Refundable deposits	**5,317,778**	5,047,759	**5,317,778**	5,047,759
	3,363,078,956	2,229,478,608	**3,363,078,956**	2,229,478,608
Financial assets at FVPL	**1,313,282**	779,800	**1,313,282**	779,800
HTM investment	**–**	102,456,071	**–**	125,857,471
	₱3,364,392,238	₱2,332,714,479	**₱3,364,392,238**	₱2,356,115,879
Financial Liabilities				
Other financial liabilities:				
Trade payables	**₱2,133,524,943**	₱1,271,907,127	**₱2,133,524,943**	₱1,271,907,127
Other current liabilities	**57,805,091**	47,681,028	**57,805,091**	47,681,028
	₱2,191,330,034	₱1,319,588,155	**₱2,191,330,034**	₱1,319,588,155

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: techniques which involve inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: techniques which use inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2011 and 2010, the fair value of the financial assets at FVPL is the quoted market price at the close of the business (Level 1).

As at December 31, 2010, the fair value of HTM investment is quoted market bid price at the close of the business (Level 1).

During the year ended December 31, 2011, there were no transfers among levels 1, 2 and 3 of fair value measurements.

23. Contingency

As at December 31, 2010, there is a pending case filed against the Parent Company and CSI (the "Respondents") for trademark infringement by Citigroup, Inc. and Citibank N.A. (the "Plaintiffs"), who have asked the court for an amount of ₱8,000,000 for actual damages, ₱5,000,000 for exemplary damages and ₱3,975,000 for attorney's fees. The Parent Company holds the position that the parties are engaged in different lines of business, i.e. Citigroup is in the banking and credit card business while the defendants are stockbrokers.

Subsequently, the parties involved entered into a Compromise Agreement wherein the Plaintiffs acknowledged the terms which the Respondents may use in Hong Kong Special Administrative Regions. The Compromise Agreement was thereafter submitted to the court for approval. On November 11, 2011, the Parent Company received a copy of the Judgment, based on the Compromise Agreement, dated October 7, 2011 issued by Branch 149 of the Regional Trial Court of Makati City. Said Judgment quoted on the limits of the use of "CITI" by the Group in its business.

24. Earnings Per Share (EPS) Computation

	2011	2010	2009
Net income	**₱334,798,876**	₱257,886,559	₱269,208,640
Weighted average number of shares for basic earnings per share	**450,600,000**	437,825,000	433,000,000
Dilutive shares arising from stock options	**17,450,000**	33,350,000	43,000,000
Adjusted weighted average number of shares of common shares for diluted earnings per share	**468,050,000**	471,175,000	476,000,000
Basic EPS	**₱0.74**	₱0.59	₱0.62
Diluted EPS	**₱0.72**	₱0.55	₱0.57

25. Segment Information

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

2011

	Philippines	**Hong Kong**	**Elimination**	**Total**
Revenue from external customers:				
Commission	**₱327,237,064**	**₱117,437,972**	**₱–**	**₱444,675,036**
Interest	**187,247,882**	**13,892**	**–**	**187,261,774**
Others	**26,820,348**	**(100,585)**	**–**	**26,719,763**
Inter-segment revenue	**44,912,177**	**–**	**(44,912,177)**	**–**
Segment revenue	**586,217,471**	**117,351,279**	**(44,912,177)**	**658,656,573**
Cost of services	**(126,901,718)**	**(16,375,197)**	**–**	**(143,276,915)**
Operating expenses	**(83,991,556)**	**(62,423,967)**	**44,883,688**	**(101,531,835)**
Depreciation and amortization	**(9,916,754)**	**(2,215,335)**	**–**	**(12,132,089)**
Income before income tax	**365,407,443**	**36,336,780**	**(28,489)**	**401,715,734**
Provision for income tax	**(60,867,398)**	**(6,049,460)**	**–**	**(66,916,858)**
Net income	**₱304,540,045**	**₱30,287,320**	**(₱28,489)**	**₱334,798,876**

(Forward)

	Philippines	**Hong Kong**	**Elimination**	**Total**
Segment assets	**₱2,970,734,596**	**₱677,592,269**	**(₱138,481,887)**	**₱3,509,844,978**
Segment liabilities	**2,033,721,552**	**184,823,683**	**(3,673,341)**	**2,214,871,894**
Capital expenditures:				
Tangible fixed assets	**26,538,726**	**674,161**	**–**	**27,212,887**
Cash flows arising from:				
Operating activities	**1,420,727,251**	**54,501,038**	**–**	**1,475,228,289**
Investing activities	**79,936,066**	**(674,161)**	**–**	**79,261,905**
Financing activities	**(161,760,000)**	**–**	**–**	**(161,760,000)**

