

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, AS AMENDED

**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
Dec 31, 2014
2. SEC Identification Number
A199910065
3. BIR Tax Identification No.
203523208
4. Exact name of issuer as specified in its charter
COL Financial Group, Inc.
5. Province, country or other jurisdiction of incorporation or organization
Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
24/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City
Postal Code
1605
8. Issuer's telephone number, including area code
(02) 636-5411
9. Former name or 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 Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---------------------|---|
| Common Shares | 474,550,000 |

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange / Common Shares

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 No

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

Yes No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

Php2,971,209,600 (183,408,000 @ Php16.20 per share as of February 27, 2015)

**APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF
PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

N/A

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

COL Financial Group, Inc. COL

PSE Disclosure Form 17-1 - Annual Report References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules

| | |
|--|-----------------|
| For the fiscal year ended | Dec 31, 2014 |
| Currency (indicate units, if applicable) | Philippine Peso |

Balance Sheet

| | Year Ending | Previous Year Ending |
|-------------------------------|---------------|----------------------|
| | Dec 31, 2014 | Dec 31, 2013 |
| Current Assets | 6,256,513,502 | 4,684,104,591 |
| Total Assets | 6,361,404,722 | 4,807,792,408 |
| Current Liabilities | 5,056,759,000 | 3,477,152,007 |
| Total Liabilities | 5,084,951,690 | 3,504,772,900 |
| Retained Earnings/(Deficit) | 769,400,136 | 788,323,076 |
| Stockholders' Equity | 1,276,453,032 | 1,303,019,508 |
| Stockholders' Equity - Parent | 978,206,907 | 978,270,180 |
| Book Value per Share | 2.69 | 2.78 |

Income Statement

| | Year Ending | Previous Year Ending |
|--|--------------|----------------------|
| | Dec 31, 2014 | Dec 31, 2013 |
| Operating Revenue | 503,390,041 | 540,521,647 |
| Other Revenue | 208,160,669 | 200,438,958 |
| Gross Revenue | 711,550,710 | 740,960,605 |
| Operating Expense | 158,564,574 | 115,243,865 |
| Other Expense | 18,114,044 | 16,049,798 |
| Gross Expense | 176,678,618 | 131,293,663 |
| Net Income/(Loss) Before Tax | 340,984,062 | 385,982,912 |
| Income Tax Expense | 78,717,002 | 82,393,019 |
| Net Income/(Loss) After Tax | 262,267,060 | 303,589,893 |
| Net Income/(Loss) Attributable to Parent Equity Holder | 289,931,816 | 325,081,947 |
| Earnings/(Loss) Per Share (Basic) | 0.62 | 0.69 |
| Earnings/(Loss) Per Share (Diluted) | 0.61 | 0.68 |

Financial Ratios

| | Formula | Fiscal Year Ended | Previous Fiscal Year |
|--|--|-------------------|----------------------|
| | | Dec 31, 2014 | Dec 31, 2013 |
| Liquidity Analysis Ratios: | | | |
| Current Ratio or Working Capital Ratio | Current Assets / Current Liabilities | 1.24 | 1.35 |
| Quick Ratio | (Current Assets - Inventory - Prepayments) / Current Liabilities | 1.24 | 1.35 |
| Solvency Ratio | Total Assets / Total Liabilities | 1.25 | 1.37 |
| Financial Leverage Ratios | | | |
| Debt Ratio | Total Debt/Total Assets | 0.8 | 0.73 |
| Debt-to-Equity Ratio | Total Debt/Total Stockholders' Equity | 3.94 | 2.72 |
| Interest Coverage | Earnings Before Interest and Taxes (EBIT) / Interest Charges | - | - |
| Asset to Equity Ratio | Total Assets / Total Stockholders' Equity | 5.26 | 3.73 |
| Profitability Ratios | | | |
| Gross Profit Margin | Sales - Cost of Goods Sold or Cost of Service / Sales | 0.73 | 0.7 |
| Net Profit Margin | Net Profit / Sales | 0.37 | 0.41 |
| Return on Assets | Net Income / Total Assets | 0.04 | 0.06 |
| Return on Equity | Net Income / Total Stockholders' Equity | 0.21 | 0.23 |
| Price/Earnings Ratio | Price Per Share / Earnings Per Common Share | 24.58 | 24.35 |

Other Relevant Information

None

Filed on behalf by:

| | |
|-------------|--------------------------------------|
| Name | Caesar Guerzon |
| Designation | SVP/Corporate Secretary/Head of HRAD |

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

(Contact Person)

636-5411 local 103

(Company Telephone Number)

1 2 3 1

Month Day
(Calendar Year)

1 7 - A

(Form Type)

0 3 3 0

Month Day
(Annual Meeting)

Broker

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

32

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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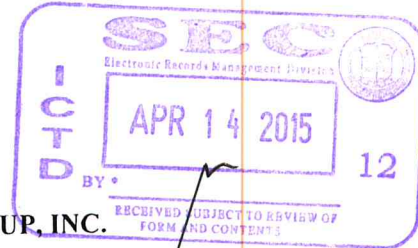
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A (AMENDED)
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, 2014**
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



| <u>Title of Each Class</u> | <u>Number of Shares of Common Stock Outstanding</u> |
|----------------------------|---|
| Common | 474,550,000 shares |

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

Yes [] 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 [] No []

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

Yes [] No []

13. Aggregate market value of the voting stock held by non-affiliates.
₱2,971,209,600 (183,408,000 @ ₱16.20 per share as of February 27, 2015)

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Company Overview

COL Financial Group, Inc. (COL, COL Financial or the Parent Company) is the leading online financial services provider in the Philippines. It aims to be the most trusted wealth-building partner of every Filipino by providing value-driven and innovative solutions and easily accessible financial products and services to help investors achieve their financial goals. As of end 2014, COL had more than 100,000 customers and US\$1.0 billion in consolidated net customer assets. COL's market share in terms of total value turnover increased from 3.6% in 2013 to 4.1% in 2014, while its market share in terms of value turnover among local investors reached a new record high of 8.2%. As a result, COL's rank in the Philippine Stock Exchange (PSE) in 2014 improved to 8th from 9th place the previous year. In terms of number of transactions executed, COL has retained its rank as the number one stockbroker.

COL's main product is its proprietary online stock market trading platform. Through www.colfinancial.com, COL offers real-time market information and execution, superior investing tools and functionalities, and comprehensive stock market research and analysis to guide independent investors. In 2006, COL started offering margin financing to experienced clients. In 2010, COL also set up the Agency and Advisory Group (AAG). The said group is comprised of seasoned professionals in the stock market industry that are focused on serving the more sophisticated needs of high net worth individuals and financial services institutions.

COL also provides investors online access to the HK stock market through its wholly owned foreign subsidiary COL Securities (HK) Limited (the HK Subsidiary or COLHK).

Going forward, COL Financial will continually seek to maintain the loyalty and trust of its customers and Filipino investors by expanding and innovating its products and services to help them secure their financial future.

Business Model

COL Financial derives a significant proportion of its revenues from its stock brokerage business in the Philippines. Most of the revenues generated from its Philippine operations include: (1) commission generated from stock trades, (2) interest income from margin financing, and (3) interest income made from short-term placements.

COL also derives revenues from its stock brokerage business in HK through its wholly owned subsidiary COLHK. COLHK generates revenues by charging commissions on clients that trade the HK stock market.

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

Products and Services

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.colfinancial.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 open an account online as well as register to join the COL Seminar Series. The investing public can also access and view educational videos and webinars on stock market investing in the COL YouTube channel and get updated on corporate developments as well as relevant announcements on the COL Facebook page.

To open an account, the customer simply has to complete the account opening forms online at www.colfinancial.com or download the form 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 upon receipt, approval and validation of the application form and supporting documents. Once the application is processed and approved, whether submitted online or through hard copies, 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 ₱20.00 per transaction.

Furthermore, COL believes in its advocacy of investor education for both its customers and the investing public. Several seminars scheduled weekly are held at the COL Training Center with topics ranging from the basics of stock market investing to introduction to technical analysis and how to better understand research reports, how to trade online as well as briefings on the COL EIP.

Launched in August 2008, the COL Easy Investment Program or 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. It is now even more convenient and simple with the launch of the EIP Scheduler and Calendar where customers can customize and personalize their investment schedules and purchases for the specific period of their investments.

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. These special briefings and corporate updates are made available online to a wider audience immediately after the events at the COL YouTube channel.

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

| Features | Benefits |
|--|---|
| <p>Market Information</p> <ul style="list-style-type: none"> ❑ 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 | <ul style="list-style-type: none"> ❑ 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. |
| <p>Stock Information</p> <ul style="list-style-type: none"> ❑ 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) ❑ Time and sales ❑ Watch list (up to 30 stocks) ❑ Stock list | <ul style="list-style-type: none"> ❑ 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. |
| <p>Broker Information</p> <ul style="list-style-type: none"> ❑ Historical broker transactions ❑ Brokers ranking ❑ Brokers List | <p>Comprehensive broker data ensures that all the broker information needed by the client are available.</p> |

| Features | Benefits |
|---|--|
| <p>Research</p> <ul style="list-style-type: none"> ❑ Morning Notes (daily morning news updates) ❑ Listed companies updates and reports ❑ Company Snapshots ❑ Investment Guide ❑ Economic Indicators ❑ Bulls Eye (weekly technical analysis) ❑ Technical Guide (small and big cap) ❑ Technical Spotlight(daily TA analysis) ❑ Research archive | <p>Expert opinions and analysis from COL Financial’s Research Team which are updated regularly are made available to the clients to help them in their trade decisions.</p> |
| <p>StreetSmart (other trading-related information)</p> <ul style="list-style-type: none"> ❑ Media center ❑ Message board ❑ Business News | <p>Provides clients with downloadable instructional materials as well as up-to-date local and international business news.</p> |
| <p>Trade Functions</p> <ul style="list-style-type: none"> ❑ 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 | <ul style="list-style-type: none"> ❑ 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. |
| <p>Security</p> <ul style="list-style-type: none"> ❑ Full proprietary messaging formats and encryption. All databases are secured via firewalls using the latest firewall hardware. ❑ SSL Certificates from Go Daddy. | <p>Best-in-class security and encryption systems with back-up facilities. SSL Certificates guarantee message privacy and message integrity.</p> |

| Features | Benefits |
|---|---|
| <p>COL EIP</p> <ul style="list-style-type: none"> □ EIP portfolio □ Schedule calendar □ Email reminders | <p>Peso cost- averaging methodology is made easier and convenient with COL EIP:</p> <ul style="list-style-type: none"> □ 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. |
| <p>COL PRO</p> <ul style="list-style-type: none"> □ Real-time, customizable, all-in-one trading windows-based application | <p>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.</p> |

In August 2014, COL launched its iPhone App named COL Mobile, which allowed users of the Apple iPhone to monitor stock prices and execute trades directly to the PSE through the App. The COL Mobile offers all the features of the traditional website giving the clients the convenience to access the COL’s website through their mobile devices.

The New Trading System of COL Financial

In line with the PSE's migration to its new trading system (switch from NYSE Euronext to NASDAQ OMX system) due to the expiration of the PSE's maintenance contract with its existing vendor, all brokers are mandated to change their trading systems to be compliant with the new trading system which will be implemented in May 2015.

Since the new PSE system uses new message specifications for both orders and market data, this requires COL to develop, test, and implement its new front-end trading system to be able to continue with its trading operations once the new PSE system is implemented.

The order and market data module of the system will have to be re-developed to be compatible with that of the PSE. The new trading system of the PSE will give COL the added benefit of greater redundancy and disaster recovery capabilities with the implementation of the PSE's dedicated disaster recovery center. Distributed computing capabilities of the PSE system will also allow COL to handle more orders and market data by allowing us to have multiple connections to the Exchange.

As of end of 2014, the required hardware and software which will be used for the new trading system are already in place. Application development and infrastructure set up based on the specification requirements of the PSE are also 100% completed and tested against BETA environment. Based on the results of the testing made, COL is ready to go live and thus expects a seamless transition during the scheduled implementation of the new trading system.

Product and Service Offerings

COL Financial 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.
- ❑ 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 AAG. The AAG, 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.
- ❑ 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. The Margin financing facility allows its customers, with a minimum portfolio of at least ₱200,000.00, 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 methodology 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.

- ❑ COL Financial further enhanced the customer experience by increasing its touch-points with them. 2014 was a year of customer engagement as greater focus was put on digital channels outside of COL website, namely Twitter, YouTube & Facebook which attained over 100% growth in terms of followers across all platforms. Live tweet sessions was also launched in 2014 to facilitate direct interaction with COL customers to offer further guidance and support in their investments. This session has also become a platform for COL's Research Team to spread market information and research ideas to customers without having to log-in to the COL website.

COL's YouTube channel has been updated with numerous contents from its previous events and market briefings paving the way for a wider audience and catering to those who were unable to go to these events. The Facebook channel has been instrumental in sharing major updates about the Parent Company's activities and developments. As of end 2014, the page has grown to a highly engaged community of over 30,000. These platforms allowed COL to reach out to its growing customer base at a more cost-effective way while facilitating the wealth of information to be made readily available to its customers.

- ❑ In the next couple of months, COL will launch its mutual fund distribution platform, formally known as COL Fund Source. It is the first and only online mutual fund supermarket in the Philippines that will provide investors instant access to a wide array of mutual funds. This new service will allow COL to address the needs of more Filipino investors, particularly those who either do not have the time to actively manage their investments, are more conservative, or are looking to diversify their portfolios outside of stocks. COL recognizes that some needs and financial goals are better addressed by different types of mutual funds such as money market funds, bond funds, balanced funds, and equity funds. With mutual funds, clients are given investment options that clearly match their risk profile and investment horizon. In addition, mutual funds allow investors to achieve diversification even with a small amount as they are usually invested in a wide range of securities yet require a minimum investment amount of as low as ₱5,000.

Aside from giving access to various mutual funds, COL will also guide clients in choosing the right investments for them. The COL Fund Source platform will feature tools and research materials that will help clients determine which funds are suitable for them. Through COL Fund Source, clients are able to organize, compare investment opportunities, and consolidate their placements in various mutual funds using one account.

COL has already signed a Memorandum of Agreement with six asset management companies namely Sun Life Asset Management, ATR KimEng Asset Management, Philam Asset Management, Philequity Management, BPI Investment Management, and

First Metro Asset Management. Consequently, there will be a total of 24 mutual funds available in the COL Fund Source platform. The six asset management companies together account for 92.1% of the assets under management of the mutual fund industry.

Competitor Analysis

There are around 10 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 | Yes | Yes |
| 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 | Yes | Yes |
| T + 3 | Yes | Yes | No | No |
| Commissions | 0.25% | 0.25% | 0.25% | 0.25% |

Business Strategy

COL believes that the best long-term growth strategy is one that puts the customers first. It aims to become the financial services partner for its customers in building genuine wealth, by being more than a stockbroker.

For 2015 and beyond, COL will continue to remain customer-focused and continue to focus on what it does best:

1. Making investing more accessible by delivering a safe and reliable online platform to its customers.
2. Making online investing more understandable through its investor education and financial literacy campaigns and delivering timely and relevant market research reports and analysis for successful investing.
3. Creating value to its customers by developing new products and services to better cater to its customers' individual needs.

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

Customers

The business of COL is not dependent upon a single customer or a few customers that a loss of anyone of them would have a material adverse effect on COL and its HK Subsidiary taken as a

whole. Further, there is no customer that accounts for, or based upon existing transactions will account for twenty per cent (20%) or more of COL's total sales.

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

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

| | Mark | Date of Application | Status |
|----|-----------------|----------------------------|--|
| 1. | "COL" | August 20, 2007 | Approved by the IPO with registration up to August 20, 2017 |
| 2. | "CitisecOnline" | February 8, 2007 | Approved by the IPO with registration up to February 8, 2023 |
| 3. | "EIP" | September 22, 2014 | Pending with the IPO |
| 4. | "Richer Life" | September 24, 2014 | Pending with the IPO |

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

Transactions with and/or Dependence on Related Parties

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

COL also provides management, research and marketing services to its HK Subsidiary.

COLHK, 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.

All other transactions entered into by COL Financial and its HK Subsidiary directly with its directors and with companies associated with its major stockholders and officers are all related to its brokerage business. Trading transactions are executed and priced and settled on arm's length terms as it would deal with 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 future material transaction involving COL and COLHK and companies of the major stockholders or its affiliates, such material transaction shall be subjected to the approval of a majority of its independent members of the Board of Directors or by an independent firm selected by such members.

Government Regulation

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

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

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 2014 and the projected number of employees for 2015 to complement the operational requirements of the Group are broken down as follows:

| | 2015 | 2014 |
|-------------------------------|------|------|
| Executives | 3 | 3 |
| Senior Officers | 6 | 6 |
| Junior Officers | 21 | 14 |
| Professional/Technical/Others | 83 | 74 |
| TOTAL | 113 | 97 |

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

Risk Factors and Risk Management

Risks Associated with the Stock Brokerage 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. COL 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. All its web, application, database and communication servers have more than one instance (redundant) to ensure proper failover in case of hardware failures. COL has more than two ISP connections and a fully functional Disaster Recovery Site to enable it to recover from site failures.

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 6 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 AAG 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

Leased 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. COL also maintains an office at the 5th floor of Ayala Tower One located in Ayala, Makati, to house its data center and rents a storage space in a warehouse in Magalang, Pampanga. In 2014, COL opened an Investor Center in the Mezzanine Floor of Citibank Center in Makati City and reserved a dedicated booth at the Insular Life Cebu Business Centre in Cebu City, both facilities intended to be used for COL's marketing and investor education activities.

These offices and storage space 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. For the leased premises consisting of at least 1,579 square meters, COL pays a monthly rental ranging from ₱250.00 to ₱450.00 per square meter for its offices in Pasig City, ₱763.00 per square meter for its Makati office, ₱500.00 per square meter for its Makati Investor Center, ₱60.00 per square meter for its storage space in Pampanga, and ₱15,000 per month for its office booth in Cebu.

Owned Properties

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.

Limitations on Properties

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

Properties to be Acquired

Within the next twelve (12) months, the Parent Company will purchase additional servers and software programs with an estimated cost of around ₱10.0 million which will be sourced from its

operations. This capital expenditure is directed to the further expansion of the capacity of its trading platform to continuously provide its local customers the best trading experience possible.

Item 3. Legal Proceedings

COL Financial Group, Inc. vs. Commission of Internal Revenue CTA Case No. 8454; Court of Tax Appeals (“CTA”)

This is a Petition for Review filed by COL to preserve its right to claim a tax refund or secure a tax credit certificate for additional income tax paid under protest for the taxable period 2009.

The case stemmed from issuance by the Bureau of Internal Revenue of Revenue Regulations No. 2-2010 and Revenue Memorandum Circular No. 16-2010, effectively amending Section 7 of BIR Revenue Regulations No. 16-2008. Said RR 2-2010 and RMC 16-2010 were made to apply retroactively. To avoid the imposition of penalties, on April 15, 2010, COL was constrained to pay under protest the amount of Eight Million Nine Hundred Sixty Thousand Two Hundred and Forty-Five Pesos (₱8,960,245.00), representing the additional taxes due should the retroactive effect of said latter issuances be held as valid.

COL, however, maintains its position that RR 2-2010 and RMC 16-2010 should be given prospective effect. The case has been submitted for decision with the Court of Tax Appeals En Banc.

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

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

None

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The common shares of COL Financial were listed at the PSE on July 12, 2006 under the ticker symbol “COL”. The total number of outstanding shares of COL as of December 31, 2014 is 474,550,000 with a market capitalization of ₱7.23 billion as of end of 2014, based on the closing price of ₱15.24 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:

| | 2014 | | 2013 | |
|-------------------------|-------|-------|-------|-------|
| | High | Low | High | Low |
| 1 st Quarter | 19.6 | 15.36 | 20.50 | 18.50 |
| 2 nd Quarter | 18.5 | 14.66 | 21.00 | 19.00 |
| 3 rd Quarter | 15.16 | 14.5 | 19.00 | 17.00 |
| 4 th Quarter | 15.24 | 12.02 | 18.00 | 16.00 |

The high and low prices of COL at the PSE on April 8, 2015 were ₱16.76 and ₱16.50, respectively.

Holders of Common Equity

As of February 28, 2015, COL has 32 stockholders owning common shares. The Top twenty (20) common stockholders are as follows:

| Rank | Name | Citizenship | Total Shares | % |
|------|-----------------------------------|-------------|--------------------|----------------|
| 1 | PCD NOMINEE CORP. - FILIPINO | FILIPINO | 317,737,800 | 66.9556 |
| 2 | Lee, Edward K. | FILIPINO | 62,250,000 | 13.1177 |
| 3 | PCD NOMINEE CORP. - NON-FILIPINO | FOREIGN | 60,614,300 | 12.7730 |
| 4 | Yu, Alexander C. | FILIPINO | 20,000,000 | 4.2145 |
| 5 | Ang, Valentina L. | FILIPINO | 5,000,000 | 1.0536 |
| 6 | Yuson, Frederick | FILIPINO | 4,000,000 | 0.8429 |
| 7 | Kobayashi, Hirotsugu | JAPANESE | 1,000,000 | 0.2107 |
| 8 | Lee, Lydia C. | FILIPINO | 1,000,000 | 0.2107 |
| 9 | Tan, Jessalynn L. | FILIPINO | 1,000,000 | 0.2107 |
| 10 | Vinzon, Regina Cielo M. | FILIPINO | 1,000,000 | 0.2107 |
| 11 | Cruz, Leopoldo | FILIPINO | 350,000 | 0.0747 |
| 12 | Estacion, Manuel S. | FILIPINO | 210,000 | 0.0443 |
| 13 | Lim, Hernan Go. | FILIPINO | 100,000 | 0.0211 |
| 14 | Yu, Raymond C. | FILIPINO | 100,000 | 0.0211 |
| 15 | Han, Paulwell | BRITISH | 100,000 | 0.0211 |
| 16 | Ong, Catherine L. | FILIPINO | 50,000 | 0.0105 |
| 17 | Barreto, Serafin Jr. P. | FILIPINO | 12,000 | 0.0025 |
| 18 | Yu, Wellington C. or Yu, Victoria | FILIPINO | 10,000 | 0.0021 |
| 19 | Filio, Sernando | FILIPINO | 5,000 | 0.0011 |
| 20 | Gara, Rosario | FILIPINO | 5,000 | 0.0011 |
| | TOTAL | | 474,544,100 | 99.9997 |

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 2014 and 2013:

2014

| Cash Dividend | Ex-date | Record Date | Payment Date |
|-----------------|----------------|----------------|--------------|
| <i>Regular</i> | | | |
| ₱0.12 per share | April 10, 2014 | April 15, 2014 | May 14, 2014 |
| <i>Special</i> | | | |
| ₱0.48 per share | April 10, 2014 | April 15, 2014 | May 14, 2014 |

2013

| Cash Dividend | Ex-date | Record Date | Payment Date |
|----------------------|----------------|--------------------|---------------------|
| <i>Regular</i> | | | |
| ₱0.12 per share | April 1, 2013 | April 4, 2013 | April 17, 2013 |
| <i>Special</i> | | | |
| ₱0.51 per share | April 1, 2013 | April 4, 2013 | April 17, 2013 |

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. A total of 5,900,000 shares have been exercised in 2014.

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

After suffering from a steep correction which began in May 2013, the Philippine stock market successfully recovered in 2014, with the PSEi ending the year higher by 22.7% compared to its end 2013 close of 5,889.83.

The market rebounded as investor sentiment for emerging market Asia improved. Starting in February of 2014, foreign investors once again became net buyers of the Philippine stock market, reversing their net selling since May of 2013. Factors that helped boost foreign investor sentiment include added monetary stimulus globally, the Philippines' resilient economic growth and strong external account position, and the BSP's move to tighten its monetary policy as a pre-emptive measure against inflation.

Notwithstanding the recovery of the stock market, the Philippine stock exchange continued to suffer from weaker trading activity. In 2014, average daily value turnover fell by 16.3% to only ₱8.8 billion. While interest in the stock market was slowly returning, it never reached the same level as that of 2013 as the PSEi continued to trade below its all-time high of 7,400 which it reached in May of 2013.

Meanwhile, the HK stock market delivered a mixed performance in 2014. The Hang Seng index (HSI) and the Hang Seng China Affiliate Corp. Index (HSCCI) continued to perform poorly, with the HSI closing higher by 1.3% and the HSCEI falling by 4.5%. On the other hand, the Hang Seng China Enterprise Index (HSCEI) performed strongly, rising by 10.8%. Sentiment for "H" shares

improved after China cut its benchmark interest rates in November, making Chinese stocks more attractive to investors.

The strong performance of the HSCEI coupled with the launch of the Shanghai Hong Kong stock connect scheme in November helped boost average daily value turnover in the Hong Kong Exchange by 10.1% to HKD68.7 billion in 2014 from HKD62.4 billion in 2013.

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:

| | 2014 | 2013 |
|-------------------------------------|-------------|-------------|
| Number of Customer Accounts | 113,347 | 82,929 |
| Customers' Net Equity (in millions) | ₱58,851.9 | ₱49,376.7 |
| Net Revenues (in millions) | ₱711.6 | ₱741.0 |
| Return on Equity | 20.3% | 23.0% |
| Risk Based Capital Adequacy Ratio* | 577.0% | 717.0% |
| Liquid Capital** (in millions) | HKD63.7 | HKD67.0 |

* Parent Company only

**HK Subsidiary

Despite weaker trading activity in the Philippine Stock Exchange, the **number of customer** accounts for COL's Philippine operations expanded considerably by 36.8% to more than 113,000 in 2014. This took place as COL remained active in educating Filipinos about stock investing through free seminars to both existing clients and the public in general, and as it benefited from the referrals of satisfied clients. Also acting as a tailwind is the heightened interest in stock market investing among Filipinos brought about by low interest rates and the BSP's move to no longer provide retail investors access to higher yielding special deposit accounts or SDAs.

Due to the significant increase in COL's customer accounts and the 22.7% appreciation of the PSEi, **customer's net equity** grew by 19.2% year-on-year to ₱58.9 billion.

Net revenues in 2014 fell by 4.0% year-on-year to ₱711.6 million. The drop was largely a result of weaker trading activity in the local stock market. As discussed earlier, average daily turnover in the Philippine Stock Exchange fell by 16.3%. Although COL Financial outperformed its peers in the stock brokerage industry, it still suffered from a 6.3% drop in commission revenues to ₱464.6 million. The drop in commission revenues was partly offset by the 2.2% improvement in interest income as COL benefited from the significant increase in its cash position from ₱3.3 billion as of end 2013 to ₱4.6 billion as of end 2014.

Return on equity (ROE) is computed as net income divided by average equity. Due to several factors including the weakness in revenues, the highly leveraged nature of the stock brokerage business and the booking of ₱30.4 million worth of non-recurring expense, COL ended 2014 with a net income of ₱262.3 million, down by 13.6% on a year-on-year basis. This in turn led to the drop in COL's ROE to 20.3% in 2014 from 23.5% in 2013.

The Parent Company and the HK Subsidiary maintain stockbroker licenses which subject both to the stringent rules of Philippines and Hong Kong regulators. 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

2014 vs. 2013

COL's financial position remained strong with a very high level of cash and zero interest bearing debt.

The Group ended 2014 with consolidated **Assets** reaching a new record high of ₱6.4 billion from ₱4.8 billion in 2013. The growth was largely funded by non-interest bearing liabilities as trade payables jumped by 45.4% to ₱4.9 billion. Note that trade payables rose largely due to the increase in customers' cash balance which in turn was a result of the significant growth in COL's client base and customer net equity.

Due to the significant increase in trade payables, Total **Liabilities** grew by 45.1% to ₱5.1 billion. Trade payables account for the bulk of liabilities at 97%.

Cash and cash equivalents composed mainly of cash in banks and short-term placements in money market funds increased substantially by 44.9% to ₱4.6 billion also as a result of the significant growth of COL's client base and customer net asset.

Cash in a segregated account booked by the HK Subsidiary likewise went up 36.8% to ₱154.1 million primarily due to funds brought in by new customers.

Financial assets at fair value through profit or loss (FVPL) increased from ₱7.2 million to ₱9.4 million due to stock purchases made by the Parent Company for its own account under its dealer's license.

Trade receivables increased by 6.4% or ₱86.6 million to ₱1.4 billion primarily because of the increase in the buying transactions executed by the Parent Company's institutional accounts within the settlement cut-off which went up to ₱285.1 million by end of 2014 from ₱99.3 million in 2013. This upward movement was however offset by the settlement of the receivable from clearing house in January 2014 amounting to ₱123.0 million.

Deferred tax assets went down further to ₱37.1 million from ₱53.3 million. This was due to the additional shares of stock options exercised during the year which in turn reduced the value of the tax deductible expense that COL can use in the future.

As discussed in the preceding paragraph, **Trade payables**, consisting mainly of payable to customers, jumped by 45.4% to ₱4.9 billion.

The Parent Company booked the corresponding Fringe benefits tax on the exercise of stock options during the last quarter of 2014 computed in accordance with the provisions of Revenue Memorandum Circular 79-2014. The tax amounting to ₱30.4 million is due for remittance to the BIR in January 2015.

Other current liabilities in 2014 went up 11.2% to ₱71.8 million due to the Parent Company's booking of higher agents' commissions for the month of December and the higher amount of taxes to be remitted to the BIR for the selling transactions of customers during the settlement cut-off.

Finally, **Stockholders' equity** fell slightly to ₱1.3 billion. In 2014, COL paid ₱281.2 million worth of cash dividends based on its performance for 2013. However, the said amount is 7.3% more compared to 2014's net income of ₱262.3 million, explaining the slight drop in stockholders' equity.

2013 vs 2012

The Group ended the year with consolidated **Assets** reaching a new record high of ₱4.8 billion, up 13.0% from last year's ₱4.3 billion. Likewise, **Liabilities**, comprised mostly of Trade payables, was up 17.5% to ₱3.5 billion from ₱3.0 billion as at end of 2012. Factors contributing to these upward movements are as follows:

Cash and cash equivalents composed mainly of cash in banks and short-term placements of local funds increased substantially by 24.0% or ₱620.4 million as high cash balances left in the customers' accounts as of cut-off period allowed COL to increase its cash position to ₱3.2 billion, the highest cash balance recorded thus far in the financial history of COL. The Parent Company continued to experience remarkable net inflow of funds coming from new accounts opened and from existing accounts who took advantage of the strong performance of the Philippine market. Further, the robust growth in COL's cash balance can also be viewed as a measure of the firm confidence being bestowed to COL by the investing public. As a proof, net inflows from prepaid customers increased substantially in 2013, as ₱6.5 billion net cash was added to the customers' portfolio. Daily average deposits processed during the year increased by 97.5% from 673 to 1,329 in terms of number and from ₱14.6 million to ₱53.6 million in terms of value.

Cash in a segregated account booked by the HK Subsidiary likewise went up 75.4% or ₱48.4 million to ₱112.6 million primarily due to the liquidation of positions made by its customers because of the unfavourable market environment experienced in HK especially during the first and second quarters of 2013.

Financial assets at fair value through profit or loss (FVPL) increased by ₱4.5 million to ₱7.2 million or 164.2% due to additional investments made by the HK Subsidiary in the US market.

Trade receivables went down by 7.9% or ₱115.9 million to ₱1.4 billion largely due to the settlement in 2013 of the receivable balance from the clearing house as of end of 2012. This movement offset the increase in receivable from margin customers of the Parent Company which posted an increase of 15.1% year-to-date, putting it back to its ₱1 billion level.

Meanwhile, **Deferred tax assets** went down 13.4% or ₱8.2 million to ₱53.3 million due to the combined effects of the additional shares exercised during the year which reduced the tax deductible expense that COL can use in the future and the downward movement in the price of the Parent Company's share price which affects the computation of the stock options' intrinsic value and its related future tax benefits.

Trade payables, consisting mainly of payable to customers, was up 17.9% or ₱515.5 million to ₱3.4 billion due to the strong growth in COL's client base which led to additional cash deposits. The increase in the balance of this account is also partly due to the selling transactions made by some of its FI accounts that are yet to be settled three days after the reporting period.

Due to the normalization of corporate income taxes and the booking of the appropriate taxes on the taxable earnings in 2013, **Income tax payable** increased by 18.4% to ₱13.8 million as of end of year compared to the ₱11.7 million tax due booked by the Parent Company as of end of 2012.

Retirement obligation, on the other hand, increased by 19.5% or ₱4.5 million due to the booking of the corresponding retirement cost for the year based on the report prepared by an actuary.

Finally, from a decrease of 4.6% during the first half of the year, **Stockholders' equity** managed to increase by 2.3% to ₱1.3 billion as the consolidated net income generated during the year fully offset the ₱295.2 million worth of cash dividends distributed to the stockholders of the Parent Company in April 2013.

Material Changes in the Results of Operations

2014 vs. 2013

COL's **Consolidated Revenue** fell by 4.0% to ₱711.6 million year-on-year. The drop was largely a result of the 6.9% decline in commission revenues to ₱503.4 million. **Cost of Services** fell by 13.3% from ₱223.7 million to ₱193.9 million because of the drop in direct costs associated with clients' trading activities. However, **Operating Expenses** increased by 34.6% to ₱176.7 million due to the double digit growth in personnel costs and professional fees, and the booking of ₱30.4 million worth of fringe benefit taxes associated with the exercise of stock options. Provision for income tax was lower by 4.5% to ₱78.7 million due to the 11.7% drop in pre-tax profits. As a result of the foregoing movements, **Net Income** was down 13.6% from ₱303.6 million to ₱262.3 million year-on-year.

Commission revenues from COL's Philippine operations dropped by 6.3% to ₱464.6 million. Commission revenues fell as value trading activity in the Philippine stock market deteriorated. Nevertheless, the drop in commission revenues was slower than the 16.3% decline in the average daily value turnover of the PSE.

Commission revenues from HK also remained weak, falling by 12.8% to ₱38.8 million as customers continued to favor the Philippines over HK. However, the impact on consolidated revenues is only minimal as HK commissions now account for only 5.2% of COL's revenues.

Partly offsetting the weak performance of COL's commission revenues was the 2.2% rise in **interest income** to ₱203.1 million. Despite the drop in bank deposit rates, interest income on bank deposits still rose by 17.1% to ₱49.0 million largely due to the significant increase in COL's cash position from ₱3.3 billion as of end 2013 to ₱4.6 billion as of end 2014. Higher interest income on banks deposits also offset the 1.7% drop in interest income from margin lending which was negatively affected by the decline in margin utilization.

Also offsetting the drop in commission revenues was the booking of ₱3.4 million worth of **gains from the sale of financial assets at FVPL**.

Cost of Services dropped by 13.3% to ₱193.9 million. The drop was largely due to the 23.5% decline in total **commissions** paid to the advisory group which handle the high net worth and institutional accounts.

On the other hand, operating expenses jumped by 34.6% to ₱176.7 million. The increase was largely due to the 15.5% rise in **personnel cost and professional fees** to ₱53.7 million and the booking of ₱30.4 million worth of fringe benefit taxes. Personnel cost and professional fees went up as COL hired people in preparation for the launch of its mutual fund distribution business in 2015. Meanwhile, the **fringe benefit tax** was a result of the exercise of stock options and the

change in tax regulations by the BIR. However, the increase in personnel cost and professional fees were partly offset by the 18.7% drop in **management bonuses** to ₱13.6 million. Meanwhile, fringe benefit taxes are non-recurring in nature given that they are the result of the exercise of stock options.

Lower revenues coupled with the increase in operating expenses resulted to the 11.7% drop in operating profits to ₱341.0 million. Net income fell by a slightly faster pace of 13.6% to ₱262.3 million as COL's effective tax rate increased to 23.1% from 21.3%.

2013 vs 2012

COL's **Consolidated Revenue** increased by ₱90.1 million or 13.8% to ₱741.0 million year-on-year. This was largely driven by the 16.7% increase in commission revenues to ₱540.5 million. **Cost of Services** grew by ₱35.5 million or 18.9% from ₱188.1 million to ₱223.7 million because of the increase in direct costs associated with clients' trading activities. Nevertheless, these are mostly variable in nature and are directly proportional to the movement in trading volume.

Operating Expenses increased by a slower pace of 6.3% or ₱7.7 million from ₱123.6 million to ₱131.3 million. Meanwhile, **Provision for income tax** jumped by 147.4% or ₱49.1 million from ₱33.3 million to ₱82.4 million. As a result of the foregoing movements, **Net Income** was down slightly by ₱2.2 million from ₱305.9 million to ₱303.6 million year-on-year.

Commission revenues from COL's Philippine operations were strong, jumping by 22.0% to ₱496.1 million. Despite the volatile performance of the Philippine stock market in 2013, total value turnover in the local market grew by 43.7% year-on-year, with growth in value turnover from foreign investors increasing at a faster pace of 64.5% vs. 26.3% for local investors. In 2013, COL recorded a total of ₱186.6 billion worth of trading transactions which is 25.1% higher compared to ₱152.2 billion value traded it posted during the preceding year.

Partly offsetting the strong performance of COL's Philippine operations was the weak performance of its HK operations as investors continued to favor investing in the Philippines over HK in light of the former's more attractive fundamentals. Although, the value turnover of the HK Subsidiary in 2013 was generally flat, having registered HKD5.126 billion worth of transactions against the HKD5.164 billion value traded it booked in 2012, commission revenues fell by 21.7% to ₱44.6 million due to a reduction in the commission rate for several high turnover clients to better align the rate with a wholesale pricing model.

Meanwhile, **Interest income**, mostly from margin financing, grew by 7.9% to ₱198.7 million. Interest earned on margin grew by 26.7% to ₱156.8 million as more clients utilized COL's margin facility. This more than offset the 30.6% drop in interest income from bank placements which was largely brought about by the drop in interest rates. Average margin availment per month expanded by 29.3% from ₱952.1 million to ₱1.2 billion. Margin utilization rate in terms of the number of local customers availing of the margin facility, likewise, increased to 37.1% as compared to the 31.4% recorded as at close of 2012.

Meanwhile, the increase in the Parent Company's cash position as a natural consequence of the rapid and steady growth in its customer base tempered the effect of lower interest rates. Average monthly placement increased by 38.0% to ₱2.8 billion while interest rate dropped by more than 100% from 3.3% net to 1.0% net. In spite of this, the management of COL continued to exercise prudence in handling its unused cash. Idle funds were invested in a manner that would ensure the safety and preservation of the principal and the liquidity of the invested funds to meet the daily operating requirements through continuous forecasting while at the same time attaining the best yield or rate of return allowed. As a result, its working capital requirements were serviced in a timely manner without incurring any penalty.

The increase in Cost of Services was driven primarily by the increase in the amount of **Commissions** paid to the agents handling the high net worth and institutional accounts, and the incentives given to the sales team for facilitating the opening of new accounts. Commission expense went up by ₱22.7 million 25.5% to ₱111.69 million from ₱88.9 million in 2012. In 2013, EAG's total value turnover increased by 27.7% year-on-year to ₱61.1 billion.

Other expenses which are directly linked to the trading activities of the Group like **Stock exchange dues and fees** and **central depository fees** which are fixed percentages of the trading value also went up 13.4% and 47.1% to ₱12.3 million and ₱8.3 million, respectively, as a direct result of the increase in the value traded recorded by the Parent Company.

The increase in operating expenses was largely due to the ramping up of **Advertising and marketing** expenses which more than doubled to ₱10.1 million from ₱4.8 million. In 2013, COL continued to spend on its advocacy of creating awareness about investing in the stock market. It also continued to spend on creating awareness about the change in its corporate name. However, higher spending on the said items paid off as we saw a significant increase in our client base during the reporting period.

Personnel costs and Professional fees, which account for the bulk of operating expenses, increased by only 3.6% to ₱128.7 million. This was largely due to steps taken to reduce expenses in HK.

Bank charges doubled from ₱1.8 million to ₱3.5 million as more customers added funds to their accounts thru the payment channels of COL's partner banks. Although bank charges is becoming a significant expense already, it is still the most prudent and cheaper way of providing the best, the safest and the fastest service to the local customers as compared to hiring or outsourcing the collection of deposits. With these online banking arrangements in place, complemented by COL's highly capable internal processing systems, deposits were credited to the customer ledgers at the shortest possible time, thus, giving COL accountholders the necessary buying power to post an order when a trading opportunity comes.

The double digit growth in revenues coupled with the controlled increase in expenses allowed COL's operating profits to grow by 13.8% to ₱386.0 million. However, net profits fell slightly as **Provision for income taxes** more than doubled from ₱33.3 million to ₱82.4 million. Recall that in 2012, the exercise of stock options valued at ₱177.7 million during the said year significantly reduced the Parent Company's income tax provision by around ₱53.3 million. As a result, COL's effective tax rate was only 9.8% in 2012. Due to the very small number of stock options exercised in 2013, the effective tax rate normalized to around 21.3% while provision for income tax reached ₱82.4 million.

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 Company are fully funded in compliance with the Securities Regulation Code (SRC) Rule 49.2 while COLHK Subsidiary maintains a fund for the exclusive benefit of its customers in compliance with the regulations of the Securities and Futures Commission of Hong Kong.
- b. 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 condition or results of operations of the Group.

Prospects for the future

Near-Term Prospects: We expect the stock market to sustain its positive momentum in 2015 as Philippines is expected to be one of the fastest growing economies with a GDP growth of 6.5% vs. 3.0% for the global economy. Underspending by the government is expected to reverse in 2015 due to legacy spending by the Aquino administration as it ends its term on 2016. Another key driver for the market would be the ample liquidity condition that is expected to continue as local interest rates are expected to remain low.

COL is well positioned to capitalize on the growing need of the retail investor for alternative investment that potentially offer better returns over the long term. COL recently signed MOAs with most of the fund houses in the country with the intention of creating the first fund supermarket in the country. This is part of COL's plan to expand its products and services to better address the needs of Filipino investors.

Meanwhile, COL's HK operations will most likely remain a small contributor to its total revenue in 2015 despite the expected increase in activity in the HK stock market as China tries to stimulate the economy by cutting interest rates. We believe prospects in the Philippines will continue to remain as biggest incentive to invest locally rather than overseas.

Medium to Long Term Prospects: The medium to long term outlook of the Philippine market is very attractive. The economy is expected to maintain its above average growth pace, driven by the country's favorable demographics, the resilience of OFW remittances and BPO revenues to external shocks, the expected rebound in investment spending, and the continuous growth in government spending. Interest rates will also most likely remain low, thanks to the structural improvement in government's finances. Finally, the penetration rate of retail investors in the stock market remains very low at less than 1%, implying substantial room for growth. The said factors should bode well for the performance of the Philippine stock market and for COL.

Item 7. Financial Statements

Please refer to the attached Consolidated Audited Financial Statements for the years ended December 31, 2014 and 2013.

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

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

Item 9. Audit and Audit-Related Fees

The following table sets out the aggregate fees billed for each of the last two fiscal years for professional services rendered by SyCip Gorres Velayo & Co.

| | Years Ended December 31 | |
|---|-------------------------|------------|
| | 2014 | 2013 |
| Audit and Audit-Related Fees in connection with the annual review of the Group's financial statements | ₱1,220,000 | ₱1,135,000 |
| Tax Fees | none | none |

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

Board of Directors

The Directors of COL as of December 31, 2014 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, 59, 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, 59, 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, 52, 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, 62, 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 than 10 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, 56, 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 Worldwide 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, 69, 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, 71, Filipino, was elected as Member of the Board of Directors of COL 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, 60, 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, 61, 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, 55, Chinese, was elected as Director of COL on November 11, 2010. He 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, 44, American, was elected as Director of COL on August 12, 2011. He is currently the Chief Investment Strategist and Managing Director of Valens Securities, Inc. headquartered in New York City. He serves as Chairman and CEO of Valens Credit LLC, Valens Equities, and the Institute of Strategy & Valuation. 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 is on faculty at Hult International Business School and has lectured at Harvard and other MBA programs. He is Chairman of the Foundation for Socioeconomic Advancement focused on philanthropic efforts, particularly in the Philippines. 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, 64, 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, 47, 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 advance technical analysis seminars. Mr. Barredo holds a Bachelor of Arts degree in Philosophy from De La Salle University in 1990 and is a Certified Securities Representative.

Nikos J. Bautista

Vice President and Chief Technology Officer

Nikos J. Bautista, 45, 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, 44, 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. 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, 38, 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, 42, 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, 2014

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 (4th) civil degree among its Directors and Executive Officers.

Involvement in Certain Legal Proceedings

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 11. Executive Compensation

Standard Arrangements

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 2015 (est) | Annual Salary 2014 | Annual Salary 2013 | Annual Salary 2012 | Bonuses 2012 - 2014 | Other Annual Compensation 2012 - 2014 |
| 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 | ₱14.5 | ₱14.4 | ₱14.3 | ₱14.3 | ₱70.8 | -nil- |
| b) All other Executives and Officers as a Group named | ₱4.7 | ₱4.7 | ₱4.6 | ₱4.5 | ₱21.5 | -nil- |

Other Arrangements

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, 2014, 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 |
| <i>All above-named directors and officers as a group</i> | 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 2014, 5,900,000 SOP shares were exercised by the above Directors and officers of COL.

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

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

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners of more than 5% of COL's voting securities as of **December 31, 2014** 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) | Filipino | 88,773,600 | 18.71% |
| | | COL Financial Group, Inc. (COL) | Filipino | 87,336,400 | 18.40% |
| | | Various Stockholders/ Clients | Filipino | 24,762,100 | 5.22% |
| Common | Edward K. Lee 186 N. Averilla St., San Juan, Metro Manila <i>Stockholder</i> | Edward K. Lee | Filipino | 96,016,300 | 20.23% |
| Common | Alexander C. Yu 211 Ortega St., San Juan, Metro Manila <i>Stockholder</i> | Alexander C. Yu | Filipino | 65,311,800 | 13.76% |
| Common | Paulwell Han 9E G/F Broom Road, Happy Valley, Hong Kong <i>Stockholder</i> | Paulwell Han | Chinese | 34,100,000 | 7.19% |
| Common | Raymond C. Yu 117 4th St., New Manila, Quezon City <i>Stockholder</i> | Raymond C. Yu | Filipino | 26,216,400 | 5.52% |
| Common | Conrado F. Bate 1207 Tamarind Road, Dasmariñas Village, Makati City <i>Stockholder</i> | Conrado F. Bate | Filipino | 23,983,700 | 5.05% |

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

Security Ownership of Management as of December 31, 2014

| Title of Class | Name of Owner | Position | Citizenship | Total No. of Shares | Percent (%) |
|----------------|-----------------|---------------|-------------|---------------------|-------------|
| Common | Edward K. Lee | Chairman | Filipino | 96,016,300 | 20.23% |
| Common | Alexander C. Yu | Vice-Chairman | Filipino | 65,311,800 | 13.76% |
| Common | Conrado F. Bate | President | Filipino | 23,983,700 | 5.05% |
| Common | Hernan G. Lim | Director | Filipino | 19,958,600 | 4.21% |

| Title of Class | Name of Owner | Position | Citizenship | Total No. of Shares | Percent (%) |
|-----------------------|--|--|--------------------|----------------------------|--------------------|
| Common | Raymond C. Yu | Director | Filipino | 26,216,400 | 5.52% |
| Common | Wellington C. Yu | Director | Filipino | 486,900 | 0.10% |
| Common | Paulwell Han | Director | Chinese | 34,100,000 | 7.19% |
| Common | Joel Litman | Director | American | 34,000 | 0.01% |
| Common | Manuel S. Estacion | Independent Director | Filipino | 593,600 | 0.13% |
| Common | Khoo Boo Boon | Independent Director | Malaysian | 733,500 | 0.15% |
| Common | Catherine L. Ong | Director/SVP/CFO and Treasurer | Filipino | 9,915,000 | 2.09% |
| Common | Caesar A. Guerzon | SVP/Corporate Secretary/Head of Compliance, Legal & HRAD | Filipino | 4,151,000 | 0.87% |
| Common | Juan G. Barredo | VP for Sales and Customer Support | Filipino | 2,519,900 | 0.53% |
| Common | Nikos J. Bautista | VP/Chief Technology Officer | Filipino | 3,160,200 | 0.67% |
| Common | Lorena E. Velarde | VP/Financial Controller | Filipino | 667,000 | 0.14% |
| Common | April Lynn L. Tan | VP/Head of Research | Filipino | 2,986,800 | 0.63% |
| Common | Melissa O. Ng | AVP/Head of Operations | Chinese | 390,500 | 0.08% |
| Common | Sharon T. Lim | Asst. Corporate Secretary | Filipino | 108,500 | 0.02% |
| Common | Key Officers and Directors (as a group) | | | 291,333,700 | 61.38% |

As of December 31, 2014, the Company's public float is 38.61%.

Item 13. Certain Relationships and Related Transactions

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

PART IV – CORPORATE GOVERNANCE

Item 14. Corporate Governance

Please refer to the attached Annual Corporate Governance Report (ACGR).

PART V - EXHIBITS AND SCHEDULES

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

Exhibits

Please refer to the attached Index to Consolidated Financial Statements and Supplementary Schedules on page 39.

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 | Announcement Date | Circular No. |
|-----|---|------------|-------------------|--------------|
| 1) | Receipt of SEC Certificate of Registration as Mutual Fund Distributor | 07/28/14 | 07/30/14 | C04075-2014 |
| 2) | Signing of Distribution of Agreement with Philam Asset Management, Inc. | 08/01/14 | 08/01/14 | C04152-2014 |
| 3) | Signing of Distribution of Agreement with ALFM Peso Bond Fund, Inc., the ALFM Money Market Fund, Inc., the ALFM Growth Fund, Inc., the Philippine Stock Index Fund Corp., and BPI Investment Management, Inc. | 08/04/14 | 08/05/14 | C04202-2014 |
| 4) | Results of the Board of Director's Meeting | 08/15/14 | 08/18/14 | C04474-2014 |
| 5) | Press Release | 08/15/14 | 08/18/14 | C04475-2014 |
| 6) | Press Release | 08/20/14 | 08/20/14 | C04549-2014 |
| 7) | Change in Shareholdings of Directors and Principal Officers | 09/18/14 | 09/19/14 | C04971-2014 |
| 8) | Change in Shareholdings of Directors and Principal Officers | 09/30/14 | 10/01/14 | C05153-2014 |
| 9) | Change in Shareholdings of Directors and Principal Officers | 10/02/14 | 10/03/14 | C05208-2014 |
| 10) | Change in Shareholdings of Directors and Principal Officers | 10/13/14 | 10/13/14 | C05346-2014 |
| 11) | Signing of Memorandum of Agreement with Philequity Management, Inc. | 10/16/14 | 10/16/14 | C05427-2014 |
| 12) | Change in Shareholdings of Directors and Principal Officers | 10/17/14 | 10/17/14 | C05450-2014 |
| 13) | Change in Shareholdings of Directors and Principal Officers | 10/17/14 | 10/17/14 | C05451-2014 |
| 14) | Change in Shareholdings of Directors and Principal Officers | 11/03/14 | 11/03/14 | C05709-2014 |
| 15) | Change in Shareholdings of Directors and Principal Officers | 11/04/14 | 11/04/14 | C05755-2014 |
| 16) | Change in Shareholdings of Directors and Principal Officers | 11/06/14 | 11/06/14 | C05811-2014 |
| 17) | Change in Shareholdings of Directors and Principal Officers | 11/06/14 | 11/06/14 | C05812-2014 |
| 18) | Signing of Memorandum of Agreement with First Metro Asset Management, Inc. | 11/10/14 | 11/10/14 | C05882-2014 |


| Items Reported | | Date filed | Announcement Date | Circular No. |
|----------------|---|------------|-------------------|--------------|
| 19) | Change in Shareholdings of Directors and Principal Officers | 11/17/14 | 11/18/14 | C06091-2014 |
| 20) | Change in Shareholdings of Directors and Principal Officers | 11/17/14 | 11/18/14 | C06092-2014 |
| 21) | Press Release | 11/19/14 | 11/20/14 | C06111-2014 |
| 22) | Results of Board of Directors' Meeting | 11/19/14 | 11/20/14 | C06114-2014 |
| 23) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06239-2014 |
| 24) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06240-2014 |
| 25) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06241-2014 |
| 26) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06242-2014 |
| 27) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06243-2014 |
| 28) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06244-2014 |
| 29) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06245-2014 |
| 30) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06246-2014 |
| 31) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06247-2014 |
| 32) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06248-2014 |
| 33) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06249-2014 |
| 34) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06250-2014 |
| 35) | Change in Shareholdings of Directors and Principal Officers | 11/26/14 | 11/27/14 | C06251-2014 |
| 36) | Change in Shareholdings of Directors and Principal Officers | 11/27/14 | 11/27/14 | C06252-2014 |
| 37) | Change in Shareholdings of Directors and Principal Officers | 12/01/14 | 12/02/14 | C06329-2014 |
| 38) | Change in Shareholdings of Directors and Principal Officers | 12/05/14 | 12/05/14 | C06417-2014 |
| 39) | Change in Shareholdings of Directors and Principal Officers | 12/05/14 | 12/05/14 | C06418-2014 |
| 40) | Change in Shareholdings of Directors and Principal Officers | 12/09/14 | 12/09/14 | C06459-2014 |
| 41) | Change in Shareholdings of Directors and Principal Officers | 12/10/14 | 12/10/14 | C06486-2014 |
| 42) | Change in Shareholdings of Directors and Principal Officers | 12/15/14 | 12/16/14 | C06574-2014 |
| 43) | Change in Shareholdings of Directors and Principal Officers | 12/19/14 | 12/19/14 | C06679-2014 |
| 44) | Change in Shareholdings of Directors and Principal Officers | 12/19/14 | 12/19/14 | C06680-2014 |
| 45) | Change in Shareholdings of Directors and Principal Officers | 12/19/14 | 12/19/14 | C06681-2014 |
| 46) | Change in Shareholdings of Directors and Principal Officers | 12/23/14 | 12/23/14 | C06737-2014 |

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 13, 2015.