2010

	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commission	₱173,510,163	₱197,838,494	₱–	₱371,348,657
Interest	105,958,978	21,115	–	105,980,093
Gain on financial assets at FVPL	7,055,241	662,014	–	7,717,255
Others	5,118,367	60,245	–	5,178,612
Inter-segment revenue	73,675,902	–	(73,675,902)	–
Segment revenue	365,318,651	198,581,868	(73,675,902)	490,224,617
Cost of services	(73,496,589)	(13,925,852)	–	(87,422,441)
Operating expenses	(74,333,546)	(91,029,059)	74,041,920	(91,320,685)
Depreciation and amortization	(7,883,225)	(1,259,409)	–	(9,142,634)
Income before income tax	209,605,291	92,367,548	366,018	302,338,857
Provision for income tax	(28,376,624)	(16,075,674)	–	(44,452,298)
Net income	₱181,228,667	₱76,291,874	₱366,018	₱257,886,559
Segment assets	₱1,975,650,015	₱641,657,368	(₱151,815,823)	₱2,465,491,560
Segment liabilities	1,183,245,133	180,132,099	(17,125,629)	1,346,251,603
Capital expenditures:				
Tangible fixed assets	7,823,241	239,763	–	8,063,004
Cash flows arising from:				
Operating activities	(147,531,343)	(167,437,998)	–	(314,969,341)
Investing activities	(13,011,522)	(239,763)	–	(13,251,285)
Financing activities	(77,310,000)	–	–	(77,310,000)

2009

	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commission	₱83,480,176	₱318,007,327	₱–	₱401,487,503
Interest	57,957,811	1,138	–	57,958,949
Gain on financial assets at FVPL	587,772	1,816,344	–	2,404,116
Others	1,476,863	99,501	–	1,576,364
Inter-segment revenue	119,702,862	–	(119,702,862)	–
Segment revenue	263,205,484	319,924,310	(119,702,862)	463,426,932
Cost of services	(39,059,752)	(11,101,005)	–	(50,160,757)
Operating expenses	(50,261,035)	(140,877,253)	119,876,235	(71,262,053)
Depreciation and amortization	(11,187,310)	(281,125)	–	(11,468,435)
Income before income tax	162,697,387	167,664,927	173,373	330,535,687
Provision for income tax	(35,730,892)	(25,596,155)	–	(61,327,047)
Net income	₱126,966,495	₱142,068,772	₱173,373	₱269,208,640
Segment assets	₱1,243,378,059	₱774,783,106	(₱164,995,203)	₱1,853,165,962
Segment liabilities	561,923,268	372,842,535	(30,247,215)	904,518,588
Capital expenditures:				
Tangible fixed assets	5,225,647	6,392,745	–	11,618,392
Cash flows arising from:				
Operating activities	171,811,420	176,060,044	–	347,871,464
Investing activities	(6,753,352)	(6,392,745)	–	(13,146,097)
Financing activities	(43,300,000)	–	–	(43,300,000)

26. **Reclassification**

Certain accounts in 2010 and 2009 consolidated financial statements were reclassified to conform with the 2011 presentation in accordance with the Broker Dealer Chart of Accounts as approved by SEC effective as at January 1, 2011.

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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of CitisecOnline.com, Inc. and Subsidiary as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated March 1, 2012. 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 Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) 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 information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-2 (Group A),
March 18, 2010, valid until March 17, 2013
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 3174591, January 2, 2012, Makati City

March 1, 2012

SCHEDULE I
CITISECONLINE.COM, INC. AND SUBSIDIARY
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION PURSUANT TO SRC RULE 68, AS AMENDED AND SEC MEMORANDUM CIRCULAR NO.11
DECEMBER 31, 2011 (ACTUAL)

Retained earnings as of December 31, 2010, ***as adjusted to available for dividend distribution***		**₱194,380,595**
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	₱304,540,045*	
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 of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Deferred income tax asset recognized directly to statement of comprehensive income	–	
Fair value adjustment (FVPL)	–	
Subtotal	304,540,045	
Add: Non-actual losses		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		
Stock option expense for the year	–	
Accretion of retirement obligation for the year	–	
Unrealized foreign exchange loss-net except those attributable to cash and cash equivalents	–	
Depreciation on revaluation increment (after tax)	–	
Unrealized actuarial loss	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property	–	
Subtotal	304,540,045	
Net income actually earned during the period		304,540,045
Add (Less):		
Dividend declarations during the period	(177,660,000)	
Appropriations of retained earnings based on 10.00% of 12/31/2011 audited net income	(30,454,005)**	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		(208,114,005)
Retained earnings as of December 31, 2011 available for dividend		**₱290,806,635**

** Consolidated net income of ₱334,798,876 net of ₱30,287,320 COLHK net income and ₱28,489 eliminated net income of Parent Company against cumulative translation adjustment*