COL FINANCIAL GROUP, INC.
Issuer

By:


Conrado F. Bate
President and Chief Executive Officer


Catherine L. Ong
SVP, Treasurer/Chief Financial Officer


Caesar A. Guerzon
SVP, Corporate Secretary


Lorena E. Velarde
VP and Financial Controller

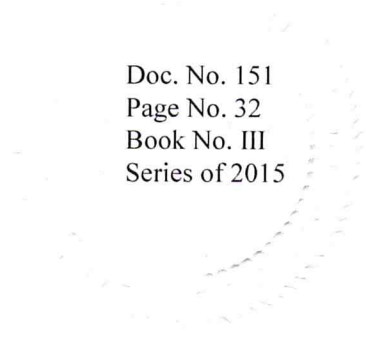
SUBSCRIBED AND SWORN to before me this 14th day of April 2015 affiants exhibiting to me their Passports/Driver's License, as follows:

| NAMES | PASSPORT NO./DRIVER'S LICENSE | DATE OF ISSUE | PLACE OF ISSUE |
|-------------------|--------------------------------------|----------------------|-----------------------|
| Conrado F. Bate | PP # EB1473902 | Nov. 30, 2010 | Manila |
| Catherine L. Ong | PP # EC0356590 | February 20, 2014 | NCR East |
| Caesar A. Guerzon | PP # EB2801974 | June 6, 2011 | Manila |
| Lorena E. Velarde | D16-97-165067 | June 24, 2014 | Pasig City |

Notary Public



ATTY. SHARON T. LIM
Notary Public for the Cities of Pasig, Taguig & San Juan and Municipality of Pateros
Until 12-31-15/Appt. No. 27 (2014-2015)
2401B East Tower, Phil. Stock Exchange Centre, Exchange Rd., Ortigas Center, Pasig City 1605
Roll No. 53601/ IBP No098675/01-06-15/RSM
PTR No. 0383586/1-08-15/Pasig
MCLE Compliance No. IV-0010699/12-20-12/Pasig



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Page No. 32
Book No. III
Series of 2015

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, 2014 and 2013 | ✓ |
| Consolidated Statements of Income for the Years Ended December 31, 2014, 2013 and 2012 | |
| Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012 | ✓ |
| Consolidated Statements of Changes in Equity for the Years Ended December 31, 2014, 2013 and 2012 | ✓ |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012 | ✓ |
| 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 Indicators Pursuant to SRC Rule 68, as Amended | ✓ |

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

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| m | e | r | l | y | 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 | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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

| | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|
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| 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 | | | | | | | | | | | | |
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Form Type

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Department requiring the report

| | | |
|---|---|---|
| C | F | D |
|---|---|---|

Secondary License Type, If Applicable

| | | | | | |
|---|---|---|---|---|---|
| B | r | o | k | e | r |
|---|---|---|---|---|---|

COMPANY INFORMATION

Company's Email Address

| |
|---------------------------|
| helpdesk@colfinancial.com |
|---------------------------|

Company's Telephone Number/s

| |
|---------------|
| (02) 636-5411 |
|---------------|

Mobile Number

| |
|----|
| NA |
|----|

No. of Stockholders

| |
|----|
| 32 |
|----|

Annual Meeting
Month/Day

| |
|-------|
| 03/NA |
|-------|

Fiscal Year
Month/Day

| |
|-------|
| 12/31 |
|-------|

CONTACT PERSON INFORMATION

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

Name of Contact Person

| |
|---------------------|
| Mr. Conrado F. Bate |
|---------------------|

Email Address

| |
|----------------------------|
| dino.bate@colfinancial.com |
|----------------------------|

Telephone Number/s

| |
|---------------|
| (02) 636-5411 |
|---------------|

Mobile Number

| |
|----|
| NA |
|----|

Contact Person's Address

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

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




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

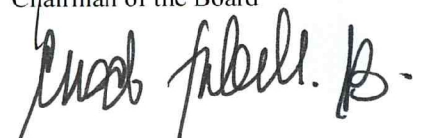
The management of COL Financial Group, Inc. (formerly CitisecOnline.com, Inc.) and Subsidiary (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, 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 consolidated 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 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

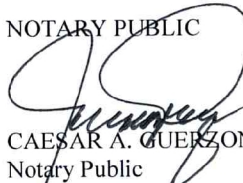
Signed this 4th day of March 2015.

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

SUBSCRIBED AND SWORN to before me this 4th day of March 2015, at Manila, affiants exhibited to me their respective Passports, as follows:

| <u>Name</u> | <u>Passport No.</u> | <u>Date/Place Issued</u> |
|------------------|---------------------|--------------------------|
| Edward K. Lee | PP # EB2183456 | April 11, 2011/Manila |
| Conrado F. Bate | PP # EB1473902 | Nov. 30, 2010/Manila |
| Catherine L. Ong | PP # EC0356590 | Feb. 20, 2014/Manila |

NOTARY PUBLIC



CAESAR A. GUERZON
Notary Public

Until December 31, 2015

Roll of Atty. No. 27749

PTR No. 2393327/11-19-13/Manila

IBP No. 942219/10-21-13/Manila

MCLE Compliance No. IV-0022286/10-23-13/ Pasig

Doc. No. : 207
Page No. : 43
Book No. : XXVI
Series of 2015

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of COL Financial Group, Inc. (formerly CitisecOnline.com, Inc.) and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, 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, 2014, 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 Philippine Financial Reporting Standards, 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.

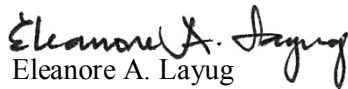
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of COL Financial Group, Inc. and Subsidiary as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-A (Group A),

August 9, 2012, valid until August 8, 2015

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2015,

January 5, 2015, valid until January 4, 2018

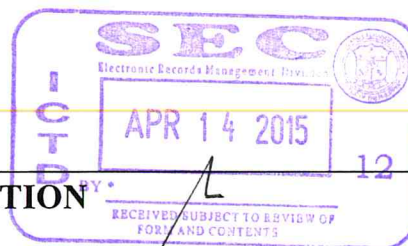
PTR No. 4751289, January 5, 2015, Makati City

March 4, 2015



COL FINANCIAL GROUP, INC. AND SUBSIDIARY
(Formerly CitisecOnline.com, Inc. and Subsidiary)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



| | December 31 | | | | | |
|---|-----------------------|--------------------|-----------------|-----------------------|--------------------|-----------------|
| | 2014 | | | 2013 | | |
| | Money Balance | Security Valuation | | Money Balance | Security Valuation | |
| | Long | Short | | Long | Short | |
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents (Note 4) | ₱4,640,187,892 | | | ₱3,203,489,204 | | |
| Cash in a segregated account (Note 5) | 154,129,025 | | | 112,593,425 | | |
| Financial assets at fair value through profit or loss (FVPL; Note 6) | 9,375,564 | ₱9,375,564 | | 7,210,678 | ₱7,210,678 | |
| Trade receivables (Note 7) | 1,438,423,878 | 6,792,074,324 | | 1,351,853,823 | 5,277,924,865 | |
| Other receivables (Note 7) | 12,130,063 | | | 6,790,722 | | |
| Prepayments | 2,267,080 | | | 2,166,739 | | |
| Total Current Assets | 6,256,513,502 | | | 4,684,104,591 | | |
| Noncurrent Assets | | | | | | |
| Property and equipment (Note 8) | 35,825,494 | | | 39,066,499 | | |
| Intangibles (Note 9) | 23,338,991 | | | 23,269,449 | | |
| Deferred income tax assets - net (Note 17) | 37,145,366 | | | 53,303,732 | | |
| Other noncurrent assets (Note 10) | 8,581,369 | | | 8,048,137 | | |
| Total Noncurrent Assets | 104,891,220 | | | 123,687,817 | | |
| TOTAL ASSETS | ₱6,361,404,722 | | | ₱4,807,792,408 | | |
| Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited | | | ₱55,408,644,059 | | | ₱47,265,033,481 |

(Forward)



| | December 31 | | | | | |
|--|-----------------------|------------------------|------------------------|-----------------------|------------------------|------------------------|
| | 2014 | | | 2013 | | |
| | Money Balance | Security Valuation | | Money Balance | Security Valuation | |
| | | Long | Short | | Long | Short |
| LIABILITIES AND EQUITY | | | | | | |
| Current Liabilities | | | | | | |
| Trade payables (Note 11) | ₱4,940,928,346 | ₱48,607,194,171 | | ₱3,398,766,516 | ₱41,979,897,938 | |
| Other current liabilities (Note 12) | 71,836,693 | | | 64,581,008 | | |
| Fringe benefit tax payable | 30,437,647 | | | - | | |
| Income tax payable | 13,556,314 | | | 13,804,483 | | |
| Total Current Liabilities | 5,056,759,000 | | | 3,477,152,007 | | |
| Noncurrent Liability | | | | | | |
| Retirement obligation (Note 16) | 28,192,690 | | | 27,620,893 | | |
| Total Liabilities | 5,084,951,690 | | | 3,504,772,900 | | |
| Equity (Notes 13 and 16) | | | | | | |
| Capital stock | 474,550,000 | | | 468,650,000 | | |
| Capital in excess of par value | 53,219,024 | | | 47,499,024 | | |
| Cost of share-based payment (Note 16) | 5,499,602 | | | 29,767,551 | | |
| Accumulated translation adjustment | (21,814,947) | | | (22,976,500) | | |
| Loss on remeasurement of retirement obligation | (4,400,783) | | | (8,243,643) | | |
| Retained earnings: | | | | | | |
| Appropriated | 140,028,578 | | | 107,520,383 | | |
| Unappropriated | 629,371,558 | | | 680,802,693 | | |
| Total Equity | 1,276,453,032 | | | 1,303,019,508 | | |
| TOTAL LIABILITIES AND EQUITY | ₱6,361,404,722 | ₱55,408,644,059 | ₱55,408,644,059 | ₱4,807,792,408 | ₱47,265,033,481 | ₱47,265,033,481 |

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY
(Formerly CitisecOnline.com, Inc. and Subsidiary)
CONSOLIDATED STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|--|-------------------------|---------------------|---------------------|
| | 2014 | 2013 | 2012 |
| REVENUES | | | |
| Commissions (Note 18) | P503,390,041 | P540,521,647 | P463,303,501 |
| Others: | | | |
| Interest income (Note 14) | 203,130,223 | 198,655,269 | 184,089,165 |
| Gain on financial assets at FVPL - net (Note 6) | 2,379,294 | - | 1,766,368 |
| Unrealized gain on financial assets at FVPL - net | 1,028,340 | - | - |
| Foreign exchange gains - net | 35,152 | 31,466 | - |
| Others | 1,587,660 | 1,752,223 | 1,733,913 |
| | 711,550,710 | 740,960,605 | 650,892,947 |
| COST OF SERVICES | | | |
| Commission expense (Note 18) | 85,323,813 | 111,551,863 | 88,863,586 |
| Personnel costs - operations (Note 15) | 63,239,706 | 65,446,518 | 57,256,553 |
| Stock exchange dues and fees | 12,010,298 | 12,331,228 | 10,875,141 |
| Central depository fees | 7,702,432 | 8,257,728 | 5,613,808 |
| Research | 1,513,288 | 975,429 | 923,224 |
| Others: | | | |
| Communications | 23,913,982 | 23,936,890 | 22,521,749 |
| Others (Note 8) | 184,511 | 1,184,374 | 2,098,615 |
| | 193,888,030 | 223,684,030 | 188,152,676 |
| GROSS PROFIT | 517,662,680 | 517,276,575 | 462,740,271 |
| OPERATING EXPENSES | | | |
| Administrative expenses: | | | |
| Fringe benefit tax | 30,437,647 | - | - |
| Personnel costs (Note 15) | 30,216,124 | 26,834,553 | 29,782,288 |
| Professional fees (Note 18) | 23,495,950 | 19,687,554 | 22,758,613 |
| Management bonus | 13,586,282 | 16,715,797 | 13,021,051 |
| Rentals (Note 19) | 11,597,494 | 10,820,260 | 10,024,186 |
| Advertising and marketing | 9,748,647 | 10,050,888 | 4,846,634 |
| Taxes and licenses | 4,910,260 | 4,059,154 | 3,910,937 |
| Power, light and water | 4,134,836 | 3,578,703 | 3,746,936 |
| Security and messengerial services | 3,870,683 | 3,597,811 | 2,465,215 |
| Bank charges | 3,585,008 | 3,527,755 | 1,757,155 |
| Representation and entertainment | 3,359,742 | 2,305,722 | 1,306,496 |
| Office supplies | 2,880,838 | 2,615,328 | 2,039,090 |
| Insurance and bonds | 2,500,221 | 2,374,103 | 2,198,516 |
| Condominium dues and utilities | 1,864,854 | 1,754,120 | 1,755,246 |
| Repairs and maintenance | 1,815,976 | 1,092,623 | 883,137 |
| Stock option expense (Notes 16 and 18) | 1,430,000 | 572,000 | 1,742,000 |
| Trainings, seminars and meetings | 1,253,369 | 557,316 | 1,717,408 |
| Transportation and travel | 1,093,392 | 1,676,007 | 710,934 |
| Donations and contributions | 1,000,000 | - | - |
| Membership fees and dues | 991,889 | 936,294 | 878,018 |
| Directors' fees | 740,000 | 740,000 | 690,000 |
| Communications | 698,485 | 673,441 | 658,124 |
| Others | 3,352,877 | 1,074,436 | 971,488 |
| | 158,564,574 | 115,243,865 | 107,863,472 |
| Depreciation and amortization (Note 8) | 15,046,813 | 14,534,422 | 14,259,874 |
| Interest expense (Note 16) | 1,574,391 | 1,433,064 | 919,511 |
| Provision for credit losses (Note 7) | 1,184,279 | - | - |
| Miscellaneous expense | 308,561 | 82,312 | 82,781 |
| | 176,678,618 | 131,293,663 | 123,125,638 |
| INCOME BEFORE INCOME TAX | 340,984,062 | 385,982,912 | 339,614,633 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17) | | | |
| Current | 84,630,826 | 88,160,210 | 37,260,181 |
| Deferred | (5,913,824) | (5,767,191) | (3,822,538) |
| | 78,717,002 | 82,393,019 | 33,437,643 |
| NET INCOME | P262,267,060 | P303,589,893 | P306,176,990 |

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY
(Formerly CitisecOnline.com, Inc. and Subsidiary)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|--|-------------------------|--------------|--------------|
| | 2014 | 2013 | 2012 |
| NET INCOME | ₱262,267,060 | ₱303,589,893 | ₱306,176,990 |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX | | | |
| Item that will not be reclassified to consolidated statements of income: | | | |
| Gain (loss) on remeasurement of retirement obligation - net of tax effect of ₱1,646,940 in 2014, ₱348,490 in 2013 and (₱1,651,089) in 2012 (Note 16) | 3,842,860 | 813,144 | (3,852,542) |
| Item that may be reclassified subsequently to consolidated statements of income: | | | |
| Translation adjustments - net of tax effect of ₱497,808 in 2014, ₱9,972,387 in 2013 and (₱8,673,367) in 2012 | 1,161,553 | 23,268,903 | (20,237,857) |
| | 5,004,413 | 24,082,047 | (24,090,399) |
| TOTAL COMPREHENSIVE INCOME | ₱267,271,473 | ₱327,671,940 | ₱282,086,591 |
| Earnings Per Share (Note 24) | | | |
| Basic | ₱0.56 | ₱0.65 | ₱0.66 |
| Diluted | ₱0.55 | ₱0.64 | ₱0.64 |

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY

(Formerly Citiseconline.com, Inc. and Subsidiary)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013, and 2012

| | Capital Stock | Capital In Excess of Par Value | Cost of Share-Based Payment | Accumulated Translation Adjustment | Loss on Remeasurement of Retirement Obligation | Retained Earnings | | Total |
|---|---------------------|--------------------------------------|-----------------------------------|--|---|---------------------|---------------------|-----------------------|
| | | | | | | Appropriated | Unappropriated | |
| Balances at January 1, 2012 | ₱458,550,000 | ₱44,899,024 | ₱63,541,685 | (₱26,007,546) | (₱5,204,245) | ₱45,004,197 | ₱709,031,496 | 1,289,814,611 |
| Issuance of shares upon exercise of stock options (Note 16) | 9,260,000 | 2,600,000 | – | – | – | – | – | 11,860,000 |
| Cost of share-based payment (Note 16) | – | – | (30,278,027) | – | – | – | – | (30,278,027) |
| Declaration of cash dividend (Note 13) | – | – | – | – | – | – | (280,230,000) | (280,230,000) |
| Net income | – | – | – | – | – | – | 306,176,990 | 306,176,990 |
| Other comprehensive loss | – | – | – | (20,237,857) | (3,852,542) | – | – | (24,090,399) |
| Total comprehensive income (loss) | – | – | – | (20,237,857) | (3,852,542) | – | 306,176,990 | 282,086,591 |
| Appropriation of retained earnings (Note 13) | – | – | – | – | – | 30,454,004 | (30,454,004) | – |
| Balances at December 31, 2012 | 467,810,000 | 47,499,024 | 33,263,658 | (46,245,403) | (9,056,787) | 75,458,201 | 704,524,482 | 1,273,253,175 |
| Issuance of shares upon exercise of stock options (Note 16) | 840,000 | – | – | – | – | – | – | 840,000 |
| Cost of share-based payment (Note 16) | – | – | (3,496,107) | – | – | – | – | (3,496,107) |
| Declaration of cash dividend (Note 13) | – | – | – | – | – | – | (295,249,500) | (295,249,500) |
| Net income | – | – | – | – | – | – | 303,589,893 | 303,589,893 |
| Other comprehensive income | – | – | – | 23,268,903 | 813,144 | – | – | 24,082,047 |
| Total comprehensive income | – | – | – | 23,268,903 | 813,144 | – | 303,589,893 | 327,671,940 |
| Appropriation of retained earnings (Note 13) | – | – | – | – | – | 32,062,182 | (32,062,182) | – |
| Balances at December 31, 2013 | 468,650,000 | 47,499,024 | 29,767,551 | (22,976,500) | (8,243,643) | 107,520,383 | 680,802,693 | 1,303,019,508 |
| Issuance of shares upon exercise of stock options (Note 16) | 5,900,000 | 5,720,000 | – | – | – | – | – | 11,620,000 |
| Cost of share-based payment (Note 16) | – | – | (24,267,949) | – | – | – | – | (24,267,949) |
| Declaration of cash dividend (Note 13) | – | – | – | – | – | – | (281,190,000) | (281,190,000) |
| Net income | – | – | – | – | – | – | 262,267,060 | 262,267,060 |
| Other comprehensive income | – | – | – | 1,161,553 | 3,842,860 | – | – | 5,004,413 |
| Total comprehensive income | – | – | – | 1,161,553 | 3,842,860 | – | 262,267,060 | 267,271,473 |
| Appropriation of retained earnings (Note 13) | – | – | – | – | – | 32,508,195 | (32,508,195) | – |
| Balances at December 31, 2014 | ₱474,550,000 | ₱53,219,024 | ₱5,499,602 | (₱21,814,947) | (₱4,400,783) | ₱140,028,578 | ₱629,371,558 | ₱1,276,453,032 |

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY
(Formerly CitisecOnline.com, Inc. and Subsidiary)
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|--|--------------------------------|----------------|----------------|
| | 2014 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | ₱340,984,062 | ₱385,982,912 | ₱339,614,633 |
| Adjustments for: | | | |
| Interest income (Note 14) | (203,130,223) | (198,655,269) | (184,089,165) |
| Fringe benefit tax | 30,437,647 | – | – |
| Depreciation and amortization (Note 8) | 15,231,324 | 15,718,796 | 16,358,489 |
| Retirement costs under ‘Personnel costs’ (Notes 15 and 16) | 4,487,206 | 4,235,529 | 3,168,564 |
| Interest expense (Note 16) | 1,574,391 | 1,433,064 | 919,511 |
| Stock option expense (Notes 16 and 18) | 1,430,000 | 572,000 | 1,742,000 |
| Provision for credit losses (Note 7) | 1,184,279 | – | – |
| Unrealized loss (gain) on financial assets at FVPL | (1,109,791) | 78,088 | (276,187) |
| Loss (gain) on disposal of property and equipment (Note 8) | 56,898 | – | (4,448) |
| Dividend income (Note 6) | (29,651) | (156,803) | (28,589) |
| Operating income before working capital changes | 191,116,142 | 209,208,317 | 177,404,808 |
| Decrease (increase) in: | | | |
| Cash in a segregated account | (41,535,600) | (48,393,050) | 113,980,196 |
| Financial assets at FVPL | (1,029,159) | (4,347,712) | (1,139,651) |
| Trade receivables | (85,359,331) | 154,821,033 | (329,602,454) |
| Other receivables | 356,005 | 185,905 | 38,974 |
| Prepayments | (97,289) | 322,273 | (263,209) |
| Other noncurrent assets | (9,570,913) | (10,713,428) | (7,432,688) |
| Increase (decrease) in: | | | |
| Trade payables | 1,541,543,509 | 510,883,058 | 743,606,378 |
| Other current liabilities | 6,996,831 | (3,668,816) | (8,805,020) |
| Net cash generated from operations | 1,602,420,195 | 808,297,580 | 687,787,334 |
| Interest received | 197,417,827 | 196,715,802 | 183,930,182 |
| Income taxes paid | (75,832,613) | (74,015,616) | (15,293,190) |
| Dividends received | 29,651 | 156,803 | 28,589 |
| Net cash flows from operating activities | 1,724,035,060 | 931,154,569 | 856,452,915 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisitions of property and equipment (Note 8) | (12,109,102) | (16,307,767) | (13,446,556) |
| Proceeds from disposal of property and equipment (Note 8) | 62,730 | – | 256,045 |
| Net cash flows used in investing activities | (12,046,372) | (16,307,767) | (13,190,511) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends declared and paid (Note 13) | (281,190,000) | (295,249,500) | (280,230,000) |
| Issuance of additional shares (Notes 13 and 16) | 5,900,000 | 840,000 | 9,260,000 |
| Net cash flows used in financing activities | (275,290,000) | (294,409,500) | (270,970,000) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,436,698,688 | 620,437,302 | 572,292,404 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 3,203,489,204 | 2,583,051,902 | 2,010,759,498 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | ₱4,640,187,892 | ₱3,203,489,204 | ₱2,583,051,902 |

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY
(Formerly Citiseconline.com, Inc. and Subsidiary)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

COL Financial Group, Inc. (formerly Citiseconline.com, Inc.; 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. COL Securities (HK) Limited (formerly Citiseconline.com Hong Kong Limited; COLHK; Subsidiary), a wholly-owned foreign subsidiary, is domiciled and incorporated in Hong Kong (HK), primarily to act as a stockbroker and to 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, Central, Hong Kong.

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

On August 15, 2006, the Board of Directors (BOD) of the Parent Company approved the acquisition of the Trading Right of Mark Securities Corporation for the purpose of making the Parent Company a PSE Trading Participant. On December 13, 2006, the BOD of PSE approved the application of the Parent Company as a Corporate Trading Participant in PSE through the transfer of the Trading Right registered in the name of Mark Securities Corporation and the designation of Mr. Conrado F. Bate as its Nominee Trading Participant (see Note 9).

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 (SFC), 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.

In various dates in 2014, the Parent Company was registered and authorized by the Philippine Securities and Exchange Commission to act as mutual fund distributor of various funds.

The accompanying consolidated financial statements of the Group as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issue by the BOD on March 4 2015.



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

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at 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 HK dollar (HK\$), respectively. All values are rounded to the nearest peso, except as otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with PFRS.

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.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company controls an investee if and only if the Parent Company has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

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, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The Group is presenting its financial assets and financial liabilities at gross amounts in the consolidated statement of financial position.



- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units for which impairment loss has been recognized or reversed during the period. The application of the amendments has no impact on the disclosure in the Group's consolidated financial statements.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has no derivatives during the current or prior periods.
- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at FVPL. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group's consolidated financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group's consolidated financial statements.

Annual Improvements to PFRSs (2011-2013 cycle)

In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first-time PFRS adopter.



Standards and Interpretations Issued but not yet Effective

The Group will adopt the following standards and interpretations enumerated below when these become effective.

Effective Date to be Determined:

- PFRS 9, Financial Instruments - *Classification and Measurement* (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 is adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of this interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval of the BOA.

Effective January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the



period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since the Parent company does not have a defined benefit contribution plan with contributions from employees and third parties while the subsidiary uses defined contribution plan.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have material impact on the Group. They include:

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - a. A performance condition must contain a service condition.
 - b. A performance target must be met while the counterparty is rendering service.
 - c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
 - d. A performance condition may be a market or non-market condition.
 - e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39 (or PFRS 9 if early adopted). The Group shall consider this amendment for future business combinations.
- *PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
 - a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.



- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have material impact on the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).
- PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016:

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group does not expect that these amendments will have material impact in the Group's future consolidated financial statements.



- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments will not have any impact on the Group's consolidated financial statements.
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's consolidated financial statements.



- *PFRS 14, Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have material impact on the Group. They include:

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.



- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018:

- PFRS 9, *Financial Instruments - Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.
- PFRS 9, *Financial Instruments (2014 or final version)*
In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted.



The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

The revised, amended and additional disclosures 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 end of the reporting period. 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 a Segregated Account

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition

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

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, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, 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 each end of the reporting period. The Group's financial assets are of the nature of financial assets at FVPL, and loans and receivables. As at December 31, 2014 and 2013, the Group has no HTM investments and AFS financial assets.



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, 2014 and 2013 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, 2014 and 2013, the Group has no financial assets and financial liabilities that have been designated as at FVPL. As at December 31, 2014 and 2013, the Group has financial assets which are held for trading purposes that are classified as financial assets at FVPL.

Loans and Receivables

These are non-derivative financial assets with fixed or determinable payments 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', 'Cash in a segregated account', 'Trade and other receivables' and refundable deposits under 'Other noncurrent assets', 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 effective interest rate (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 and other government payables).

Fair Value Measurement

The Group measures financial instruments, such as, financial assets at FVPL at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 22.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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



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

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

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

The fair value of 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 end of the reporting period.

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

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

Trade Receivables and Payables

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

Derecognition of Financial Instruments

Financial Assets

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

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or



- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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 end of the reporting period whether a financial asset or group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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



Assets Carried at Amortized Cost

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

If there is objective evidence that an impairment loss on 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 of Financial Instruments

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.

As at December 31, 2014 and 2013, the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements. The Group is presenting its financial assets and financial liabilities at gross amounts in the consolidated statement of financial position.

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.



Prepayments and Other Noncurrent Assets

The Group's prepayments are composed of prepaid insurance, prepaid taxes, prepaid subscriptions and other prepayments. Other noncurrent assets are composed of deposit to CTGF, refundable deposits and input VAT. These assets are classified as current when it is probable to be realized within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Property and Equipment

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

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

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

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



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 Parent Company does not intend to sell its exchange trading right in the near future. COLHK's exchange trading right is a nontransferable right.

Impairment of Non-financial Assets

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

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 a deduction from equity when they are approved by the Group's BOD and stockholders, respectively. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

Retained earnings may also include 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 whichever is higher 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.

Other Income

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

Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when the related revenue is earned or when the service is incurred. The majority of cost and 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 notes to consolidated 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 end of the reporting period 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). The Group recognizes capital stock upon the exercise of the stock options.

The dilutive effect of outstanding stock options is reflected as additional share dilution in the computation of diluted earnings per share (EPS) (see Note 24).

Retirement Costs

The Parent Company has a noncontributory defined benefit retirement plan.

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

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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



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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods. Remeasurements recognized in OCI after the initial adoption of the Revised PAS 19 are retained in OCI which is presented as 'Loss on remeasurement of retirement obligation' under equity.

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

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

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.

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 income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred Income Tax

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

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

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

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 items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Contingencies

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



Segment Reporting

The Group's operating businesses are organized and managed separately according to the 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.

Events After the End of the Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

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 HK\$, respectively. The Philippine peso and the HK\$ 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 the Parent Company and COLHK.

Assessment on Whether an Agreement is a Finance or Operating Lease

Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all risk and benefits incidental to the ownership of the leased item. Based on management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and therefore accounts for as operating lease.

Operating Lease Commitments - Group as a 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, 2014 and 2013, the Group has financial assets at FVPL amounting to ₱9,375,564 and ₱7,210,678, respectively (see Note 6).

Estimates and Assumptions

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

Estimating Impairment of Trade and Other Receivables

The Group reviews its receivables at each end of the reporting period 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, 2014 and 2013, the allowance for credit losses on trade receivables amounted to ₱3,410,234 and ₱2,225,955, respectively. As at December 31, 2014 and 2013, the carrying amounts of trade receivables amounted to ₱1,438,423,878 and ₱1,351,853,823, respectively (see Note 7).

As at December 31, 2014 and 2013, the allowance for credit losses on other receivables amounted to ₱8,960,245. As at December 31, 2014 and 2013, the carrying amounts of other receivables amounted to ₱12,130,063 and ₱6,790,722, respectively (see Note 7).

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. There are no changes in useful lives as at December 31, 2014 and 2013. Depreciation and amortization amounted to ₱15,231,324 and ₱15,718,796 in 2014 and 2013, respectively. As at December 31, 2014 and 2013, the net book values of property and equipment amounted to ₱35,825,494 and ₱39,066,499, respectively (see Note 8).

Assessing Impairment of Prepayments, Property and Equipment and Other Noncurrent Assets

The Group assesses impairment on prepayments, 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 VIU. 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 VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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 prepayments, property and equipment and other noncurrent assets as at December 31, 2014 and 2013.

No impairment loss was recognized in 2014 and 2013 for prepayments, property and equipment and other noncurrent assets.

As at December 31, 2014 and 2013, the Group has no allowance for impairment losses on prepayments and property and equipment. The carrying amounts of prepayments amounted to ₱2,267,080 and ₱2,166,739 as at December 31, 2014 and 2013, respectively. The net book values of property and equipment amounted to ₱35,825,494 and ₱39,066,499 as at December 31, 2014 and 2013, respectively (see Note 8). As at December 31, 2014 and 2013, allowance for impairment losses on other noncurrent assets amounted to ₱13,724,200. The net book values of other noncurrent assets (excluding refundable deposits) amounted to ₱3,300,367 and ₱3,127,760 as at December 31, 2014 and 2013, respectively (see Note 10).

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 VIU 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 of the Group's exchange trading rights are further explained in Note 9. The Parent Company does not intend to sell its exchange trading right in the near future. COLHK's right is nontransferable with an indefinite useful life. As at December 31, 2014 and 2013, the carrying values of intangibles amounted to ₱23,338,991 and ₱23,269,449, respectively (see Note 9).

Estimating Recoverability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has deferred income tax assets amounting to ₱37,473,878 and ₱53,375,182 as at December 31, 2014 and 2013, 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 Share-Based Payment

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 payment 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 payment are disclosed in Note 16.

As at December 31, 2014 and 2013, cost of share-based payment in equity amounted to ₱5,499,602 and ₱29,767,551, respectively (see Note 16).

Determining Retirement Obligation

The costs of defined retirement obligation as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligation are highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period. As at December 31, 2014 and 2013, the retirement obligation of the Parent Company amounted to ₱28,192,690 and ₱27,620,893, respectively. Retirement costs amounted to ₱6,061,597 and ₱5,668,593 in 2014 and 2013, respectively.

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

Further details about the assumptions used are provided in Note 16.



Determining Fair Values of Financial Instruments

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect the consolidated statement of income and the consolidated statement of changes in equity (see Note 22).

4. Cash and Cash Equivalents

| | 2014 | 2013 |
|-----------------------------|-----------------------|----------------|
| Cash on hand and in banks | ₱576,094,610 | ₱1,427,104,041 |
| Short-term cash investments | 4,064,093,282 | 1,776,385,163 |
| | ₱4,640,187,892 | ₱3,203,489,204 |

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group's immediate cash requirements, and earn interest at 0.69% to 3.00% per annum in 2014 and 1.07% to 2.38% per annum in 2013. Interest income of the Group from cash in banks amounted to ₱49,024,733, ₱41,859,254 and 60,342,514 in 2014, 2013 and 2012, respectively (see Note 14). The Parent Company has United States dollar (US\$)-denominated cash in banks amounting to US\$82,822 and US\$4,792 as at December 31, 2014 and 2013, respectively (see Note 21).

In compliance with SRC Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve bank accounts for its customers amounting to ₱4,252,919,947 and ₱2,800,523,622 as at December 31, 2014 and 2013, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at December 31, 2014 and 2013, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

5. Cash in a Segregated Account

COLHK receives and holds money deposited by clients in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained with a licensed bank. The Group has classified the clients' monies under current assets in the consolidated statement 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, 2014 and 2013, cash in a segregated account for COLHK amounted to ₱154,129,025 and ₱112,593,425, respectively.



6. Financial Assets at FVPL

Financial assets at FVPL pertain to investments in mutual funds and shares of stock of companies listed in the PSE and major US Stock Exchanges. Net gain (loss) recognized from fair value changes of these financial instruments amounted to ₱2,379,294, (₱82,312) and ₱1,766,368 in 2014, 2013 and 2012, respectively. Dividend income included under other revenues amounted to ₱29,651, ₱156,803 and ₱28,589 in 2014, 2013 and 2012 respectively.

Financial assets at FVPL as at December 31, 2014 and 2013 amounted to ₱9,375,564 and ₱7,210,678, respectively.

7. Trade and Other Receivables

| | 2014 | 2013 |
|--|-----------------------|----------------|
| Trade receivables: | | |
| Customers | ₱1,413,525,241 | ₱1,229,452,643 |
| Clearing house | 13,076,269 | 123,005,869 |
| Subscription receivables | 168,552 | - |
| Other brokers | 15,064,050 | 1,621,266 |
| | 1,441,834,112 | 1,354,079,778 |
| Less allowance for credit losses on receivables from customers | 3,410,234 | 2,225,955 |
| | ₱1,438,423,878 | ₱1,351,853,823 |
| Other receivables: | | |
| Accrued interest | ₱9,050,681 | ₱3,338,285 |
| Advances to officers and employees | 280,583 | - |
| Others | 11,759,044 | 12,412,682 |
| | 21,090,308 | 15,750,967 |
| Less allowance for credit losses on other receivables | 8,960,245 | 8,960,245 |
| | ₱12,130,063 | ₱6,790,722 |

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 ₱5,296,333,000 and ₱5,376,475,000 as at December 31, 2014 and 2013, respectively. Interest income from customers amounted to ₱154,105,490, ₱156,796,015 and ₱123,746,651 in 2014, 2013 and 2012, respectively (see Note 14).



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

| | 2014 | | 2013 | |
|---|-----------------------|----------------------------|------------------|----------------------------|
| | Money Balance | Security Valuation-Long | Money Balance | Security Valuation-Long |
| Cash and fully secured accounts: | | | | |
| More than 250% | ₱446,753,436 | ₱5,207,812,487 | ₱517,088,328 | ₱3,981,294,253 |
| Between 200% and 250% | 149,439,902 | 344,207,209 | 169,609,557 | 394,350,385 |
| Between 150% and 200% | 443,316,145 | 834,475,645 | 426,526,656 | 805,012,268 |
| Between 100% to 150% | 313,503,049 | 351,951,335 | 58,594,993 | 66,008,079 |
| Less than 100% | 60,510,622 | 53,627,648 | 37,922,882 | 31,259,880 |
| Unsecured accounts | 2,087 | - | 19,710,227 | - |
| | 1,413,525,241 | 6,792,074,324 | 1,229,452,643 | 5,277,924,865 |
| Less allowance for credit losses on trade receivables from customers | 3,410,234 | - | 2,225,955 | - |
| | ₱1,410,115,007 | ₱6,792,074,324 | ₱1,227,226,688 | ₱5,277,924,865 |

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at December 31, 2014 and 2013, ₱1,353,012,532 and ₱1,171,819,534, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at December 31, 2014 and 2013, were fully collected subsequently in January 2015 and 2014, respectively. These are noninterest-bearing and are collected on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

Other receivables as at December 31, 2014 and 2013 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 forty percent (40%) optional standard deduction (OSD) to determine the final income tax payable for 2009, pursuant to Republic Act No. 9504 effective July 7, 2008, as implemented by Revenue Regulations (RR) No. 16-08 dated November 26, 2008. 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. Hence, on April 3, 2012, the Parent Company filed with the Court of Tax Appeals (CTA) a Petition for Review asking the CTA



to require the Bureau of Internal Revenue (BIR) to refund or issue a Tax Credit Certificate (TCC) for the aforementioned amount representing excess income tax paid for taxable year 2009. On April 21, 2014, a decision was issued by the CTA ordering the BIR to issue a TCC in favor of the Parent Company amounting to ₱8,960,245. However, the BIR elevated the case to the Supreme Court. Pending the outcome of the case, a 100% allowance for impairment loss was set up.

Other receivables as at December 31, 2014 and 2013 also include COLHK's provisional tax profits paid amounting to ₱482,689 and ₱2,406,950, respectively.

Movements in the allowance for credit losses follow:

| | 2014 | | | 2013 | | |
|-------------------------------|------------|------------|-------------|-------------|------------|-------------|
| | Customers | Others | Total | Customers | Others | Total |
| Balances at beginning of year | ₱2,225,955 | ₱8,960,245 | ₱11,186,200 | ₱3,504,898 | ₱8,960,245 | ₱12,465,143 |
| Provision | 1,184,279 | - | 1,184,279 | - | - | - |
| Recovery | - | - | - | (1,278,943) | - | (1,278,943) |
| Balances at end of year | ₱3,410,234 | ₱8,960,245 | ₱12,370,479 | ₱2,225,955 | ₱8,960,245 | ₱11,186,200 |

Recovery of allowance for credit losses is included under other revenues.

8. Property and Equipment

2014

| | Online Trading Equipment and Facilities | Furniture, Fixtures and Equipment | Leasehold Improvements | Total |
|---|---|---|---------------------------|--------------------|
| Cost: | | | | |
| At beginning of year | ₱81,789,836 | ₱25,718,206 | ₱26,059,499 | ₱133,567,541 |
| Additions | 10,630,849 | 1,053,765 | 424,488 | 12,109,102 |
| Disposals | (232,191) | - | (194,196) | (426,387) |
| Translation adjustments | 26,139 | 32,818 | 3,120 | 62,077 |
| At end of year | 92,214,633 | 26,804,789 | 26,292,911 | 145,312,333 |
| Accumulated depreciation and amortization: | | | | |
| At beginning of year | 54,257,737 | 19,749,011 | 20,494,294 | 94,501,042 |
| Depreciation and amortization | 10,365,485 | 2,659,562 | 2,206,277 | 15,231,324 |
| Disposals | (193,478) | - | (113,281) | (306,759) |
| Translation adjustments | 26,168 | 31,944 | 3,120 | 61,232 |
| At end of year | 64,455,912 | 22,440,517 | 22,590,410 | 109,486,839 |
| Net book values | ₱27,758,721 | ₱4,364,272 | ₱3,702,501 | ₱35,825,494 |

2013

| | Online Trading Equipment and Facilities | Furniture, Fixtures and Equipment | Leasehold Improvements | Total |
|---|---|---|---------------------------|--------------------|
| Cost: | | | | |
| At beginning of year | ₱66,575,931 | ₱23,508,223 | ₱26,000,432 | ₱116,084,586 |
| Additions | 14,693,722 | 1,614,045 | - | 16,307,767 |
| Translation adjustments | 520,183 | 595,938 | 59,067 | 1,175,188 |
| At end of year | 81,789,836 | 25,718,206 | 26,059,499 | 133,567,541 |
| Accumulated depreciation and amortization: | | | | |
| At beginning of year | 43,056,489 | 16,450,564 | 18,180,332 | 77,687,385 |
| Depreciation and amortization | 10,753,894 | 2,710,007 | 2,254,895 | 15,718,796 |
| Translation adjustments | 447,354 | 588,440 | 59,067 | 1,094,861 |
| At end of year | 54,257,737 | 19,749,011 | 20,494,294 | 94,501,042 |
| Net book values | ₱27,532,099 | ₱5,969,195 | ₱5,565,205 | ₱39,066,499 |



The depreciation and amortization were distributed as follows:

| | 2014 | 2013 | 2012 |
|--------------------|--------------------|-------------|-------------|
| Cost of services | ₱184,511 | ₱1,184,374 | ₱2,098,615 |
| Operating expenses | 15,046,813 | 14,534,422 | 14,259,874 |
| | ₱15,231,324 | ₱15,718,796 | ₱16,358,489 |

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, 2014 and 2013, the market value of the said exchange trading right amounted to ₱8,500,000.

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 stock exchange trading right is a non-transferable right with an indefinite useful life. It is closely associated with COLHK's business activities to have a right to trade the shares in the HK Stock Exchange in its continuing operation. As at December 31, 2014 and 2013, the carrying value of COLHK exchange trading right in Philippine peso amounted to ₱18,338,991 and ₱18,269,449, respectively.

The recoverable amount of exchange trading rights of COLHK has been determined based on a VIU calculation. That calculation uses cash from projections based on a financial budget approved by management covering a five (5)-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:

| | 2014 | 2013 |
|------------------------|--------------------|-------------|
| At beginning of year | ₱23,269,449 | ₱21,952,936 |
| Translation adjustment | 69,542 | 1,316,513 |
| At end of year | ₱23,338,991 | ₱23,269,449 |



10. Other Noncurrent Assets

| | 2014 | 2013 |
|---|--------------------|-------------|
| Deposit to CTGF | ₱13,724,200 | ₱13,724,200 |
| Refundable deposits: | | |
| Rental deposits | 2,621,174 | 2,515,674 |
| Other refundable deposits | 2,659,828 | 2,404,703 |
| | 5,281,002 | 4,920,377 |
| Input VAT | 3,300,367 | 3,127,760 |
| | 22,305,569 | 21,772,337 |
| Less allowance for impairment losses on other noncurrent assets | 13,724,200 | 13,724,200 |
| | ₱8,581,369 | ₱8,048,137 |

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 (6) 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 (11.00%) 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 one percent (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 100.00% 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 provided an allowance for impairment losses on other noncurrent assets amounting to ₱13,724,200 as at December 31, 2014 and 2013.

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

11. Trade Payables

| | 2014 | 2013 |
|----------------|-----------------------|----------------|
| Customers | ₱4,866,109,620 | ₱3,348,307,648 |
| Clearing house | 74,818,726 | 50,428,911 |
| Dividends | - | 29,957 |
| | ₱4,940,928,346 | ₱3,398,766,516 |



| | 2014 | | 2013 | |
|-----------------------|-----------------------|----------------------------|------------------|----------------------------|
| | Money Balance | Security Valuation-Long | Money Balance | Security Valuation-Long |
| Payable to customers: | | | | |
| With money balances | ₱4,866,109,620 | ₱47,028,983,013 | ₱3,348,307,648 | ₱41,232,886,586 |
| No money balances | - | 1,578,211,158 | - | 747,011,352 |
| | ₱4,866,109,620 | ₱48,607,194,171 | ₱3,348,307,648 | ₱41,979,897,938 |

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

Payable to customers with money balances amounting to ₱155,997,727 and ₱122,070,046 as at December 31, 2014 and 2013, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. These balances are payable on demand (see Note 5).

Trade payables to clearing house as at December 31, 2014 and 2013 were fully paid subsequently in January 2015 and 2014, respectively. These are noninterest-bearing and are settled on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

12. Other Current Liabilities

| | 2014 | 2013 |
|--------------------------|--------------------|-------------|
| Accrued expenses | ₱30,179,314 | ₱27,278,682 |
| Due to BIR | 21,506,162 | 18,916,897 |
| Accrued management bonus | 17,342,782 | 16,444,884 |
| Trading fees | 2,499,072 | 1,671,277 |
| Others | 309,363 | 269,268 |
| | ₱71,836,693 | ₱64,581,008 |

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.

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

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

Other current liabilities are noninterest-bearing and are generally settled on fifteen (15) to sixty (60) day's term.



13. Equity

Capital Stock

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

| | 2014 | | 2013 | | 2012 | |
|--|------------------|-------------------|-----------|------------|-----------|------------|
| | 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 | 468,650 | 468,650 | 467,810 | 467,810 | 458,550 | 458,550 |
| Issuance of common shares upon exercise of stock options (see Note 16) | 5,900 | 5,900 | 840 | 840 | 9,260 | 9,260 |
| Balances at end of year | 474,550 | ₱474,550 | 468,650 | ₱468,650 | 467,810 | ₱467,810 |

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.

In 2012, an appropriation of ₱30,454,004 was made based on the 2011 previously stated net income of the Parent Company of ₱304,540,045. In 2013, an appropriation of ₱32,062,182 was made based on the 2012 previously stated net income of the Parent Company of ₱320,621,815. In 2014, an appropriation of ₱32,508,195 was made based on the 2013 audited net income of the Parent Company of ₱325,081,947. Total unappropriated retained earnings amounted to ₱629,371,558 and ₱680,802,693 as at December 31, 2014 and 2013, respectively (see Note 20).

On February 7, 2012, COLHK's BOD declared a scrip dividend of HK\$5,000,000 (78,000,000 shares multiplied by HK\$0.064 scrip dividend per share) to stockholders as of record date of February 7, 2012.

On March 30, 2012, the BOD declared a regular and a special dividend amounting to ₱0.12 per share held or ₱56,046,000 (467,050,000 shares multiplied by ₱0.12 cash dividend per share) and ₱0.48 per share held or ₱224,184,000 (467,050,000 shares multiplied by ₱0.48 cash dividend per share), respectively, to stockholders as of record date of April 18, 2012. These dividends were paid on May 14, 2012.

On March 19, 2013, the BOD declared a regular and a special dividend amounting to ₱0.12 per share held or ₱56,238,000 (468,650,000 shares multiplied by ₱0.12 cash dividend per share) and ₱0.51 per share held or ₱239,011,500 (468,650,000 shares multiplied by ₱0.51 cash dividend per share), respectively, to stockholders as of record date of April 4, 2013. These dividends were paid on April 19, 2013.

On March 31, 2014, the BOD declared a regular and a special dividend amounting to ₱0.12 per share held or ₱56,238,000 (468,650,000 shares multiplied by ₱0.12 cash dividend per share) and ₱0.48 per share held or ₱224,952,000 (468,650,000 shares multiplied by ₱0.48 cash dividend per share), respectively, to stockholders as of record date of April 14, 2014. These dividends were paid on April 15, 2014.



14. Interest Income

| | 2014 | 2013 | 2012 |
|--|---------------------|--------------|--------------|
| Customers (see Note 7) | ₱154,105,490 | ₱156,796,015 | ₱123,746,651 |
| Banks - net of final tax (see Note 4) | 49,024,733 | 41,859,254 | 60,342,514 |
| | ₱203,130,223 | ₱198,655,269 | ₱184,089,165 |

15. Personnel Costs

| | 2014 | 2013 | 2012 |
|--------------------------------|--------------------|-------------|-------------|
| Salaries and wages | ₱82,432,482 | ₱82,448,387 | ₱78,387,838 |
| Retirement costs (see Note 16) | 4,487,206 | 4,235,529 | 3,168,564 |
| Other benefits | 6,536,142 | 5,597,155 | 5,482,439 |
| | ₱93,455,830 | ₱92,281,071 | ₱87,038,841 |

The above accounts were distributed as follows:

| | 2014 | 2013 | 2012 |
|--------------------|--------------------|-------------|-------------|
| Cost of services | ₱63,239,706 | ₱65,446,518 | ₱57,256,553 |
| Operating expenses | 30,216,124 | 26,834,553 | 29,782,288 |
| | ₱93,455,830 | ₱92,281,071 | ₱87,038,841 |

16. Employee Benefits

Stock Options

On July 12, 2000 and July 3, 2006, the Group granted stock options (SOP) shares equal to 27,250,000 and 18,750,000, respectively, 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 2014, 2013 and 2012.

There have been no cancellations or modifications to the plan in 2014, 2013 and 2012.

The following tables illustrate the number of and movements in stock options:

| <u>1st Tranche</u> | 2014 | 2013 | 2012 |
|--|------------------|-----------|-------------|
| Outstanding at beginning of year | 1,850,000 | 2,690,000 | 9,450,000 |
| Exercised during the year (see Note 13) | (400,000) | (840,000) | (6,760,000) |
| Outstanding at end of year | 1,450,000 | 1,850,000 | 2,690,000 |

These 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.



2nd Tranche

| | 2014 | 2013 | 2012 |
|---|-------------|-----------|-------------|
| Outstanding at beginning of year | 5,500,000 | 5,500,000 | 8,000,000 |
| Exercised during the year (see Note 13) | (5,500,000) | – | (2,500,000) |
| Outstanding at end of year | – | 5,500,000 | 5,500,000 |

These stock options are recognized in accordance with PFRS 2, Share-Based Payment.