*** 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 (see Note 13 of the audited consolidated financial statements)*

SCHEDULE II
CITISECONLINE.COM, INC. AND SUBSIDIARY
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2011

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of December 31, 2011:

PFRSs	Adopted/Not adopted/Not applicable
PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*	Not Applicable
PFRS 2, *Share-based Payment*	Adopted
PFRS 3, *Business Combinations*	Not Applicable
PFRS 4, *Insurance Contracts*	Not Applicable
PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	Not Applicable
PFRS 6, *Exploration for and Evaluation of Mineral Resources*	Not Applicable
PFRS 7, *Financial Instruments: Disclosures*	Adopted
PFRS 8, *Operating Segments*	Adopted
PAS 1, *Presentation of Financial Statements*	Adopted
PAS 2, *Inventories*	Not Applicable
PAS 7, *Statement of Cash Flows*	Adopted
PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*	Adopted
PAS 10, *Events after the Reporting Period*	Adopted
PAS 11, *Construction Contracts*	Not Applicable
PAS 12, *Income Taxes*	Adopted
PAS 16, *Property, Plant and Equipment*	Adopted
PAS 17, *Leases*	Adopted
PAS 18, *Revenue*	Adopted
PAS 19, *Employee Benefits*	Adopted
PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*	Not Applicable
PAS 21, *The Effects of Changes in Foreign Exchange Rates*	Adopted
PAS 23, *Borrowing Costs*	Not Applicable
PAS 24, *Related Party Disclosures*	Adopted
PAS 26, *Accounting and Reporting by Retirement Benefit Plans*	Not Applicable
PAS 27, *Consolidated and Separate Financial Statements*	Adopted
PAS 28, *Investments in Associates*	Not Applicable
PAS 29, *Financial Reporting in Hyperinflationary Economies*	Not Applicable
PAS 31, *Interests in Joint Ventures*	Not Applicable
PAS 32, *Financial Instruments: Presentation*	Adopted
PAS 33, *Earnings per Share*	Adopted
PAS 34, *Interim Financial Reporting*	Not Applicable
PAS 36, *Impairment of Assets*	Adopted

PFRSs	Adopted/Not adopted/Not applicable
PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*	Adopted
PAS 38, *Intangible Assets*	Adopted
PAS 39, *Financial Instruments: Recognition and Measurement*	Adopted
PAS 40, *Investment Property*	Not Applicable
PAS 41, *Agriculture*	Not Applicable
Philippine Interpretation IFRIC–1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	Not Applicable
Philippine Interpretation IFRIC–2, *Members' Shares in Co-operative Entities and Similar Instruments*	Not Applicable
Philippine Interpretation IFRIC–4, *Determining whether an Arrangement contains a Lease*	Adopted
Philippine Interpretation IFRIC–5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	Not Applicable
Philippine Interpretation IFRIC–6, *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	Not Applicable
Philippine Interpretation IFRIC–7, *Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*	Not Applicable
Philippine Interpretation IFRIC–9, *Reassessment of Embedded Derivatives*	Not Applicable
Philippine Interpretation IFRIC–10, *Interim Financial Reporting and Impairment*	Not Applicable
Philippine Interpretation IFRIC–12, *Service Concession Arrangements*	Not Applicable
Philippine Interpretation IFRIC–13, *Customer Loyalty Programmes*	Not Applicable
Philippine Interpretation IFRIC–14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	Adopted
Philippine Interpretation IFRIC–16, *Hedges of a Net Investment in a Foreign Operation*	Not Applicable
Philippine Interpretation IFRIC–17, *Distributions of Non-cash Assets to Owners*	Not Applicable
Philippine Interpretation IFRIC–18, *Transfers of Assets from Customers*	Not Applicable
Philippine Interpretation IFRIC–19, *Extinguishing Financial Liabilities with Equity Instruments*	Not Applicable
Philippine Interpretation SIC–7, *Introduction of the Euro*	Not Applicable
Philippine Interpretation SIC–10, *Government Assistance - No Specific Relation to Operating Activities*	Not Applicable
Philippine Interpretation SIC–12, *Consolidation - Special Purpose Entities*	Not Applicable
Philippine Interpretation SIC–13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*	Not Applicable
Philippine Interpretation SIC–15, *Operating Leases - Incentives*	Not Applicable
Philippine Interpretation SIC–21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets*	Not Applicable

PFRSs	Adopted/Not adopted/Not applicable
Philippine Interpretation SIC–25, *Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*	Not Applicable
Philippine Interpretation SIC–27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	Not Applicable
Philippine Interpretation SIC–29, *Service Concession Arrangements: Disclosures*	Not Applicable
Philippine Interpretation SIC–31, *Revenue - Barter Transactions Involving Advertising Services*	Not Applicable
Philippine Interpretation SIC–32, *Intangible Assets - Web Site Costs*	Adopted

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2012 onwards.