All options have a contractual term of ten (10) years. The weighted average remaining contractual life of options outstanding is 2.5 years, 3.5 years and 4.5 years as at December 31, 2014, 2013 and 2012, 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 initial public offering; (2) exercise price of ₱1.00; (3) expected volatility of 24.00%; (4) option life of ten (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 ten (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:

| | 2014 | 2013 | 2012 |
|---|--------------|-------------|--------------|
| Balances at beginning of year | ₱29,767,551 | ₱33,263,658 | ₱63,541,685 |
| Movement on deferred income tax asset on intrinsic value of outstanding options | (19,977,949) | (4,068,107) | (29,420,027) |
| Cost of share-based payment recognized as capital in excess of par value | (5,720,000) | – | (2,600,000) |
| Stock option expense (see Note 18) | 1,430,000 | 572,000 | 1,742,000 |
| Movements during the year | (24,267,949) | (3,496,107) | (30,278,027) |
| Balances at end of year | ₱5,499,602 | ₱29,767,551 | ₱33,263,658 |

Retirement Benefits

The Parent Company has a funded, non-contributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of employees. The defined benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement for the years ended December 31, 2014, 2013 and 2012.



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

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

Retirement costs:

| | 2014 | 2013 | 2012 |
|------------------------------------|-------------------|------------|------------|
| Current service cost (see Note 15) | ₱4,487,206 | ₱4,235,529 | ₱3,168,564 |
| Net interest expense | 1,574,391 | 1,433,064 | 919,511 |
| | ₱6,061,597 | ₱5,668,593 | ₱4,088,075 |

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

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

| | 2014 | 2013 |
|--|--------------------|-------------|
| Retirement obligation at beginning of year | ₱27,620,893 | ₱23,113,934 |
| Retirement costs | 6,061,597 | 5,668,593 |
| Net actuarial gains | (5,489,800) | (1,161,634) |
| | ₱28,192,690 | ₱27,620,893 |

Retirement obligation:

| | 2014 | 2013 |
|--|--------------------|-------------|
| Present value (PV) of defined benefit obligation | ₱34,875,040 | ₱34,399,721 |
| Fair value of plan assets | (6,682,350) | (6,778,828) |
| | ₱28,192,690 | ₱27,620,893 |

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

| | 2014 | 2013 |
|--|--------------------|-------------|
| Opening PV of defined benefit obligation | ₱34,399,721 | ₱29,526,269 |
| Current service cost | 4,487,206 | 4,235,529 |
| Interest cost | 1,960,784 | 1,830,629 |
| Remeasurement losses (gains) on: | | |
| Financial assumptions | (3,146,102) | 1,970,727 |
| Experience adjustments | (2,564,444) | (3,166,302) |
| Demographic assumptions | - | 77,119 |
| Benefits paid | (262,125) | (74,250) |
| | ₱34,875,040 | ₱34,399,721 |



Changes in the fair value of plan assets follow:

| | 2014 | 2013 |
|--|-------------------|-------------------|
| Balances at beginning of year | ₱6,778,828 | ₱6,412,335 |
| Expected interest income | 386,393 | 397,565 |
| Benefits paid | (262,125) | (74,250) |
| Remeasurement gain (loss) on plan assets | (220,746) | 43,178 |
| | ₱6,682,350 | ₱6,778,828 |

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

| | 2014 | 2013 |
|-----------------------------|----------------|----------------|
| Short-term cash investments | 99.97% | 99.96% |
| Cash in bank | 0.03% | 0.04% |
| | 100.00% | 100.00% |

The plan assets is exposed to concentration risk since 99.97% of its plan assets is investment in common trust funds. The maximum exposure is equal to the carrying value of the investment in common trust funds.

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

| | 2014 | 2013 |
|-------------------------|-------------|-------------|
| Discount rate | 5.70% | 6.80% |
| Future salary increases | 5.00% | 7.00% |
| Mortality rates | | |
| Male | 0.06%-0.74% | 0.06%-0.74% |
| Female | 0.05%-0.61% | 0.05%-0.61% |

The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2014 and 2013 assuming all other assumptions were held constant.

2014:

| | Increase (decrease) in significant assumptions | Increase (decrease) in defined benefit obligation |
|--------------------------------|--|---|
| Discount rates | +0.50% | (₱1,886,578) |
| | -0.50% | 2,068,187 |
| Future salary increases | +0.50% | 1,901,252 |
| | -0.50% | (1,753,174) |
| Mortality rate | +1 year | (60,451) |
| | -1 year | 59,868 |



| 2013 | Increase (decrease) in significant assumptions | Increase (decrease) in defined benefit obligation |
|-------------------------|--|---|
| Discount rates | +0.50% | (₱2,002,299) |
| | -0.50% | 2,205,131 |
| Future salary increases | +0.50% | 2,014,923 |
| | -0.50% | (1,854,558) |
| Mortality rate | +1 year | (87,480) |
| | -1 year | 80,067 |

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

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---------------------|--------------|-------------|-------------|-------------|
| PV of defined benefit obligation | ₱34,875,040 | ₱34,399,721 | ₱29,526,269 | ₱20,236,661 | ₱14,368,751 |
| Fair value of plan assets | (6,682,350) | (6,778,828) | (6,412,335) | (6,714,435) | (6,538,937) |
| Unfunded status | ₱28,192,690 | ₱27,620,893 | ₱23,113,934 | ₱13,522,226 | ₱7,829,814 |
| Experience adjustments on plan liabilities | (₱2,564,444) | (₱3,166,302) | ₱3,361,009 | ₱170,425 | ₱2,501,782 |
| Change in financial assumptions on plan liabilities | (3,146,102) | 1,970,727 | 2,018,442 | 2,536,603 | 1,611,469 |
| Change in demographic assumptions on plan liabilities | - | 77,119 | - | - | - |
| Actual return on plan assets | 165,647 | 440,743 | 332,400 | 490,498 | 353,068 |

The Parent Company does not perform any asset-liability matching strategy. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trust bank, in accordance with the Bangko Sentral ng Pilipinas requirements. It does not, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan. The retirement plan assets consist of 99.97% short-term cash investments and 0.03% cash in regular savings account as at December 31, 2014.

The Parent Company has no funding policies. As at March 4, 2015, the Parent Company has not yet reasonably determined the amount of the 2015 contributions to the retirement plan.



Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2014 and 2013:

| | 2014 | 2013 |
|----------------------------|--------------------|-------------|
| Zero (0) to five (5) years | ₱11,001,133 | ₱10,972,870 |
| Six (6) to ten (10) years | 23,079,703 | 27,497,231 |
| | ₱34,080,836 | ₱38,470,101 |

COLHK makes monthly contribution to a fund under the mandatory provident fund schemes ordinance enacted by the HK Government. The plan is a defined contribution retirement plan. Under the plan, COLHK should contribute five percent (5%) of the monthly relevant income of all its qualified employees. The contribution recognized as retirement costs under 'Personnel costs' amounted to ₱315,341, ₱277,402 and ₱261,788 in 2014, 2013 and 2012, respectively.

17. Income Taxes

The Group's current provision for income tax represents the regular corporate income tax in 2014 and 2013.

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

| | 2014 | 2013 |
|--|--------------------|-------------|
| Accumulated translation adjustment | ₱9,349,262 | ₱9,847,071 |
| Retirement obligation | 8,808,141 | 8,721,405 |
| Cost of share-based payment | 5,499,602 | 25,477,551 |
| Allowance for credit losses on trade receivables from customers | 1,023,070 | 667,786 |
| Unrealized loss (gain) in the valuation of FVPL | (309,511) | 23,426 |
| Unrealized foreign exchange loss (gains) | 7,869 | (689) |
| Stock option expense | - | 1,287,000 |
| Others | 12,766,933 | 7,280,182 |
| | ₱37,145,366 | ₱53,303,732 |

Realization of the future tax benefits related to the net deferred income tax assets is dependent on many factors, including the Group's ability to generate taxable income, within the carryover period.

Others pertain to deferred income tax asset recognized on the net loss position of COLHK.

The Parent Company has temporary difference arising from allowance for impairment losses on deposit to CTGF amounting to ₱13,724,200 as at December 31, 2014 and 2013, for which no deferred income tax asset was recognized since management believes that it is probable that these temporary difference will not be realized in the future (see Note 10).



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

| | 2014 | 2013 | 2012 |
|---|---------------------|--------------|--------------|
| Income tax at statutory income tax rate | ₱102,295,219 | ₱115,794,874 | ₱101,884,390 |
| Additions to (reductions in) income tax resulting from: | | | |
| 40% OSD | (7,197,986) | (22,442,235) | – |
| Interest income subjected to final tax | (14,707,049) | (12,577,776) | (18,102,754) |
| Loss (income) of COLHK subject to income tax | 9,911,299 | 7,679,068 | 1,830,527 |
| Exercise of stock option | (5,821,200) | – | (53,310,000) |
| Provision for (benefit from) income tax of COLHK | (5,436,244) | (4,340,710) | 3,195,537 |
| Non-taxable income | (8,736) | (111) | (2,029) |
| Others | (318,301) | (1,720,091) | (2,058,028) |
| Provision for income tax | ₱78,717,002 | ₱82,393,019 | ₱33,437,643 |

In 2014 and 2013, the Parent Company availed of the OSD method in claiming its deductions. In 2012, the Parent Company availed of the itemized deductions method in claiming its deductions.

18. Related Party Disclosures

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



| Category | Commission Income | Interest income | Commission expense | Professional fees | Trade payables | Trade receivables | Terms | Conditions |
|--|----------------------|--------------------|-----------------------|----------------------|---------------------|----------------------|---|----------------------------|
| Key management personnel | | | | | | | | |
| 2014 | ₱2,095,582 | ₱492,225 | ₱- | ₱- | ₱15,617,120 | ₱45,389,054 | 3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing | Secured; not guaranteed |
| 2013 | ₱4,087,083 | ₱3,543,170 | ₱- | ₱- | ₱51,109,892 | ₱6,378,345 | | |
| 2012 | ₱3,733,575 | ₱1,033,467 | ₱- | ₱- | ₱56,709,837 | ₱15,284,711 | | |
| Other related parties: | | | | | | | | |
| Affiliates with common officers, directors and stockholders | | | | | | | | |
| 2014 | 22,470,606 | 3,834,492 | 9,440 | 4,155,700 | 1,909,816 | 36,772,900 | 3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing/ Payable upon billing; noninterest-bearing | Secured; not guaranteed |
| 2013 | 29,858,696 | 1,390,621 | 279,710 | 4,516,537 | 18,464,495 | 7,560,697 | | |
| 2012 | 42,923,001 | 1,879,203 | 16,585 | 7,686,867 | 29,368,151 | 9,149,278 | | |
| Directors | | | | | | | | |
| 2014 | 16,491,004 | 8,534 | - | - | 107,035,196 | - | 3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing | Secured; not guaranteed |
| 2013 | 20,017,639 | 25,098 | - | - | 41,210,586 | 19,710,226 | | |
| 2012 | 22,487,994 | 528,747 | - | - | 23,310,923 | 34,325,740 | | |
| Total | ₱41,057,192 | ₱4,335,251 | ₱9,440 | ₱4,155,700 | ₱124,562,132 | ₱82,161,954 | | |
| Total | ₱53,963,418 | ₱4,958,889 | ₱279,710 | ₱4,516,537 | ₱110,784,973 | ₱33,649,268 | | |
| Total | ₱69,144,570 | ₱3,441,417 | ₱16,585 | ₱7,686,867 | ₱109,388,911 | ₱58,759,729 | | |



- b. Compensation of key management personnel of the Group follows:

| | 2014 | 2013 | 2012 |
|------------------------------|--------------------|-------------|-------------|
| Short-term employee benefits | ₱54,158,861 | ₱59,186,893 | ₱50,528,506 |
| Retirement costs | 2,007,247 | 1,896,639 | 2,420,795 |
| Stock options (see Note 16) | 1,430,000 | 572,000 | 1,742,000 |
| | ₱57,596,108 | ₱61,655,532 | ₱54,691,301 |

- c. The Parent Company's retirement fund is being held in trust by a trustee bank.

As at December 31, 2014 and 2013, the carrying amount of the retirement fund amounted to ₱6,682,350 and ₱6,718,984, respectively. As at December 31, 2014 and 2013, the fair value of the retirement fund amounted to ₱6,682,350 and ₱6,778,828, respectively.

The retirement fund consists of the following (see Note 16):

| | 2014 | 2013 |
|-----------------------------|----------------|---------|
| Short-term cash investments | 99.97% | 99.96% |
| Cash in bank | 0.03% | 0.04% |
| | 100.00% | 100.00% |

In 2014 and 2013, there were no transactions between the retirement fund and the Parent Company.

19. Leases

The Group leases its office premises under separate operating lease agreements expiring on various dates and whose lease terms are negotiated every one (1) to three (3) years. Rental costs charged to operations amounted to ₱11,597,494, ₱10,820,260 and ₱10,024,186 in 2014, 2013 and 2012, respectively.

The future minimum lease payments are as follows:

| | 2014 | 2013 |
|---|--------------------|-------------|
| Within one (1) year | ₱12,011,340 | ₱11,697,986 |
| After one (1) year but not more than five (5) years | 9,242,871 | 14,185,388 |
| | ₱21,254,211 | ₱25,883,374 |

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, 2014, 2013 and 2012.



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

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

The Parent Company being a registered broker in securities is subject to the stringent rules of the SEC and other regulatory agencies with respect to the maintenance of specific levels of RBCA ratios. RBCA is a ratio that compares the broker or dealer's total measured risk to its liquid capital. As a rule, the Parent Company must maintain an RBCA ratio of at least one hundred ten percent (110.00%) and a net liquid capital (NLC) of at least ₱5.0 million or five percent (5.00%) of its aggregate indebtedness, whichever is higher. Also, the Aggregated Indebtedness (AI) of every stockbroker should not exceed two thousand percent (2,000.00%) of its NLC. In the event that the minimum RBCA ratio of one hundred ten percent (110.00%) or the minimum NLC is breached, the Parent Company shall immediately cease doing business as a broker and shall notify the PSE and SEC. As at December 31, 2014 and 2013, 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, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---------------------------------------|-----------------------|----------------|
| Equity eligible for NLC | ₱967,578,520 | ₱950,337,344 |
| Less ineligible assets | 192,360,547 | 190,706,380 |
| NLC | ₱775,217,973 | ₱759,630,964 |
| Position risk | ₱3,549,916 | ₱128,588 |
| Operational risk | 130,743,519 | 105,862,204 |
| Counterparty risk | - | 3,814 |
| Total Risk Capital Requirement (TRCR) | ₱134,293,435 | ₱105,994,606 |
| AI | ₱4,864,850,475 | ₱3,256,492,851 |
| 5.00% of AI | ₱243,242,524 | ₱162,824,643 |
| Required NLC | 243,242,524 | 162,824,643 |
| Net Risk-Based Capital Excess | ₱531,975,450 | ₱596,806,321 |
| Ratio of AI to NLC | 628.00% | 429.00% |
| RBCA ratio (NLC/TRCR) | 577.00% | 717.00% |



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, 2011 and onwards. In 2014 and, 2013, 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 30.00%, 20.00% and 10.00% 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, 2014 and 2013.

COLHK monitors capital using liquid capital as provided for under HK's Securities and Futures Ordinance (Cap. 571) and Securities and Futures (Financial Resources) Rules (Cap. 571N). COLHK's policy is to keep liquid capital at the higher of the floor requirement of HK\$3,000,000 and computed variable required capital. As at December 31, 2014 and 2013, COLHK is compliant with the said requirement.



21. Financial Risk Management Objectives and Policies

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk. The BOD reviews and agrees on the policies for managing each of these risks and they are summarized below:

Credit risk

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

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

Aging Analyses of Financial Assets

The aging analyses of the Group's financial assets as at December 31, 2014 and 2013 are summarized in the following tables:

2014

| | Neither past due nor impaired | Past due but not impaired | | | Impaired | Total |
|-------------------------------|-------------------------------------|---------------------------|---------------------|----------------------|--------------------|-----------------------|
| | | 4-14 days | 15-31 days | More than 31 days | | |
| Loans and receivables: | | | | | | |
| Cash and cash equivalents | ₱4,640,187,892 | ₱- | ₱- | ₱- | ₱- | ₱4,640,187,892 |
| Cash in segregated account | 154,129,025 | - | - | - | - | 154,129,025 |
| Trade receivables | 353,422,136 | 157,429,815 | 267,121,027 | 660,450,900 | 3,410,234 | 1,441,834,112 |
| Other receivables | 12,130,063 | - | - | - | 8,960,245 | 21,090,308 |
| Refundable deposits | 5,281,002 | - | - | - | - | 5,281,002 |
| Financial assets at FVPL | 9,375,564 | - | - | - | - | 9,375,564 |
| Total | ₱5,177,935,916 | ₱157,429,815 | ₱267,121,027 | ₱660,450,900 | ₱12,370,479 | ₱6,271,897,903 |



2013

| | Neither past due nor impaired | Past due but not impaired | | | Impaired | Total |
|----------------------------|-------------------------------------|---------------------------|---------------------|----------------------|--------------------|-----------------------|
| | | 4-14 days | 15-31 days | More than 31 days | | |
| Loans and receivables: | | | | | | |
| Cash and cash equivalents | ₱3,203,489,204 | ₱- | ₱- | ₱- | ₱- | ₱3,203,489,204 |
| Cash in segregated account | 112,593,425 | - | - | - | - | 112,593,425 |
| Trade receivables | 261,703,716 | 111,297,612 | 149,552,697 | 829,299,798 | 2,225,955 | 1,354,079,778 |
| Other receivables | 6,790,722 | - | - | - | 8,960,245 | 15,750,967 |
| Refundable deposits | 4,920,377 | - | - | - | - | 4,920,377 |
| Financial assets at FVPL | 7,210,678 | - | - | - | - | 7,210,678 |
| Total | ₱3,598,934,077 | ₱111,297,612 | ₱149,552,697 | ₱829,299,798 | ₱11,186,200 | ₱4,698,044,429 |

The table below shows the credit quality by class of the financial assets of the Group:

2014

| | Neither Past Due nor Specifically Impaired | | | | Total |
|------------------------------|--|--------------------|-------------------|-----------------------|-----------------------|
| | High Grade | Standard Grade | Substandard Grade | Individually Impaired | |
| Loans and receivables: | | | | | |
| Cash and cash equivalents | ₱4,640,187,892 | ₱- | ₱- | ₱- | ₱4,640,187,892 |
| Cash in a segregated account | 154,129,025 | - | - | - | 154,129,025 |
| Trade receivables | 1,438,423,878 | - | - | 3,410,234 | 1,441,834,112 |
| Other receivables | - | 12,130,063 | - | 8,960,245 | 21,090,308 |
| Refundable deposits | 5,281,002 | - | - | - | 5,281,002 |
| | 6,238,021,797 | 12,130,063 | - | 12,370,479 | 6,262,522,339 |
| Financial assets at FVPL | 9,375,564 | - | - | - | 9,375,564 |
| Total | ₱6,247,397,361 | ₱12,130,063 | ₱- | ₱12,370,479 | ₱6,271,897,903 |

2013

| | Neither Past Due nor Specifically Impaired | | | | Total |
|------------------------------|--|-------------------|-------------------|-----------------------|-----------------------|
| | High Grade | Standard Grade | Substandard Grade | Individually Impaired | |
| Loans and receivables: | | | | | |
| Cash and cash equivalents | ₱3,203,489,204 | ₱- | ₱- | ₱- | ₱3,203,489,204 |
| Cash in a segregated account | 112,593,425 | - | - | - | 112,593,425 |
| Trade receivables | 1,351,853,823 | - | - | 2,225,955 | 1,354,079,778 |
| Other receivables | - | 6,790,722 | - | 8,960,245 | 15,750,967 |
| Refundable deposits | 4,920,377 | - | - | - | 4,920,377 |
| | 4,672,856,829 | 6,790,722 | - | 11,186,200 | 4,690,833,751 |
| Financial assets at FVPL | 7,210,678 | - | - | - | 7,210,678 |
| Total | ₱4,680,067,507 | ₱6,790,722 | ₱- | ₱11,186,200 | ₱4,698,044,429 |

The Group's bases in grading its financial assets are as follows:

Loans and Receivables

High grade

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).

Cash and cash equivalents and cash in a segregated account are considered high grade since these are deposited with reputable banks duly approved by the BOD and have low probability of insolvency.



Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at December 31, 2014 and 2013, ₱1,413,523,154 and ₱1,209,742,416 of the total receivables from customers is secured by collateral comprising of cash and equity securities of listed companies with a total market value of ₱6,792,074,324 and ₱5,277,924,865, respectively (see Note 7). 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, 2014 and 2013.

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

Standard grade

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

Financial Assets at FVPL

High grade

Companies that are consistently profitable, have strong fundamentals and pays out dividends. As at December 31, 2014 and 2013, the Group's financial assets at FVPL are classified as high grade since these are with listed companies of good reputation.

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.

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

| | 2014 | 2013 |
|---|------------------------|----------------|
| Cash and cash equivalents (see Note 4)* | ₱4,640,150,645 | ₱3,203,452,023 |
| Cash in a segregated account (see Note 5) | 154,129,025 | 112,593,425 |
| Financial assets at FVPL (see Note 6) | 9,375,564 | 7,210,678 |
| Trade receivables (see Note 7) | 1,438,423,878 | 1,351,853,823 |
| Other receivables (see Note 7) | 12,130,063 | 6,790,722 |
| Refundable deposits (see Note 10) | 5,281,002 | 4,920,377 |
| | 6,259,490,177 | 4,686,821,048 |
| Unutilized margin trading facility | 4,280,085,476 | 4,288,422,787 |
| | ₱10,539,575,653 | ₱8,975,243,835 |

*Excluding cash on hand

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, 2014 and 2013, all of the Group's financial liabilities, which consist of trade payables and other current liabilities (except statutory payables), are contractually payable on demand and up to sixty (60) days' term.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as at December 31, 2014 and 2013 consist of cash and cash equivalents, financial assets at FVPL and trade receivables.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes. The Group's market risk originates from its holdings of equity instruments and foreign currency-denominated financial instruments.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets at FVPL which pertain to investments in shares of stock of companies listed in the PSE, major US Stock Exchanges and mutual funds. 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 2014 and 2013 is not significant.

Foreign Currency Risk

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

The Group's exposure to foreign currency exchange risk arises from its US\$-denominated cash in banks amounting to US\$82,822 and US\$4,792 as at December 31, 2014 and 2013, respectively (see Note 4).

Since the amount of US\$-denominated cash in bank subject to foreign currency risk is immaterial relative to the consolidated financial statements, management believes that disclosure of foreign currency risk analysis for 2014 and 2013 is not significant.



22. Fair Value Measurement

The following table shows the carrying values and fair values of the Group's assets and liabilities, whose carrying values does not approximate its fair values as at December 31, 2014 and 2013:

| | Carrying Values | | Fair Values | |
|-------------------------|-------------------|------------|-------------------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| Financial Assets | | | | |
| Loans and receivables: | | | | |
| Refundable deposits | ₱5,281,002 | ₱4,920,377 | ₱4,483,853 | ₱4,586,488 |
| Intangibles | | | | |
| Exchange trading right | ₱5,000,000 | ₱5,000,000 | ₱8,500,000 | ₱8,500,000 |

Financial Instruments Whose Carrying Amount Approximate Fair Value

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

Financial Assets at FVPL

The Group's financial assets at FVPL are carried at their fair values as at December 31, 2014 and 2013. Fair value of financial assets at FVPL is based on the closing quoted prices of stock investments published by the PSE, major US Stock Exchanges and mutual funds.

Refundable Deposits

The fair value of the refundable deposits is based on the present value of the future cash flows discounted using credit adjusted risk-free rates for a similar type of instrument using 3.33% and 2.37% as at December 31, 2014 and 2013, respectively. There are no changes in the valuation techniques in 2014 and 2013.

Exchange Trading Right Under Intangibles

The fair value of the exchange trading right for the Parent Company is based on the available market value.

Fair Value Hierarchy

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

| 2014 | Level 1 | Level 2 | Level 3 |
|---|--------------------|-----------|-------------------|
| <i>Asset measured at fair value:</i> | | | |
| Financial assets at FVPL | ₱9,375,564 | ₱- | ₱- |
| <i>Asset for which fair values are disclosed:</i> | | | |
| Intangibles | | | |
| Exchange trading right | 8,500,000 | - | - |
| Refundable deposits | - | - | 4,483,853 |
| | ₱17,875,564 | ₱- | ₱4,483,853 |



| <u>2013</u> | Level 1 | Level 2 | Level 3 |
|---|--------------------|-----------|-------------------|
| <i>Asset measured at fair value:</i> | | | |
| Financial assets at FVPL | ₱7,210,678 | ₱- | ₱- |
| <i>Asset for which fair values are disclosed:</i> | | | |
| Intangibles | | | |
| Exchange trading right | 26,769,449 | - | - |
| Refundable deposits | - | - | 4,586,488 |
| Exchange trading right | | | |
| | <u>₱33,980,127</u> | <u>₱-</u> | <u>₱4,586,488</u> |

During the years ended December 31, 2014 and 2013, 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 Citisecurities, Inc., a related party, (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.

On February 6, 2012, the court issued an Amended Judgment, inserting in said Judgment the Whereas clauses of the Compromise Agreement. On March 8, 2012, the Amended Judgment became final and executory.

On April 15, 2014, a Decision in favor of the Group was issued by the CTA granting the Group’s Petition for the refund and/or issuance of TCC in the amount of ₱8,960,245. On May 8, 2014, the Commissioner of Internal Revenue (CIR) filed its Motion for Review which was later denied for lack of merit in CTA’s Resolution dated June 2, 2014. On July 5, 2014, the CIR filed a Petition for Review with the CTA En Banc requesting said Court to reconsider, reverse, and set aside the Decision dated April 15, 2014 and Resolution dated June 2, 2014. The case is still pending with the CTA En Banc as at March 4, 2015.



24. EPS Computation

| | 2014 | 2013 | 2012 |
|--|--------------|--------------|--------------|
| Net income | ₱262,267,060 | ₱303,589,893 | ₱306,176,990 |
| Weighted average number of shares for basic earnings per share | 468,750,000 | 468,440,000 | 465,205,000 |
| Dilutive shares arising from stock options | 6,799,241 | 7,152,804 | 10,282,806 |
| Adjusted weighted average number of shares of common shares for diluted earnings per share | 475,549,241 | 475,592,804 | 475,487,806 |
| Basic EPS | ₱0.56 | ₱0.65 | ₱0.66 |
| Diluted EPS | ₱0.55 | ₱0.64 | ₱0.64 |

25. Segment Information

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

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

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

2014

| | Philippines | Hong Kong | Elimination | Total |
|---|----------------|---------------|----------------|----------------|
| Revenue from external customers: | | | | |
| Commissions | ₱464,636,005 | ₱38,754,036 | ₱- | ₱503,390,041 |
| Interest | 203,128,988 | 1,235 | - | 203,130,223 |
| Others | 4,667,387 | 363,059 | - | 5,030,446 |
| Inter-segment revenue | 44,717,507 | - | (44,717,507) | - |
| Segment revenue | 717,149,887 | 39,118,330 | (44,717,507) | 711,550,710 |
| Cost of services | (177,415,221) | (16,472,809) | - | (193,888,030) |
| Operating expenses | (150,736,281) | (55,549,692) | 44,654,168 | (161,631,805) |
| Depreciation and amortization | (14,913,322) | (133,491) | - | (15,046,813) |
| Income (loss) before income tax | 374,085,063 | (33,037,662) | (63,339) | 340,984,062 |
| Benefit from (provision for) income tax | (84,153,246) | 5,436,244 | - | (78,717,002) |
| Net income (loss) | ₱289,931,817 | (₱27,601,418) | (₱63,339) | ₱262,267,060 |
| Segment assets | ₱5,904,455,641 | ₱595,504,839 | (₱138,555,758) | ₱6,361,404,722 |
| Segment liabilities | 4,926,248,733 | 162,439,713 | (3,736,756) | 5,084,951,690 |
| Capital expenditures: | | | | |
| Tangible fixed assets | 12,023,627 | 85,475 | - | 12,109,102 |
| Cash flows arising from: | | | | |
| Operating activities | 1,711,903,748 | 12,131,312 | - | 1,724,035,060 |
| Investing activities | (11,960,897) | (85,475) | - | (12,046,372) |
| Financing activities | (275,290,000) | - | - | (275,290,000) |



2013

| | Philippines | Hong Kong | Elimination | Total |
|---|----------------|---------------|----------------|----------------|
| Revenue from external customers: | | | | |
| Commissions | ₱496,054,561 | ₱44,467,086 | ₱- | ₱540,521,647 |
| Interest | 198,655,269 | - | - | 198,655,269 |
| Others | 1,679,451 | 104,238 | - | 1,783,689 |
| Inter-segment revenue | 42,891,145 | - | (42,891,145) | - |
| Segment revenue | 739,280,426 | 44,571,324 | (42,891,145) | 740,960,605 |
| Cost of services | (206,360,621) | (17,323,409) | - | (223,684,030) |
| Operating expenses | (106,771,560) | (52,642,954) | 42,655,273 | (116,759,241) |
| Depreciation and amortization | (14,332,569) | (201,853) | - | (14,534,422) |
| Income (loss) before income tax | 411,815,676 | (25,596,892) | (235,872) | 385,982,912 |
| Benefit from (provision for) income tax | (86,733,729) | 4,340,710 | - | (82,393,019) |
| Net income (loss) | ₱325,081,947 | (₱21,256,182) | (₱235,872) | ₱303,589,893 |
| Segment assets | ₱4,318,785,171 | ₱627,600,640 | (₱138,593,403) | ₱4,807,792,408 |
| Segment liabilities | 3,340,514,991 | 167,980,551 | (3,722,642) | 3,504,772,900 |
| Capital expenditures: | | | | |
| Tangible fixed assets | 16,307,767 | - | - | 16,307,767 |
| Cash flows arising from: | | | | |
| Operating activities | 827,420,780 | 103,733,789 | - | 931,154,569 |
| Investing activities | (16,307,767) | - | - | (16,307,767) |
| Financing activities | (294,409,500) | - | - | (294,409,500) |



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of COL Financial Group, Inc. (formerly CitisecOnline.com, Inc.) and Subsidiary (the Group) as at December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated March 5, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with 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.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-A (Group A),

August 9, 2012, valid until August 8, 2015

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2015,

January 5, 2015, valid until January 4, 2018

PTR No. 4751289, January 5, 2015, Makati City

March 4, 2015



**COL FINANCIAL GROUP, INC. AND SUBSIDIARY
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2014**

SUPPLEMENTARY SCHEDULES

- I. Reconciliation of retained earnings available for dividend declaration
- II. Schedule of effective standards and interpretations under the PFRS
- III. Supplementary schedules under Annex 68-E
- IV. Map of the relationships of the companies within the group
- V. Schedule showing financial soundness indicators



SCHEDULE I
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
PURSUANT TO SRC RULE 68, AS AMENDED AND
SEC MEMORANDUM CIRCULAR NO.11
DECEMBER 31, 2014

| | |
|---|---------------------|
| <u>Unappropriated Retained Earnings, beginning</u> | ₱294,561,667 |
| Adjustments | — |
| <u>Unappropriated Retained Earnings, as adjusted, beginning</u> | 294,561,667 |
| <u>Net income during the period closed to retained earnings (Parent)*</u> | 289,931,817 |
| 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 (FVPL) | — |
| Fair value adjustment of investment property resulting to gain | — |
| Adjustment due to deviation from PFRS/GAAP - gain | — |
| Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS | — |
| Benefit from income tax - deferred recognized directly to statement of income | (477,580) |
| Subtotal | (477,580) |
| Add: Non-actual losses | |
| Depreciation on revaluation increment (after tax) | — |
| Adjustment due to deviation from PFRS/GAAP - loss | — |
| Loss on fair value adjustment of investment property (after tax) | — |
| Stock option expense for the period | — |
| Accretion of retirement obligation for the period | — |
| Unrealized actuarial loss | — |
| Subtotal | — |
| <u>Net Income Actual/Realized</u> | 289,454,237 |
| Add (Less): | |
| Dividend declarations during the period | (281,190,000) |
| Appropriations of retained earnings based on 10% of December 31, 2014 audited net income** | (28,993,182) |
| Reversals of appropriations | — |
| Effects of prior period adjustments | — |
| Treasury shares | — |
| Subtotal | (310,183,182) |
| <u>Unappropriated Retained Earnings, as adjusted, ending</u> | ₱273,832,722 |

* Consolidated net income of ₱262,267,060 net of ₱27,601,418 COLHK net loss and ₱63,339 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
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
SCHEDULE OF EFFECTIVE STANDARDS AND
INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2014:

| PFRS | | Adopted | Not adopted | Not applicable |
|---|--|---------|-------------|----------------|
| Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| PFRSs Practice Statement Management Commentary | | ✓ | | |
| Philippine Financial Reporting Standards | | | | |
| PFRS 1 (Revised) | First-time Adoption of Philippine Financial Reporting Standards | ✓ | | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | | | ✓ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| PFRS 2 | Share-based Payment | ✓ | | |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| PFRS 3 (Revised) | Business Combinations | | | ✓ |
| PFRS 4 | Insurance Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |



| PFRS | | Adopted | Not adopted | Not applicable |
|--|---|-------------------|-------------|----------------|
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| PFRS 7 | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | | | ✓ |
| | Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | ✓ |
| PFRS 8 | Operating Segments | ✓ | | |
| PFRS 9 | Financial Instruments | Not early adopted | | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | Not early adopted | | |
| PFRS 10 | Consolidated Financial Statements | ✓ | | |
| PFRS 10, PFRS 12 and PAS 27 | Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities | Not early adopted | | |
| PFRS 11 | Joint Arrangements | | | ✓ |
| PFRS 12 | Disclosure of Interests in Other Entities | | | ✓ |
| PFRS 13 | Fair Value Measurement | ✓ | | |
| Philippine Accounting Standards | | | | |
| PAS 1 (Revised) | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| PAS 1 (Revised) | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| PAS 2 | Inventories | | | ✓ |



| PFRS | | Adopted | Not adopted | Not applicable |
|-------------------------|---|---------|-------------|----------------|
| PAS 7 | Statement of Cash Flows | ✓ | | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| PAS 10 | Events after the Reporting Date | ✓ | | |
| PAS 11 | Construction Contracts | | | ✓ |
| PAS 12 | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | | | ✓ |
| PAS 16 | Property, Plant and Equipment | ✓ | | |
| PAS 17 | Leases | ✓ | | |
| PAS 18 | Revenue | ✓ | | |
| PAS 19 | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | | | ✓ |
| PAS 19 (Amended) | Employee Benefits | ✓ | | |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| PAS 23 (Revised) | Borrowing Costs | | | ✓ |
| PAS 24 (Revised) | Related Party Disclosures | ✓ | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| PAS 27 | Consolidated and Separate Financial Statements | ✓ | | |
| PAS 27 (Amended) | Separate Financial Statements | | | ✓ |
| PAS 28 | Investments in Associates | | | ✓ |
| PAS 28 (Amended) | Investments in Associates and Joint Ventures | | | ✓ |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| PAS 31 | Interests in Joint Ventures | | | ✓ |



| PFRS | | Adopted | Not adopted | Not applicable |
|-----------------------------------|--|---------|-------------|----------------|
| PAS 32 | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| PAS 33 | Earnings per Share | ✓ | | |
| PAS 34 | Interim Financial Reporting | | | ✓ |
| PAS 36 | Impairment of Assets | ✓ | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| PAS 38 | Intangible Assets | ✓ | | |
| PAS 39 | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| PAS 40 | Investment Property | | | ✓ |
| PAS 41 | Agriculture | | | ✓ |
| Philippine Interpretations | | | | |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |



| PFRS | | Adopted | Not adopted | Not applicable |
|-----------------|---|---------|-------------|----------------|
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | ✓ | | |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| IFRIC 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ |
| IFRIC 7 | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| IFRIC 8 | Scope of PFRS 2 | | | ✓ |
| IFRIC 9 | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| IFRIC 10 | <i>Interim Financial Reporting and Impairment</i> | | | ✓ |
| IFRIC 11 | PFRS 2- Group and Treasury Share Transactions | | | ✓ |
| IFRIC 12 | Service Concession Arrangements | | | ✓ |
| IFRIC 13 | Customer Loyalty Programmes | | | ✓ |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | ✓ | | |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | | | ✓ |
| IFRIC 18 | Transfers of Assets from Customers | | | ✓ |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| IFRIC 21 | Levies | | | ✓ |
| SIC-7 | Introduction of the Euro | | | ✓ |
| SIC-10 | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |



| PFRS | | Adopted | Not adopted | Not applicable |
|---------------|--|---------|-------------|----------------|
| SIC-12 | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| SIC-13 | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ |
| SIC-15 | Operating Leases - Incentives | | | ✓ |
| SIC-25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| SIC-27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ |
| SIC-29 | Service Concession Arrangements: Disclosures. | | | ✓ |
| SIC-31 | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| SIC-32 | Intangible Assets - Web Site Costs | ✓ | | |

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2015 onwards.



SCHEDULE III
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Schedule A. Financial Assets

Financial Assets at FVPL

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

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

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 | ₱3,722,642 | ₱44,827,277 | ₱41,104,635 | ₱- | ₱- | ₱- | ₱3,736,756 |

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 |
|------------------------------|-------------------|-------------------|------------------------------|---------------------------|--------------------------------------|----------------|
| Parent Company | | | | | | |
| Stock Exchange Trading Right | ₱5,000,000 | ₱- | ₱- | ₱- | ₱- | ₱5,000,000 |
| COLHK Exchange Trading Right | 18,269,449 | - | - | 69,542 | - | 18,338,991 |
| | ₱23,269,449 | ₱- | ₱- | ₱69,542 | ₱- | ₱23,338,991 |

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 position of long term debt' in related statement of financial position | Amount shown under caption 'Long-Term Debt' in related statement of financial position |
|---------------------------------------|--------------------------------|--|--|
| None | N/A | N/A | N/A |

Schedule 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

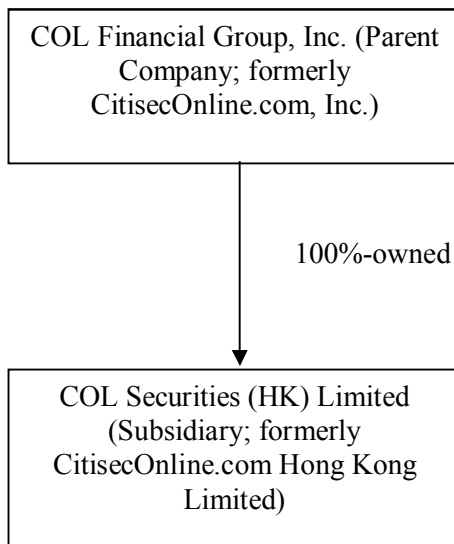
| Name of issuing entity of securities guaranteed by the Group for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by a person for which statement is filed | Nature of guarantee |
|--|---|---|---|---------------------|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

Schedule H. Capital Stock (Figures in Thousands)

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related financial condition caption | Number of shares reserved for options, warrants, conversion and other rights | No of shares held by | | |
|----------------|-----------------------------|--|--|----------------------|------------------------|---------|
| | | | | Affiliates | Directors and Officers | Others |
| Common shares | 1,000,000 | 474,550 | 1,450 | – | 291,334 | 183,216 |



SCHEDULE IV
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
MAP OF THE RELATIONSHIPS OF THE COMPANIES
WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014



SCHEDULE V
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

| | 2014 | 2013 |
|--------------------------------|--------|--------|
| Profitability ratios: | | |
| Return on assets | 4% | 6% |
| Return on equity | 20% | 23% |
| Net profit margin | 37% | 41% |
| Solvency and liquidity ratios: | | |
| Current ratio | 1.24:1 | 1.35:1 |
| Debt to equity ratio | 3.94:1 | 2.72:1 |
| Quick ratio | 1.24:1 | 1.35:1 |
| Asset to equity ratio | 5.26:1 | 3.73:1 |
| Other relevant ratios: | | |
| RBCA ratio | 577% | 717% |
| Ratio of AI to NLC | 628% | 429% |



SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT



1. Report is Filed for the Year 2014

2. Exact Name of Registrant as Specified in its Charter: COL Financial Group, Inc.

3. 24/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City 1605
Address of Principal Office Postal Code

4. SEC Identification Number A199910065 5. (SEC Use Only)
Industry Classification Code

6. BIR Tax Identification Number 203-523-208

7. (02) 636-5411
Issuer's Telephone number, including area code

8. Not Applicable
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) BOARD OF DIRECTORS

| | |
|---|----|
| Number of Directors per Articles of Incorporation | 11 |
|---|----|

| | |
|---|----|
| Actual number of Directors for the year | 11 |
|---|----|

(a) Composition of the Board

Complete the table with information on the Board of Directors:

| Director's Name | Type* (Executive (ED), Non-Executive (NED) or Independent Director (ID)) | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID) ¹ | Elected when (Annual/Special Meeting) | No. of years served as director |
|---------------------|---|------------------------------------|---|--------------------|--|---------------------------------------|---------------------------------|
| Bate, Conrado F. | ED | n/a | Conrado F. Bate | 03/31/04 | 03/31/14 | Annual | 11 |
| Estacion, Manuel S. | ID | n/a | Conrado F. Bate – no relationship | 03/30/01 | 03/31/14 3 years | Annual | 14 |
| Han, Paulwell | NED | n/a | Conrado F. Bate | 03/30/10 | 03/31/14 | Annual | 4 |
| Khoo Boo Boon | ID | n/a | Conrado F. Bate – no relationship | 03/30/01 | 03/31/14 3 years | Annual | 14 |
| Lee, Edward K. | NED | n/a | Conrado F. Bate | 03/20/00 | 03/31/14 | Annual | 15 |
| Lim, Hernan G. | NED | n/a | Conrado F. Bate | 03/10/06 | 03/31/14 | Annual | 9 |
| Litman, Joel A. | NED | n/a | Conrado F. Bate | 03/30/12 | 03/31/14 | Annual | 3 |
| Ong, Catherine L. | ED | n/a | Conrado F. Bate | 03/20/00 | 03/31/14 | Annual | 15 |
| Yu, Alexander C. | NED | n/a | Conrado F. Bate | 03/20/00 | 03/31/14 | Annual | 15 |
| Yu, Raymond C. | NED | n/a | Conrado F. Bate | 03/10/06 | 03/31/14 | Annual | 9 |
| Yu, Wellington C. | NED | n/a | Conrado F. Bate | 03/30/01 | 03/31/14 | Annual | 14 |

¹ Reckoned from the election immediately following January 2, 2012

(b) Corporate Governance Policy

Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize on the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors (“Board”) and Management, employees, and shareholders of COL Financial Group, Inc. (“COL”, “Company” or “Corporation”) believe that corporate governance is a necessary component of sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization. The Board respects the rights of the stockholders, strives to remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. The Board publicly and timely discloses material information that could adversely affect the viability of the corporation or the interests of the stockholders and all disclosures are submitted to the Securities and Exchange Commission (“SEC”) through the Corporation’s Compliance Officer.

(c) Review and Approval of Vision Mission

How often does the Board review and approve the vision and mission?

The vision and mission are reviewed and approved by the Board of Directors on an annual basis.

(d) Directorship in Other Companies

(i) *Directorship in the Company’s Group²*

Identify, as and if applicable, the members of the Company’s Board of Directors who hold the office of director in other companies within its Group:

| Director’s Name | Corporate Name of the Group Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman |
|------------------------|--|--|
| Lee, Edward K. | COL Securities (HK) Limited | Director |
| Yu, Alexander C. | COL Securities (HK) Limited | Director |
| Bate, Conrado F. | COL Securities (HK) Limited | Director |
| Ong, Catherine L. | COL Securities (HK) Limited | Director |

(ii) *Directorship in Other Listed Companies*

Identify, as and if applicable, the members of the Company’s Board of Directors who are also directors of publicly-listed companies outside of its Group:

| Director’s Name | Name of Listed Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman |
|------------------------|-------------------------------|--|
| n/a | | |

None of the Company’s directors hold similar positions in other publicly-listed companies outside the Company’s Group.

(iii) *Relationship within the Company and its Group*

² The Group is composed of the parent, subsidiaries, associates, and joint ventures of the Company

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

| Director's Name | Name of Significant Shareholder | Description of the relationship |
|-----------------|---------------------------------|---------------------------------|
| n/a | | |

No Director is related to a third party who is a significant shareholder of the Company. As used herein, the term "third party" refers to a person who is not a member of the Board of Directors.

(iv) Has the Company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

While there is no fixed limit on the number of board seats which an individual director or the Chief Executive Officer ("CEO") may hold at the same time, please note that Part II(B) of the Company's Revised Manual on Corporate Governance ("Corporate Governance Manual") provides the following guidelines:

| | Guidelines | Maximum Number of Directorship in other Companies |
|-------------------------------|--|---|
| Executive Director | "The Board shall consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number shall take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities. "The Chief Executive Officer ("CEO") and other executive directors may be covered with a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised." | n/a |
| Non-Executive Director | | |
| CEO | | |

(e) Shareholding in the Company

Complete the following table on the members of the Company's Board of Directors who directly and indirectly own shares in the Company:

| Name of Director | Number of Direct Shares | Number of Indirect shares | | | % of Capital Stock | |
|---------------------|-------------------------|---------------------------|--|---------------------|-----------------------------------|---------------------------------------|
| | | Through PCD Nominee | By (Record owner) | | | By (Record owner) through PCD Nominee |
| Bate, Conrado F. | 100 | 23,983,600 | | - | - | 5.05% |
| Estacion, Manuel S. | 210,000 | 383,600 | | - | - | 0.13% |
| Han, Paulwell | 100,000 | 34,000,000 | | - | - | 7.19% |
| Khoo Boo Boon | 1,000 | 732,500 | | - | - | 0.15% |
| Lee, Edward K. | 62,250,000 | 26,219,600 | Lydia C. Lee Edmund C. Lee Ellee & Co., Inc. | 1,000,000 - - | 3,588,800 2,040,000 917,900 | 20.23% |
| Lim, Hernan G. | 100,000 | 15,869,800 | Doris Lim Nicole Ann Lim | - | 3,488,800 500,000 | 4.21% |

| Name of Director | Number of Direct Shares | Number of Indirect shares | | | % of Capital Stock | |
|-------------------|-------------------------|---------------------------|---|---------------------------------------|---|---------------|
| | | Through PCD Nominee | By (Record owner) | By (Record owner) through PCD Nominee | | |
| Litman, Joel A. | 1,000 | 33,000 | | - | 0.01% | |
| Ong, Catherine L. | 50,000 | 8,265,000 | Pablo J. Ong Carl Stephen L. Ong Adrian Roy L. Ong | - - - | 1,000,000 300,000 300,000 | 2.09% |
| Yu, Alexander C. | 20,000,000 | 45,311,800 | | - | - | 13.76% |
| Yu, Raymond C. | 100,000 | 17,463,000 | Mary Jane L. Yu Mark Richmond Yu Ronald Martin Yu Raynard Yu Jacqueline Yu or Raynard Yu | - - - - - | 2,500,000 1,500,000 1,653,400 1,500,000 1,500,000 | 5.52% |
| Yu, Wellington C. | 10,000 | 476,900 | | | | 0.10% |
| TOTAL | 82,822,100 | 172,738,800 | | 1,000,000 | 20,788,900 | 58.44% |

2) CHAIRMAN AND CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

| | |
|-----------------------|-----------------|
| Chairman of the Board | Edward K. Lee |
| CEO/President | Conrado F. Bate |

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities, and deliverables of the Chairman and CEO.

| | Chairman | Chief Executive Officer |
|------------------|--|---|
| Role | <p>Aside from the duties and functions of the Board as a whole and the duties and functions imposed on every director, the Chairman of the Board is expected to:</p> <ul style="list-style-type: none"> • Preside at the meetings of directors and the shareholders (Art. IV, Sec 2., By-laws); • Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary (Part III, C, Corporate Governance Manual); | <p>As provided in Art. IV, Sec. 4 of the Company's By-laws, the President shall exercise the following functions:</p> <ul style="list-style-type: none"> • Preside at the meetings of the Board of Directors and shareholders in the absence of the Chairman and Vice-Chairman; • Initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation; |
| Accountabilities | <ul style="list-style-type: none"> • Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management, and the Directors (Part III, C, Corporate Governance Manual); • Maintain qualitative and timely lines of communication and information between the Board and Management (Part III, C, Corporate Governance Manual); and | <ul style="list-style-type: none"> • Supervise and manage the business affairs of the corporation upon the direction of the Board of Directors; • Implement the administrative and operational policies of the corporation under his supervision and control; • Appoint, remove, suspend or discipline employees of the corporation; prescribe their duties, and determine their salaries; |
| Deliverables | <ul style="list-style-type: none"> • Exercise such powers and perform such duties as the Board of Directors may assign to him (Art. IV, Sec 2., By-laws). | <ul style="list-style-type: none"> • Oversee the preparation of the budgets and the statements of accounts of the corporation; • Represent the corporation at all functions and proceedings; • Execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the approval of the Board of Directors; • Make reports to the Board of Directors and stockholders; • Sign certificates of stock; and • Perform other duties as are incident to his office or are entrusted to him by the Board of Directors. |

3) SUCCESSION PLANNING

Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

The Board of Directors considers succession planning, particularly for key positions, to be integral to the long-term stability and evolution of the Company. The Board has programs in place that allow it to identify the competencies of employees as early as their initial recruitment, which allows the placement of those with management potential within the departments where they will have the best opportunity to fully develop. Employees who have displayed talents that are in line with key management positions are frequently paired with such key managers, in order to

familiarize them with the functions of the higher office, with the intent of creating a pool of understudies from amongst whom can be selected someone to be elevated to the position, if it is vacated. A lateral program is also implemented amongst the top positions of the Company, whereby one or more of the other key officers is made familiar with the functions of other key positions, to ensure that these functions can be divided amongst the remaining officers in the occasion of a vacancy, until a successor can be properly trained.

4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS

Does the Company have a policy of ensuring diversity of experience and background of Directors in the Board? Please explain.

Below are the qualifications to become a Director in the Corporation:

- Holder of at least one (1) share of the capital stock of COL;
- College education or sufficient experience in managing a business to substitute for such formal education; and
- Practical understanding of the business of COL.

A director must have all the qualifications and none of the disqualifications as enumerated in the Company's Corporate Governance Manual.

The Company believes that the non-restrictive nature of the qualifications as mentioned above allow for diversity of experience and background of Directors in the Board.

Does it ensure that at least one non-executive director has an experience in the sector or industry the Company belongs to? Please explain.

Yes. In fact, all Directors are required to have a practical understanding of the business of the Company.