SCHEDULE III
CITISECONLINE.COM, INC. AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2011

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Cash and cash equivalents	–	₱2,188,940,069	₱39,518,787
Financial Assets at FVPL:			
Trans-Asia Oil Ang Energy	774,566	875,260	–
Roxas and Company, Inc.	20,000	32,800	–
Cebu Air, Inc.	6,100	395,280	–
Manila Jockey Club	500	720	–
Alliance Select Food Corp.	859	1,220	–
Philex Petroleum Corp.	199	1,397	–
Belle Corporation	120	610	–
Robinsons Land Corp.	100	1,130	–
SM Development Corp.	77	524	–
Filinvest Dev. Corp.	75	251	–
Omico Corporation	15	11	–
Omico Corporation-Warrants	15	1	–
Euro-Med Lab. Phil., Inc.	7	8	–
China Banking Corp.	6	2,387	–
Makati Finance Corp.	4	9	–
Security Bank Corporation	3	292	–
Philippine Seven Corp.	3	63	–
City & Land Developers	3	5	–
Cityland Development Corp.	3	3	–
Far Eastern University	1	1,000	–
Ayala Corporation	1	311	–
		1,313,282	
Trade receivables:			
Margin receivables from various customers	Not applicable	961,495,963	146,475,134
Securities Clearing Corporation of the Phils.- T+3 settlement due	Not applicable	103,635,848	–
Hong Kong Securities Clearing Company Limited.- T +2 settlement due	Not applicable	90,758,719	–
Charles Schwab- Trading account of COLHK	Not applicable	4,799,765	–
		1,160,690,295	146,475,134
Other receivables:			
Income tax receivable - BIR	Not applicable	3,576,644	–
Income tax receivable- Hong Kong Inland Revenue Department	Not applicable	2,298,151	–
Accrued interest on bank deposits from various financial institutions	Not applicable	1,239,835	–
Advances to various employees	Not applicable	209,741	–
Others	Not applicable	806,443	–
		8,130,814	

Financial Assets Whose Carrying Amount Approximate Fair Value
The carrying amounts of cash and cash equivalents, trade receivables and other receivables, which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

Financial Assets at FVPL
Financial assets at FVPL are carried at their fair values. Fair value of financial assets at FVPL is based on quoted prices of stock investments published by the PSE and major US Stock Exchanges.

Schedule B. Amounts 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
None	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Schedule C. Amounts 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
COLHK	₱17,907,469	₱44,912,177	₱59,146,306	₱–	₱–	₱–	₱3,673,341

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
CitisecOnline Stock Exchange Trading Right	₱5,000,000	₱–	₱–	₱–	₱–	₱5,000,000
COLHK Exchange trading right	17,989,686	–	–	37,961	–	18,027,647
	₱22,989,686	₱–	₱–	₱37,961	₱–	₱23,027,647

Charged to other accounts of COLHK exchange trading right pertains to translation adjustment.

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current porition of long term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
None	N/A	N/A	N/A

Schedule F. 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

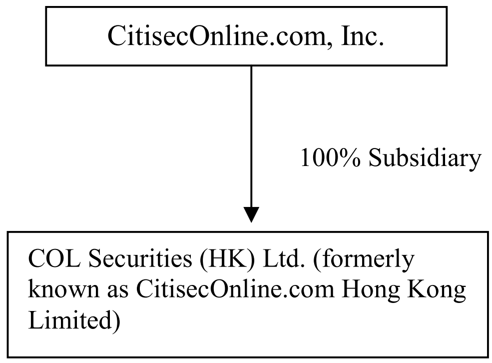
Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company 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 H. Capital Stock (figures in thousands)

				No of shares held by		
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	Affiliates	Directors and Officers*	Others
Common shares	1,000,000	458,550	17,450	–	260,446	198,104

SCHEDULE IV
CITISECONLINE.COM, INC. AND SUBSIDIARY
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2011



SCHEDULE V
CITISECONLINE.COM, INC. AND SUBSIDIARY
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2011

	2011	2010
Profitability ratios:		
Return on assets	**10%**	11%
Return on equity	**28%**	25%
Net profit margin	**51%**	53%
Solvency and liquidity ratios:		
Current ratio	**1.52:1**	1.65:1
Debt to equity ratio	**1.83:1**	1.30:1
Quick ratio	**1.52:1**	1.66:1
Asset to equity ratio	**2.91:1**	2.38:1
Other relevant ratios:		
RBCA ratio	**1,278%**	1,210%
Ratio of AI to NLC	**299%**	221%