Define and clarify the roles, accountabilities, and deliverables of the Executive, Non-Executive and Independent Directors:

| | Executive | Non-Executive | Independent Director |
|------------------|--|----------------------|-----------------------------|
| Role | The following roles, accountabilities, and deliverables apply to the Board of Directors as a whole (i.e., it applies to all directors of the Company, whether executive, non-executive, or independent): | | |
| Accountabilities | <ol style="list-style-type: none"> 1. By-Laws (Art. III, Sec 1) <ul style="list-style-type: none"> • Exercise all the corporate powers of the corporation; • Conduct all business and hold and control all properties of the corporation; • From time to time, make and change rules and regulations not inconsistent with the By-laws for the management of the corporation's business and affairs; • To purchase, receive, take, or otherwise acquire for and in the name of the corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient; • To invest the funds of the corporation in other corporations or for purposes other than those for which the corporation was organized, subject to such stockholders' approval as may be required by law; • To incur such indebtedness as the Board may deem necessary, to issue evidence of | | |

| | Executive | Non-Executive | Independent Director |
|--------------|--|----------------------|-----------------------------|
| Deliverables | <p>indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders approval as may be required by law, and/or pledge, mortgage, or otherwise encumber all part of the properties of the corporation;</p> <ul style="list-style-type: none"> • To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation; • To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation or its officer are either plaintiffs or defendants in connection with the business of the corporation; • To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the corporation to any standing or special committee or to any officer or agent and to appoint any person to be the agent of the corporation with such powers and upon such terms as may be deemed fit; and • To implement the By-laws and to act on any matter not covered by the By-laws, provided such matters do not require the approval or consent of the stockholders under the Corporation Code. <p>2. Corporate Governance Manual</p> <p><u>Duties and Functions of the Board (Part II, F)</u></p> <ul style="list-style-type: none"> • Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Adopt an effective succession planning program for Management. • Provide sound strategic policies and guidelines to the corporation on major capital expenditures and periodically evaluate and monitor the implementation of such policies and strategies including the business plans, operating budgets, and Management’s overall performance. • Ensure the corporation’s faithful compliance with all applicable laws, regulations, and best business practices. • Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. • Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely, and effective communication with them. • Adopt a system of check and balance within the Board. • Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to operational and financial viability. • Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions. • Constitute an Audit Committee and such other committees, as it deems necessary to assist the Board in the performance of its duties and responsibilities. • Establish and maintain an alternative dispute resolution system in the corporation. • Meet at such times or frequency as may be needed and the minutes of such meetings should be duly recorded. • Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules, and regulations. • Appoint a Compliance Officer. <p><u>Specific Duties and Responsibilities of a Director (Part II, G)</u></p> <ul style="list-style-type: none"> • Act in the best interest of the corporation in a manner characterized by transparency, accountability, and fairness. | | |

| | Executive | Non-Executive | Independent Director |
|--|--|----------------------|-----------------------------|
| | <ul style="list-style-type: none"> • Exercise leadership, prudence, and integrity in directing the corporation towards sustained progress. • Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation. • Devote the time and attention necessary to properly and effectively perform his duties and responsibilities. • Act judiciously. • Exercise independent judgment. • Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies. • Observe confidentiality. | | |

Provide the Company's definition of "independence" and describe the Company's compliance to the definition.

A Director is considered as independent when, apart from his fees and shareholdings, which shareholdings do not exceed two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders, is independent of management and free from influence or control or free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of the Corporation.

To ensure compliance with this definition, all nominees for Independent Director are pre-screened by the Company's Nomination Committee. Only nominees who pass the evaluation of the Nomination Committee and who appear on the final list of candidates promulgated by said Committee shall be eligible for election. Further, specific slots in the Board allocated to Independent Directors cannot be filled-up by unqualified nominees.

Does the Company have a term limit of five consecutive years for Independent Directors? If after two years the company wishes to bring back an Independent Director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Independent Directors may serve the Company in such capacity for up to five (5) consecutive years. A two (2) year "cooling off" period is required before the same person may once again be elected as Independent Director. Said re-elected Independent Director can serve in such capacity for another five (5) consecutive years. Thereafter, the Independent Director shall be perpetually barred from being elected as such.

5) CHANGES IN THE BOARD OF DIRECTORS (EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

| Name | Position | Date of Cessation | Reason |
|-------------|-----------------|--------------------------|---------------|
| n/a | | | |

No changes in the composition of the Board of Directors occurred during the period.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement, and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement, and suspension of the members of the Board of Directors. Provide details of the processes adopted (including frequency of election) and the criteria employed in each procedure:

| Procedure | Process Adopted | Criteria |
|---------------------------------|--|--|
| a. Selection/Appointment | | |
| (i) Executive Directors | The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified. (Art. III, Sec. 2, By-laws) | <p>Minimum qualifications for Directors of the Company:</p> <ul style="list-style-type: none"> • Holder of at least one (1) share of the capital stock of COL; • College education or sufficient experience in managing a business to substitute for such formal education; • Practical understanding of the business of COL; and • Possess none of the disqualifications as enumerated below. |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | <p>Nomination of independent director/s shall be conducted by a Nomination Committee prior to a stockholders' meeting. All nominations of independent directors shall be made in writing and signed by the nominating stockholders, and shall include the acceptance and conformity by the would-be nominees.</p> <p>The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors.</p> <p>Only nominees whose names appear on the final list of candidates shall be eligible for election as independent director/s.</p> <p>The Chairman of the stockholders' meeting has the responsibility to inform all stockholders in attendance of the mandatory requirement of electing independent director/s and to ensure that an independent director/s is elected during the stockholders' meeting.</p> <p>Specific slot/s for independent directors shall not be filled up by unqualified nominees.</p> <p>In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.</p> <p>Any controversy or issue arising from the selection, nomination, or election of independent directors shall be resolved by the SEC by appointing independent directors from the list of nominees submitted by the stockholders. (Art. III, Sec. 2a, By-laws)</p> | <p>In addition to the criteria mentioned above, an independent director must possess integrity and probity and be assiduous.</p> |
| b. Re-appointment | | |

| Procedure | Process Adopted | Criteria |
|--------------------------------------|--|---|
| (i) Executive Directors | The procedure for re-appointment is the same as the procedure for initial appointment/election of directors. | The criteria for re-appointment of executive and non-executive directors are the same as the criteria for initial appointment of directors. |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | Please note additional term limit disqualifications of independent directors, as explained below. |
| c. Permanent Disqualification | | |
| (i) Executive Directors | <p>Below are the grounds for permanent disqualification of a director as enumerated under Part II(E) of the Corporate Governance Manual:</p> <p>a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code (“SRC”); (ii) arises out of the person’s conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.</p> <p>b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) or (b) above or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking, or suspending any registration, license, or permit issued to him under the Corporation Code, SRC, or any other law administered by the SEC or the Bangko Sentral ng Pilipinas (“BSP”), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation, or association with a member or participant of the organization.</p> <p>c) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury, or other fraudulent acts.</p> <p>d) Any person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced, or procured the violation of any provision of the Corporate Code, SRC, or any other law administered by the SEC or BSP, or any of its rule, regulation, or order.</p> <p>e) Any person judicially declared as insolvent.</p> <p>f) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (a) to (d) above.</p> <p>g) Conviction by final judgment of an offense punishable by imprisonment for more</p> | |
| (ii) Non-Executive Directors | | |

| Procedure | Process Adopted | Criteria |
|--------------------------------------|--|----------|
| | than six (6) years, or a violation of the Corporation Code within five (5) years prior to the date of his election or appointment. | |
| (iii) Independent Directors | <p>In addition to the grounds for permanent disqualification of directors mentioned above, below are the additional grounds applicable to independent directors:</p> <p>a) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation (Part II(E)(1)(e), Corporate Governance Manual); and</p> <p>b) An independent director who has served in such capacity for ten (10) years (SEC Memorandum Circular [MC] 9-2011).</p> | |
| d. Temporary Disqualification | | |
| (i) Executive Directors | <p>Below are the grounds for temporary disqualification of a director, as enumerated under Part II(E)(2) of the Corporate Governance Manual:</p> <p>a) Refusal to comply with the disclosure requirements of the SRC and its Implementing Rules and Regulations.</p> | |
| (ii) Non-Executive Directors | <p>b) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident.</p> <p>c) Dismissal or termination for cause as director of any corporation covered by the Code.</p> <p>d) If any judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>A director temporarily disqualified may take the appropriate action to remedy or correct the disqualification within sixty (60) business days from such disqualification. The disqualification shall then become permanent if he fails or refuses to do so for unjustified reasons.</p> | |
| (iii) Independent Directors | <p>In addition to the grounds for temporary disqualification of directors mentioned above, below are the additional grounds applicable to independent directors:</p> <p>a) If the beneficial equity ownership of an independent director in COL or its subsidiaries and affiliates, if any, exceeds two percent (2%) of its subscribed capital stock. (Part III(E)(2)(d), Corporate Governance Manual)</p> <p>b) For an independent director who has served for five (5) consecutive years, he shall be ineligible for election unless he has undergone a two (2) year “cooling off” period (SEC MC 9-2011).</p> <p>c) Grounds for disqualification as enumerated under SEC MC 16-2002.</p> | |
| e. Removal | | |
| (i) Executive | Any director may be removed from office by a vote of the stockholders holding or | |

| Procedure | Process Adopted | Criteria |
|------------------------------|---|--|
| Directors | representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation. The removal shall take place either at a regular meeting of the Corporation or at a special meeting called for the purpose and after previous notice to stockholders of the intention to propose such removal at the meeting. | A special meeting of the stockholders for the purpose of removal of directors must be called by the secretary on order of the president or upon written demand of the stockholders representing at least a majority of the outstanding capital stock of the Corporation. Removal may be with or without cause; Provided, that removal without cause cannot be used to deprive minority stockholders of the right of representation. |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| f. Re-instatement | | |
| (i) Executive Directors | Assuming that all procedural requirements for removal of directors are complied with, a director previously removed without cause cannot be reinstated during the same term. On the other hand, if removal is for cause, he may be re-elected during the same term: (i) if he has cleared himself from any involvement in the cause that gave rise to his removal; and (ii) during an election to fill up a vacancy in the Board of Directors. | |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| g. Suspension | | |
| (i) Executive Directors | The Board may implement rules, procedure, and criteria in relation to the suspension of directors. | |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

Voting Result of the last Annual General Meeting

| Name of Director | Votes Received |
|---------------------|----------------|
| Bate, Conrado F. | 344,985,200 |
| Estacion, Manuel S. | 344,985,200 |
| Han, Paulwell | 344,985,200 |
| Khoo Boo Boon | 344,985,200 |
| Lee, Edward K. | 344,985,200 |
| Lim, Hernan G. | 344,985,200 |
| Litman, Joel A. | 344,985,200 |
| Ong, Catherine L. | 344,985,200 |
| Yu, Alexander C. | 344,985,200 |
| Yu, Raymond C. | 344,985,200 |
| Yu, Wellington C. | 344,985,200 |

6) ORIENTATION AND EDUCATION PROGRAM

- (a) Disclose details of the company’s orientation program for new directors, if any.

As only persons with a practical understanding of COL’s business may be elected as directors of the Corporation, it is not necessary to implement a formal orientation program for new directors.

- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

| Name of Director/ Officer | Date of Training | Program | Name of Training Institution |
|--|-------------------|---|--|
| Joel A. Litman | December 14, 2011 | Corporate Governance & Anti-Money Laundering Act Seminar | Philippine Securities Consultancy Corporation (PHILSECC) |
| Lorena E. Velarde | February 1, 2013 | Top Secrets of Handling BIR Audit | Powermax Consulting Group, Inc. |
| Lorena E. Velarde | February 7, 2013 | Understanding Transfer Pricing: A Briefing on the Newly-Issued Philippine Transfer Pricing Regulations. | SyCip, Gorres, Velayo & Co. |
| All members of Senior Management, Executive Directors, and the Chairman and Vice-Chairman of the Board | Annually | Strategic Planning Session | In-house |
| All members of the Board of Directors, Senior Officers, and Associated Persons | March 29, 2014 | Corporate Governance Seminar Program | Risks, Opportunities, Assessment and Management (ROAM), Inc. |

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

No programs/seminars for 2014.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) POLICIES

Discuss briefly the Company’s policies on the following business conduct or ethics affecting directors, senior management, and employees:

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---------------------------|--|---|-----------|
| (a) Conflict of Interest | A director must ensure that his personal interest does not conflict with the interests of the corporation. | No employee shall engage in the same or similar business or function as that carried on by the Company. Financial interests held by employee or by his immediate family members in a company with the | |

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing, and controlling the activities of the company.

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---|---|---|------------------|
| | | same or similar business interest must be disclosed to determine if conflict of interest exists. It shall be at the sole discretion of the Company to either dismiss or continue the employment of an employee who has engaged in activities that are in conflict with the Company's business interest. | |
| (b) Conduct of Business and Fair Dealings | A director must conduct fair business transactions with the Corporation. He is expected to act in the best interest of the company in a manner characterized by transparency, accountability, and fairness. | Company employees are expected to conduct fair business transactions with the Company. Depending on the nature of the act, failure to do so may be considered as a violation of the Code of Discipline. | |
| (c) Receipt of gifts from third parties | A director must act judiciously and exercise integrity. | The Company's Code of Discipline prohibits the unauthorized collection or receiving of fees, charges, kickbacks, commissions from clients, suppliers, or collectors. | |
| (d) Compliance with Laws & Regulations | A director is expected to have a working knowledge of the statutory and regulatory requirements that affect the Corporation including, among others, the rules and regulations of the SEC and where applicable, the requirements of relevant regulatory agencies. | All employees are expected to be familiar with the laws, rules, and regulations that are related to their respective job functions. | |
| (e) Respect for Trade Secrets/Use of Non-public Information | A director is required to observe confidentiality. | It shall be the responsibility of all employees to safeguard sensitive company information. The disclosure, transmission, or communication of confidential records or data to unauthorized persons is strictly prohibited. | |
| (f) Use of Company Funds, Assets and Information | A director must always act in the best interest of the Corporation in a manner characterized by transparency, accountability, and fairness. | Each employee must take care of Company property and assets and maintain the confidentiality of confidential information. The Company's Code of Discipline penalizes the unauthorized use of Company funds and assets and unauthorized disclosure of confidential information, among others. | |
| (g) Employment & Labor Laws & Policies | The Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance. The Company respects the rights of its employees and complies with applicable employment laws, rules, and issuances. | | |
| (h) Disciplinary action | The Board may implement rules, procedure, and criteria in relation to disciplinary actions against its directors. | The Company believes that positive and supportive actions, and not punitive measures, are effective in promoting professionalism, harmony, and discipline among employees. The Company aims to demonstrate commitment to promote discipline among employees (regardless of status or position) by providing guidelines and implementing such with fairness and objectivity. | |
| (i) Whistle Blower | The Company promotes an environment of trust and camaraderie amongst its various stakeholders. Nevertheless, in the pursuit of its commitment to ethical service, COL | | |

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|--------------------------------------|---|---|------------------|
| | provides several avenues by which these persons can, confidentially, air personal grievances, or to report actions, of their peers or superiors which are, or which in good faith they suspect to be, contrary to ethics, laws, or regulations. | | |
| (j) Conflict Resolution | The Board encourages all directors to air any grievances and to exert good faith efforts to resolve them. | All employees must be treated fairly and allowed to present their valid grievances freely and without fear of reprisal. If not addressed immediately, grievances may affect the productivity and morale of employees. | |

2) DISSEMINATION OF CODE

Has the code of ethics or conduct been disseminated to all directors, senior management, and employees?

All parties are made aware of the Company's policies with respect to business conduct and ethics.

3) COMPLIANCE WITH CODE

Discuss how the Company implements and monitors compliance with the code of ethics or conduct.

Directors and COL employees are expected to comply with the business conduct and ethical policy of the Company and report instances of violation of the same. With respect to employees, in particular, the Company's Human Resources Department is tasked with monitoring compliance and resolving violations thereof, if any.

4) RELATED PARTY TRANSACTIONS

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

| Related Party Transactions | Policies and Procedures |
|--|---|
| (1) Parent Company | Transactions between related parties are based on terms similar to those offered to nonrelated parties. The transactions are done in the normal conduct of operations and are recorded in the same manner as transactions that are entered into with other parties. |
| (2) Joint Ventures | |
| (3) Subsidiaries | |
| (4) Entities Under Common Control | |
| (5) Substantial Stockholders | |
| (6) Officers including spouse/children/siblings/ parents | |
| (7) Directors including spouse/children/siblings/ parents | |
| (8) Interlocking director relationship of Board of Directors | |

(b) Conflict of Interest

(i) *Directors/Officers and 5% or more Shareholders*

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

| | |
|----------------------------------|---|
| | Details of Conflict of Interest (Actual or Probable) |
| Name of Director/s | No actual or probable conflict of interest foreseen to which directors, officers, or 5% or more shareholders may be involved. |
| Name of Officer/s | |
| Name of Significant Shareholders | |

(ii) *Mechanism*

Describe the mechanism laid down to detect, determine, and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

| | |
|---------|---|
| | Directors/Officers/Significant Shareholders |
| Company | Any and all contracts must first be reviewed by Legal to determine any possible conflict of interest. |
| Group | |

5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS

- (a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual, or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the Company:

| Names of Related Significant Shareholders | Type of Relationship | Brief Description of the Relationship |
|--|-----------------------------|---|
| Lee, Edward K. and Yu, Alexander C. | Business | Mr. Lee and Mr. Yu are members of the Board of Citisecurities, Inc. |

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more), and the Company:

| Names of Related Significant Shareholders | Type of Relationship | Brief Description |
|--|-----------------------------|--|
| Lee, Edward K. | Business | Mr. Lee is the Chairman of the Company's Board of Directors. |
| Han, Paulwell | Business | Mr. Han is a member of the Company's Board of Directors. |
| Yu, Alexander C. | Business | Mr. Yu is the Vice-Chairman of the Company's Board of Directors. |

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

| Names of Shareholders | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|------------------------------|--|---|
| n/a | | |

The Company is not aware of any existing shareholder agreements that may impact its control, ownership, and strategic direction.

6) ALTERNATIVE DISPUTE RESOLUTION

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

Describe the alternative dispute resolution system adopted by the Company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

| | Alternative Dispute Resolution System |
|--------------------------------------|---|
| Corporation & Stockholders | No conflicts or differences encountered for the last three (3) years. |
| Corporation & Third Parties | |
| Corporation & Regulatory Authorities | |

C. BOARD MEETINGS & ATTENDANCE

1) SCHEDULE OF MEETINGS

Are Board of Directors' meetings scheduled before or at the beginning of the year?

Board of Directors' meetings are scheduled at least a week before the date of meetings.

2) ATTENDANCE OF DIRECTORS

| Board | Name | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|-------------|---------------------|------------------|--------------------------------------|--------------------------|------|
| Chairman | Lee, Edward K. | 03/31/14 | 9 | 9 | 100% |
| Member | Bate, Conrado F. | 03/31/14 | 9 | 9 | 100% |
| Member | Han, Paulwell | 03/31/14 | 9 | 9 | 100% |
| Member | Lim, Hernan G. | 03/31/14 | 9 | 8 | 89% |
| Member | Litman, Joel A. | 03/31/14 | 9 | 9 | 100% |
| Member | Ong, Catherine L. | 03/31/14 | 9 | 9 | 100% |
| Member | Yu, Alexander C. | 03/31/14 | 9 | 9 | 100% |
| Member | Yu, Raymond C. | 03/31/14 | 9 | 9 | 100% |
| Member | Yu, Wellington C. | 03/31/14 | 9 | 9 | 100% |
| Independent | Estacion, Manuel S. | 03/31/14 | 9 | 9 | 100% |
| Independent | Khoo Boo Boon | 03/31/14 | 9 | 9 | 100% |

3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS

Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No, there are no separate meetings for non-executive Directors.

4) QUORUM REQUIREMENT

Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

The vote of a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, as provided for in the By-laws of the Corporation.

5) ACCESS TO INFORMATION

(a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

Board papers are provided on the day of the board meeting.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes, all directors may contact Management and the Corporate Secretary independently.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

Under the Corporate Governance Manual, the Corporate Secretary should:

- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation.
- Be loyal to the mission, vision, and objectives of the Corporation.
- Work fairly and objectively with the Board, Management, and stockholders.
- Have appropriate administrative and interpersonal skills.
- Have a working knowledge of the operations of the Corporation.
- Inform the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- Attend all Board meetings, except when justifiable causes prevent him from doing so.
- Ensure that all Board procedures, rules, and regulations are strictly followed by the members.

(d) Is the Company Secretary trained in legal, accountancy, or company secretarial practices? Please explain should the answer be in the negative.

Yes, the Corporate Secretary is a member of the Integrated Bar of the Philippines.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

| Committee | Details of the procedures |
|------------------|--|
| Executive | Any Director may ask for the materials from the Corporate Secretary. |
| Audit | |
| Nomination | |
| Remuneration | |
| Others (specify) | |

6) EXTERNAL ADVICE

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

| Procedures | Details |
|--|---------|
| The directors may approach the Company's legal and accounting departments for any concerns. Said departments may handle the concern in-house or endorse the same to external advisers. | |

7) CHANGE/S IN EXISTING POLICIES

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

| Existing Policies | Changes | Reason |
|---|---------|--------|
| No change in existing policy which may affect the Company's business. | | |

D. REMUNERATION MATTERS

1) REMUNERATION PROCESS

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

| Process | CEO | Top 4 Highest Paid Management Officers |
|---|---|--|
| (1) Fixed remuneration | Amount determined and approved by the Board of Directors | |
| (2) Variable remuneration | Determined based on Company's performance during the previous fiscal year | |
| (3) Per diem allowance | Amount determined and approved by the Board of Directors | |
| (4) Bonus | Determined based on Company's performance during the previous fiscal year | |
| (5) Stock Options and other financial instruments | Amount determined and approved by the Board of Directors | |
| (6) Others (specify) | None | |

2) REMUNERATION POLICY AND STRUCTURE FOR EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Disclose the Company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

| | Remuneration Policy | Structure of Compensation Packages | How Compensation is Calculated |
|-------------------------|---|------------------------------------|--------------------------------|
| Executive Directors | Each Director is entitled to a per diem of Five Thousand Pesos (₱5,000) per meeting. There are no other arrangements for compensation either by way of payments for committee participation or special assignments. | | |
| Non-Executive Directors | | | |

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

| Remuneration Scheme | Date of Stockholders' Approval |
|---------------------|--------------------------------|
|---------------------|--------------------------------|

No change in the remuneration scheme of the board of directors for the last three (3) years.

3) AGGREGATE REMUNERATION

Complete the following table on the aggregate remuneration accrued during the most recent year:

| Remuneration Item | Executive Directors | Non-Executive Directors (other than Independent Directors) | Independent Directors |
|--|---------------------|--|-----------------------|
| (a) Fixed remuneration | 9,264,353.00 | 3,075,000 | - |
| (b) Variable remuneration | 11,126,209.00 | 3,468,282 | - |
| (c) Per diem allowance | 150,000.00 | 440,000.00 | 150,000.00 |
| (d) Bonus | - | - | - |
| (e) Stock Options and other financial instruments | 5,500,000 shares | 200,000 shares | 200,000 shares |
| (f) Others (specify) | - | - | - |
| Total | 20,540,562.00 | 6,983,282.00 | 150,000.00 |

| Other Benefits | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|---|---------------------|--|-----------------------|
| 1) Advances | - | - | - |
| 2) Credit granted | 2,271,004.54 | 5,523,829.34 | - |
| 3) Pension Plan/s Contributions | - | - | - |
| 4) Pension Plans, Obligations incurred | - | - | - |
| 5) Life Insurance Premium | 623,400.00 | 246,100.00 | - |
| 6) Hospitalization Plan | 28,408.00 | 28,408.00 | - |
| 7) Car Plan | - | - | - |
| 8) Others (specify) | - | - | - |
| Total | 2,922,812.54 | 5,798,337.34 | - |

4) STOCK RIGHTS, OPTIONS AND WARRANTS

(a) Board of Directors

Complete the following table, on the members of the Company's Board of Directors who own or are entitled to stock rights, options, or warrants over the company's shares:

| Director's Name | Number of Direct Option/Rights/ Warrants | Number of Indirect Option/Rights/ Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|--------------------|--|--|-----------------------------------|----------------------------------|
| Manuel S. Estacion | 200,000 | - | 200,000 | 0.020% |
| Wellington C. Yu | 250,000 | - | 250,000 | 0.025% |

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

| Incentive Program | Amendments | Date of Stockholders' Approval |
|---|------------|--------------------------------|
| No amendments/discontinuation of any incentive program. | | |

5) REMUNERATION OF MANAGEMENT

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

| Name of Officer/Position | Total Remuneration |
|--|--------------------|
| Caesar A. Guerzon – SVP, Head of HRAD, Legal & Compliance | 25,694,981.00 |
| Juan G. Barredo – VP, Head of Customer Service and Sales Support | |
| Nikos J. Bautista – VP, Chief Technology Officer | |
| April Lynn L. Tan – VP, Head of Research | |
| Lorena E. Velarde – VP, Financial Controller | |

E. BOARD COMMITTEES

1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|-----------|-------------------------|------------------------------|---------------------------|-------------------|---|----------------------|-------|
| | Executive Director (ED) | Non-Executive Director (NED) | Independent Director (ID) | | | | |
| Executive | Not Applicable | | | | | | |
| Audit | 0 | 2 | 1 | | <ul style="list-style-type: none"> Assist the Board in the performance of its oversight responsibility for the financial | | |

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|------------------|-------------------------|------------------------------|---------------------------|-------------------|--|----------------------|-------|
| | Executive Director (ED) | Non-Executive Director (NED) | Independent Director (ID) | | | | |
| | | | | | <p>reporting process, audit process, and monitoring of compliance with applicable laws, rules, and regulations.</p> <ul style="list-style-type: none"> • Provide oversight over Management’s activities in managing credit, market, liquidity, operational, legal, and other risks of the corporation. • Perform oversight functions over the corporation’s external auditors. • Discuss with the external auditor the nature, scope, and expenses of the audit prior to its commencement. • Monitor and evaluate the adequacy and effectiveness of the corporation’s internal control system, including financial reporting control and information technology security. • Review the reports submitted by external auditors. • Review the quarterly, half-year, and annual financial statements before their submission to the Board; and • Coordinate, monitor, and facilitate compliance with laws, rules, and regulations. | | |
| Nomination | 0 | 1 | 1 | | <ul style="list-style-type: none"> • Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board’s processes and procedures in the election and replacement of directors. | | |
| Remuneration | 1 | 2 | 1 | | <ul style="list-style-type: none"> • Establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration of directors and officers to ensure that their compensation is consistent with the corporation’s culture, strategy and the business environment in which it operates. | | |
| Others (specify) | Not Applicable | | | | | | |

2) COMMITTEE MEMBERS

(a) Executive Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of service in the Committee |
|--------------|----------------|---------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman | Not Applicable | | | | | |
| Member (ED) | | | | | | |
| Member (NED) | | | | | | |
| Member (ID) | | | | | | |
| Member | | | | | | |

The Board has not constituted an Executive Committee.

(b) Audit Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of service in the Committee |
|---------------|----------------------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman (ID) | Estacion, Manuel S. | 03/31/14 | 1 | 1 | 100% | 8 yrs. |
| Member (ED) | | | | | | |
| Member (NED) | Yu, Raymond C. Lim, Hernan G. | 03/31/14 | 1 | 1 | 100% | 8 yrs. |
| Member (ID) | | | | | | |
| Member | | | | | | |

Disclose the profile qualification of the Audit Committee members.

Manuel S. Estacion, 69, Filipino, is a Bachelor of Science in Commerce graduate of San Beda College. He is presently engaged by The Hong Kong and Shanghai Banking Corporation (HSBC) as the Bank Representative in the remaining labor related cases pending in Court. He previously served HSBC in various capacities and was Vice President Human Resources from 1996 to 1999 after which he acted as a Consultant to HSBC prior to his present engagement. Mr. Estacion is a Charter Member and a Director of the Rotary Club of Ortigas Center for the Rotary Year 2014-2015. He is at present a Director of Vynex Signs Philippines, Inc.

Raymond C. Yu, 61, Filipino, is a Bachelor of Science in Commerce graduate of De La Salle University in 1974. He is currently the President of Winner Industrial Corporation, elected as a director of Caylum Trading Institute in 2013, and a Director of more than 16 years of the following corporations: Citisecurities, Inc., CWC Development, Inc., Barrington Carpets, Inc., Citimex, Inc., and CWC International, Inc.

Hernan G. Lim, 62, Filipino, is currently the President of Hoc Po Feeds Corporation and the Executive Vice President of HGL Development Corporation. Mr. Lim is a Director of Caylum Trading Institute since 2013, and has also been a Director of Citimex, Inc., Citisecurities, Inc., CWC Development, Inc., Barrington Carpets, Inc., and CWC Industries, Inc. for more than 10 years now. He holds a Bachelor of Science degree in Electronics and Communications Engineering from the University of Santo Tomas. He also took the Basic Management Course at the Asian Institute of Management.

Describe the Audit Committee's responsibility relative to the external auditor.

In relation to the external auditor, the Audit Committee must:

- Perform oversight functions over the Corporation's external auditors.
- Discuss with the external auditor the nature, scope, and expenses of the audit prior to its commencement.
- Review the reports submitted by external auditors.

(c) Nomination Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of service in the Committee |
|---------------|--------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman (ID) | Khoo Boo Boon | 03/31/14 | 1 | 1 | 100% | 8 yrs. |
| Member (ED) | | | | | | |
| Member (NED) | Yu, Alexander C. | 03/31/14 | 1 | 1 | 100% | 8 yrs. |
| Member (ID) | | | | | | |
| Member | Guerzon, Caesar A. | 03/31/14 | 1 | 1 | 100% | 8 yrs. |

(d) Remuneration Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of service in the Committee |
|--------------|---------------------|---------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman | Yu, Wellington C. | 03/31/14 | | | | 8 yrs. |
| Member (ED) | Ong, Catherine L. | 03/31/14 | | | | 8 yrs. |
| Member (NED) | Yu, Alexander C. | 03/31/14 | | | | 8 yrs. |
| Member (ID) | Estacion, Manuel S. | 03/31/14 | | | | 4 yrs. |
| Member | | | | | | |

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of service in the Committee |
|--------------|----------------|---------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman | Not Applicable | | | | | |
| Member (ED) | | | | | | |
| Member (NED) | | | | | | |
| Member (ID) | | | | | | |
| Member | | | | | | |

There are no other board committees aside from the ones already mentioned above.

3) CHANGES IN COMMITTEE MEMBERS

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

| Name of Committee | Name | Reason |
|-------------------|----------------|--------|
| Executive | Not Applicable | |
| Audit | | |
| Nomination | | |
| Remuneration | | |
| Others (specify) | | |

No changes in committee membership occurred during the previous year.

4) WORK DONE AND ISSUES ADDRESSED

Describe the work done by each committee and the significant issues addressed during the year.

| Name of Committee | Work Done | Issues Addressed |
|-------------------|---|--|
| Executive | Not Applicable | |
| Audit | Complied with its duties and responsibilities as enumerated in E(1) above | No significant issue encountered in 2014 |
| Nomination | Complied with its duties and responsibilities as enumerated in E(1) above | No significant issue encountered in 2014 |
| Remuneration | Complied with its duties and responsibilities as enumerated in E(1) above | No significant issue encountered in 2014 |
| Others (specify) | Not Applicable | |

5) COMMITTEE PROGRAM

Provide a list of programs that each committee plans to undertake to address the relevant issues in the improvement or enforcement of effective governance for the coming year.

| Name of Committee | Planned Programs | Issues to be Addressed |
|-------------------|--|---|
| Executive | Not Applicable | |
| Audit | Constant review and revisiting of existing policies and procedures | No significant issue; Improvement of procedures to ensure that the same is always consistent with global best practices |
| Nomination | | |
| Remuneration | | |
| Others (specify) | Not Applicable | |

F. RISK MANAGEMENT SYSTEM

1) STATEMENT OF EFFECTIVENESS OF RISK MANAGEMENT SYSTEM

Disclose the following:

- (a) Overall risk management philosophy of the company;

The analysis of risk and the identification of opportunities in evolving situations are inherent to the business of a stock brokerage. A stock brokerage does not avoid risk so much as engage it, identifying factors, isolating trends, and maneuvering its clients into advantageous positions.

This is an attitude towards risk that COL carries into its corporate affairs. In line with the principle that managed risk presents opportunity, COL endeavors to create an environment where a chain of command and clear division of responsibilities allows employees to exercise supervised initiative, allowing for the controlled evolution of established systems. These systems and processes are regularly evaluated and subject to audits intended to streamline the procedures, eliminate loopholes, and improve responsiveness.

- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The COL management periodically reviews the organizational structure, work flow, and auditing processes of the Company. While these regular reviews have introduced incremental improvements in the systems, the underlying procedures have proven to be sufficient and capable in institutionalizing the risk management philosophy of the Company.

- (c) Period covered by the review;

The last review was conducted in 2014.

- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The risk management is regularly reviewed on an annual basis, and supplemented by intermittent and targeted reviews in the middle of the year.

- (e) Where no review was conducted during the year, an explanation why not.

Inapplicable, as a review was conducted during the year, and was found to be sufficient.

2) RISK POLICY

- (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

| Risk Exposure | Risk Management Policy | Objective |
|---|---|---|
| Risk 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 | 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. COL is strategically prepared to allocate resources to develop its infrastructure to |

| Risk Exposure | Risk Management Policy | Objective |
|--|---|--|
| | 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. | meet this need. Additional revenue opportunities will also be pursued such as subscription-based revenues, educational seminars, and additional add-on services. |
| Risks Associated with an Early and Evolving Market | COL has embarked on several programs that will promote the usage of technology to take advantage of the investment opportunities of 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. |
| Risk associated with 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. |
| Risk associated with 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 | 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. | COL 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 and we are currently looking at adding another Disaster Recovery site to be hosted at a major telecoms facility. |

| Risk Exposure | Risk Management Policy | Objective |
|--|--|---|
| Risk of Power Interruption/Power Failure | Power interruption and power failure can adversely affect the efficient execution of COL's transactions and operations. | 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. |
| Administrative and Operation 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. Suboptimal 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. | 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 especially in the custody and processing of customers' cash and securities. |
| 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 | The business model of COL 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. 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 |

| Risk Exposure | Risk Management Policy | Objective |
|----------------------|--|---|
| | dates or the possibility that the value of collateral held to secure obligations becoming inadequate due to adverse market conditions. | 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. |
| Risk of Infringement | COL may receive notices of claims of infringement on the proprietary rights of other groups. | COL uses proprietary systems and maintains a policy of purchasing hardware/software only from licensed dealers/manufacturers. |

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

| Risk Exposure | Risk Management Policy | Objective |
|----------------------|-------------------------------|------------------|
| Same as above | | |

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

| Risk to Minority Shareholders |
|---|
| That all major decisions would result in an affirmative or negative vote by the controlling shareholders. |

3) CONTROL SYSTEM SET UP

(a) Company

Briefly describe the control systems set up to assess, manage, and control the main issue/s faced by the Company:

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|-----------------------|---|--|
| Please refer to #2(a) | | |

(b) Group

Briefly describe the control systems set up to assess, manage, and control the main issue/s faced by the Company:

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|-----------------------|---|--|
| Please refer to #2(a) | | |

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

| Committee/Unit | Control Mechanism | Details of its Functions |
|-----------------|--|--------------------------|
| Audit Committee | The Committee monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security. | |

G. INTERNAL AUDIT AND CONTROL

1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM

Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The control environment of the Corporation consists of the following:

- i. A Board which ensures that the corporation is properly and effectively managed and supervised;
- ii. A Management Team which actively manages and operates the corporation in a sound and prudent manner;
- iii. The organizational and procedural controls supported by effective management information and risk management reporting systems; and
- iv. An audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Board of Directors periodically reviews the company's internal control system and believes the same to be effective and adequate.

(c) Period covered by the review;

The last review was made in 2014.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Review is conducted at least once a year.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) INTERNAL AUDIT

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

| Role | Scope | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process |
|--|-------------------------------------|--|---|--|
| Review and analyze COL's corporate governance, risk management system, and internal processes. | All risks the Company is exposed to | COL is still in the process of hiring an internal auditor to fulfill this role | n/a | The internal auditor is to report directly to the Audit Committee, which Committee shall report to the Board of Directors. |

(b) Appointment/Removal of Internal Auditor

Does the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. Any appointments/removals must first be approved by the Audit Committee.

(c) Reporting Relationship with the Audit Committee

Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties, and personnel?

The internal auditor reports directly to the Audit Committee and is given unrestricted access to all records, properties, and personnel (including members of the Board of Directors) to enable him to perform his functions.

(d) Resignation, Re-assignment, and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by third-party auditing firm) and the reason/s for them.

| Name of Audit Staff | Reason |
|----------------------------|--|
| n/a | COL is still in the process of hiring an internal auditor. |

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings, and examination trends.

| | |
|-------------------------------|--|
| Progress Against Plans | Not applicable. COL is still in the process of hiring an internal auditor. |
| Issues | |
| Findings | |
| Examination Trends | |

[The relationship among progress, plans, issues, and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) *Preparation of an audit plan inclusive of a timeline and milestones;*
- 2) *Conduct of examination based on the plan;*
- 3) *Evaluation of the progress in the implementation of the plan;*
- 4) *Documentation of issues and findings as a result of the examination;*
- 5) *Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;*
- 6) *Conduct of the foregoing procedures on a regular basis.]*

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies, and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies, and procedures have been implemented under the column “implementation”.

| Policies & Procedures | Implementation |
|--|-----------------------|
| Draft policies and procedures are currently being reviewed by the Audit Committee. | |

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks, and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

| Auditors (Internal and External) | Financial Analysts | Investment Banks | Rating Agencies |
|---|-------------------------------|-----------------------------|----------------------------|
| Unrestricted access to all records, properties, and personnel of the Company | n/a | n/a | n/a |
| Appointment/ removal of auditors may only be done with approval of the Audit Committee. In case of external auditors, the appointment must be approved by majority of the Company’s shareholders. | | | |
| Internal auditor reports directly to the Audit Committee | | | |
| Periodic evaluation and review of non-audit work of, and non-audit fees paid to, external auditors, if any. | | | |
| Disallowance of any non-audit work which will compromise external auditor’s independence. | | | |
| Rotation of external auditor or lead partner having primary responsibility of the audit every five (5) years. | | | |

(h) Officers to Attest to Company’s Compliance

State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers, and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Associated Person shall attest to the company’s full compliance with the SEC Code of Corporate Governance. Said attestation shall be countersigned by the Company’s CEO.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

| | Policy | Activities |
|---|---|--|
| Customers' welfare | COL strives 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. | <ul style="list-style-type: none"> • Conduct of free seminars to COL client to help them with their investment decisions. • Access to research materials provided in COL's website. • Maintenance of Customer service hotline where clients can contact COL for any concerns • Relationship Manager desk instituted to assist high-end customers • New Account Officers hired to respond to the concerns of walk-in customers |
| Supplier/contractor selection practice | COL engages reliable and creditable suppliers who can provide products that best suit the needs of the Company. | <ul style="list-style-type: none"> • Canvassing at least three (3) potential suppliers before making a final decision on who to contract with. • Supplier to submit corporate documents prior to engagement (i.e. DTI permit, SEC registration, Mayor's Permit, etc.) • Review of all contracts by the Company's Legal Department. |
| Environmentally friendly value-chain | The Company recognizes the need to protect and sustain the environment. | <ul style="list-style-type: none"> • Conduct of annual environmental corporate social responsibility activities to increase awareness among employees. • Reduction of paper wastage by discouraging employees from printing documents when such is not necessary and encouraging the use of scratch paper. |
| Community interaction | The Company believes that with the right tools, every Filipino can successfully invest in the stock market. | <ul style="list-style-type: none"> • Tie-ups with different organizations to promote financial literacy. • Free EIP seminar available to clients and non-clients alike. |
| Anti-corruption programmes and procedures | COL is committed to conducting its business in an ethical manner, in compliance with all applicable laws and regulations. | <ul style="list-style-type: none"> • Periodic review by Management of all company policies, rules, and procedures to ensure ethical practices and reduce opportunities for corruption. • Streamlining functions in relation to handling payments both from internal and external sources. |
| Safeguarding creditors' rights | The Company strives to reduce credit risk by ensuring prompt payment of all obligations. | <ul style="list-style-type: none"> • Establishing clear payment terms with existing suppliers/ creditors. • Payment is immediately processed upon completion of all documentation. |

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

No, the Company does not have a separate report for corporate responsibility.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the Company's policy for its employees' safety, health, and welfare?

To ensure the employees' safety, the Company's premises are monitored by CCTV cameras. Further, the Company employs security guards around the clock.

As part of their compensation, the Company provides all regular employees with health and group life insurance coverage. The Company likewise arranges for the annual physical examination of and the administration of drug tests to all regular employees to be conducted within the Company premises and during working hours. Senior officers, on the other hand, are provided with executive check-ups which they can avail of in accredited hospitals.

As part of employee welfare, the Company organizes company activities which give employees opportunities to unwind from the pressures of work and eliminate work monotony and boredom.

(b) Show data relating to health, safety, and welfare of its employees.

In 2014, all employees tested negative for drugs. In addition, there were no significant findings in during the employees' annual physical examination.

(c) State the company's training and development programmes for its employees. Show the data.

Employees are encouraged to attend seminars, symposia, or other short training courses that are deemed beneficial to the employee's work in the Company. The training must: (i) be relevant to the deserving employee's work or responsibilities; (ii) potentially enhance such employee's skills and allow him to perform his responsibilities more effectively; and (iii) prepare such employee for his future assignments in the Company.

| Seminar | Attendees |
|---|------------------|
| Training/Review Course for Prospective Certified Securities Representatives | 11 |
| Fundamentals of Human Resource Management | 1 |
| CFA Seminars | 10 |
| Briefing - Corporate Titans | 18 |
| HMO Orientation | Employees |
| Company Policies, New Benefits & House Rules (HR Roadshow) | Employees |
| Investing in Stock Market Today | Employees |
| Introduction to Technical Analysis | Employees |
| COL Easy Investment Program Briefing | Employees |
| Technical Trading Strategies | Employees |
| AMLA | New hires |
| Product Training | New hires |
| Briefing on New Products and Services | New hires |
| SRC Rules, PSE Rules, Tax and Accounting Updates | All concerned |

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

The Company provides for mid-year and Christmas bonuses to regular employees. In addition, employees who have served in the Company for at least five (5) consecutive years are entitled to a resignation benefit.

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

All employees must be treated fairly and allowed to present their valid grievances freely and without fear of reprisal. As much as possible, it is preferable that the grievance be resolved informally and promptly by the Supervising Officer and the employee with a grievance. In case the above is not possible, the aggrieved employee may raise his concerns with the HR Department. In case the HR Department is unable to resolve the issue, the same may be referred to the Grievance Committee.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

- (a) Holding 5% shareholding or more

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|-------------------|------------------|---------|---------------------------|
| PCD Nominee Corp. | 88,773,600 | 18.71% | Citisecurities, Inc. |
| PCD Nominee Corp. | 87,336,400 | 18.40% | COL Financial Group, Inc. |
| Edward K. Lee | 96,016,300 | 20.23% | |
| Alexander C. Yu | 65,311,800 | 13.76% | |
| Paulwell Han | 34,100,000 | 7.19% | |
| Raymond C. Yu | 26,216,400 | 5.52% | |
| Conrado F. Bate | 23,983,700 | 5.05% | |

| Name of Senior Management | Number of Direct Shares | Number of Indirect shares/Through (name of record owner) | % of Capital Stock |
|---------------------------|-------------------------|--|--------------------|
| Conrado F. Bate | 100 | 23,983,600/PCD Nominee Corp. | 5.05% |
| Catherine L. Ong | 50,000 | 8,265,000/PCD Nominee Corp. | 1.67% |
| Caesar A. Guerzon | 1,000 | 4,150,000/PCD Nominee Corp. | 0.87% |
| Juan Jaime G. Barredo | - | 2,519,900/PCD Nominee Corp. | 0.53% |
| Nikos J. Bautista | - | 3,160,200/PCD Nominee Corp. | 0.67% |
| Lorena E. Velarde | - | 667,000/PCD Nominee Corp. | 0.14% |
| April Lynn L. Tan | - | 2,976,800/PCD Nominee Corp. | 0.63% |
| TOTAL | 51,100 | 45,722,500/PCD Nominee Corp. | 9.65% |

- 2) Does the Annual Report disclose the following:

| | |
|----------------------------------|-----|
| Key risks | Yes |
| Corporate objectives | Yes |
| Financial performance indicators | Yes |

| | |
|--|-----|
| Non-financial performance indicators | Yes |
| Dividend policy | Yes |
| Details of whistle blowing policy | No |
| Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorship of listed companies) of directors/commissioners | Yes |
| Training and/or continuing education programme attended by each director/commissioner | No |
| Number of board of directors/commissioners meetings held during the year | No |
| Attendance details of each director/commissioner in respect of meetings held | No |
| Details of remuneration of the CEO and each member of the board of directors/commissioners | Yes |

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

The details of the Company's whistle blowing policy, training or continuing education programs attended the by the directors, number of meetings held during the year, and attendance details thereof are not required to be included in the Annual Report or SEC Form 17-A.

3) External Auditor's Fee

| Name of auditor | Audit Fee | Non-audit Fee |
|-----------------------------|-----------|---------------|
| Sycip, Gorres, Velayo & Co. | 1,220,000 | 0 |

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- Electronic mail
- Telephone including facsimile and short messaging system
- Postal service

5) Date of release of audited financial report:

3 March 2014

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

| | |
|--|-----|
| Business operations | Yes |
| Financial statements/reports (current and prior years) | Yes |
| Materials provided in briefings to analysts and media | No |
| Shareholding structure | Yes |
| Group corporate structure | Yes |
| Downloadable annual report | Yes |
| Notice of AGM and/or EGM | Yes |
| Company's constitution (company's by-laws, memorandum and articles of association) | Yes |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The same is publicly accessible through the SEC. It should be noted that the Company's Articles of Incorporation and By-laws may also be found among the disclosures forwarded to the Philippine Stock Exchange and is available for download at their website.

7) Disclosure of RPT

| RPT | Relationship | Nature | Value |
|---------------------|--------------|--------|-------|
| No RPT transactions | | | |

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

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

J. RIGHTS OF STOCKHOLDERS

1) RIGHT TO PARTICIPATE EFFECTIVELY IN AND VOTE IN ANNUAL/SPECIAL STOCKHOLDERS' MEETINGS

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

| | |
|------------------------|-----------------------------------|
| Quorum Required | Majority of the outstanding stock |
|------------------------|-----------------------------------|

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

| | |
|--------------------|--|
| System Used | Approved by the Board of Directors and ratified by the stockholders during the Annual Stockholders' Meeting. |
| Description | |

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

| Stockholders' Rights under The Corporation Code | Stockholders' Rights not in The Corporation Code |
|---|--|
| None | |

All stockholder rights are consistent with the rights provided under the Corporation Code.

Dividends

| Declaration Date | Record Date | Payment Date |
|------------------|----------------|---------------------------|
| March 31, 2014 | April 15, 2014 | On or before May 14, 2014 |

(d) Stockholders' Participation

1. State, if any, the measure adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

| Measures Adopted | Communication Procedure |
|--|-------------------------|
| Shareholders are given an opportunity and encouraged to address questions to the Chairman and the Board members as well as to the Chairpersons of the Audit, Compensation and Nomination Committees. | Viva voce |

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The affirmative vote of a majority of the Board of Directors and the stockholders representing two-thirds (2/3) of the outstanding capital stock are required in cases (a) to (c) above.

3. Does the company observe a minimum of 21 business days for giving out notices to the AGM where items to be resolved by shareholders are taken up?

The Company sends out notices at least fifteen (15) business days prior to the AGM, in compliance with SEC rules.

- a. Date of sending out notices: **10 March 2014**
- b. Date of Annual/Special Stockholders' Meeting: **31 March 2014**

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

A stockholder inquired as to the nature of the office in Makati. The Chairman replied that while the same was intended to be a business center, pending SEC approval, said facility is only housing the back-up server of the Company.

5. Result of Annual/Special Stockholders' Meetings Resolutions

| Resolution | Approving | Dissenting | Abstaining |
|--|-----------|------------|------------|
| Approving the agenda of the stockholders' meeting | Unanimous | n/a | n/a |
| Approving the minutes of the meetings held on 12 April 2013 | Unanimous | n/a | n/a |
| Approving the President's report for 2013 | Unanimous | n/a | n/a |
| Ratification of the Resolution of the BOD approving the change in the principal office of the Company. | Unanimous | n/a | n/a |
| Ratification of all acts, investments, and resolutions of the Board of Directors for the year 2013 | Unanimous | n/a | n/a |

| Resolution | Approving | Dissenting | Abstaining |
|---|-----------|------------|------------|
| Approval of 2013 Audited Financial Statements of the Company | Unanimous | n/a | n/a |
| Election of the following Directors for the year 2014-2015: a. Mr. Edward K. Lee b. Mr. Conrado F. Bate c. Mr. Raymond C. Yu d. Mr. Joel Litman e. Ms. Catherine L. Ong f. Mr. Manuel S. Estacion g. Mr. Alexander C. Yu h. Mr. Hernan G. Lim i. Mr. Paulwell Han j. Mr. Wellington C. Yu k. Mr. Khoo Boo Boon | Unanimous | n/a | n/a |
| Appointment of SyCip, Gorres, & Velayo as the Company's external auditor | Unanimous | n/a | n/a |

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

As the resolutions were approved unanimously, there was no need to publish the votes taken for the same.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

| Modifications | Reason for Modification |
|--|-------------------------|
| No modifications were made in the regulations governing annual/special stockholders' meetings. | |

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

| Type of Meeting | Names of Board Members/Officers present | Date of Meeting | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|-----------------|--|-----------------|---|-----------------------------|------------------|--------------------------|
| Annual | Mr. Edward K. Lee Mr. Alexander C. Yu Mr. Conrado F. Bate Mr. Manuel Estacion Mr. Paulwell Han Mr. Khoo Boo Boon Mr. Hernan G. Lim Mr. Joel Litman Ms. Catherine Ong | 03/31/14 | By ballot | 52.00% | 21.61% | 73.61% |

| | | | | | | |
|---------|---|--|--|--|--|--|
| | Mr. Raymond C. Yu Mr. Wellington C. Yu Atty. Caesar A. Guerzon Mr. Juan G. Barredo Ms. Lorena E. Velarde Ms. Melissa O. Ng | | | | | |
| Special | No special stockholders' meeting held for 2014 | | | | | |

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Only the Corporate Secretary and staff/s of the Stock Transfer Agent are authorized to count the votes.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes, the Company's common shares carry one vote for one share.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

| | Company's Policies |
|-------------------------------------|---|
| Execution and acceptance of proxies | Proxies must be received by the Secretary at least ten (10) working days prior to the meeting. It may be revoked by the stockholder/s either in writing duly presented to the Secretary prior to the meeting or by the stockholder's presence at the meeting. |
| Notary | Proxies need not be notarized. |
| Submission of Proxy | Proxies must be received by the Secretary at least ten (10) working days prior to the meeting. |
| Several Proxies | The shareholder may issue as many proxies as he has shares in the Company. |
| Validity of Proxy | Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. |
| Proxies executed abroad | For as long as the proxy is received within the time specified above, no distinction in the policy for proxies executed in the Philippines and abroad. |
| Invalidated Proxy | Invalidated proxies will not be honored. The person holding such proxy will not be admitted to the meeting. |
| Validation of Proxy | Proxy forms are reviewed by the Secretary prior to the meeting to ensure compliance with the Company's policies. |
| Violation of Proxy | The Secretary notes down any restrictions indicated in the proxy form and ensure that such is followed during the meeting. |

(h) Sending of Notices

State the company's policies and procedures on the sending of notices of Annual/Special Stockholders' Meeting.

| Policies | Procedure |
|---|---|
| Notices of Annual/Special Stockholders' | The PSE shall be given a written notice of the Annual/Special |

| Policies | Procedure |
|--|--|
| Meeting should be sent out at least fifteen (15) business days prior to the date of the meeting. | Stockholders' Meeting at least ten (10) trading days prior to the Record Date. Notices of Annual/Special Stockholders' Meeting are sent out fifteen (15) business days prior to the date of meeting in CDs containing both the notice and the definitive information statement to stockholders as of record date. |

(i) Definitive Information Statements and Management Report

| | |
|---|--|
| Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials | All stockholders of record are entitled to receive the DIS as well as other materials. |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners | 10 March 2014 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders | 10 March 2014 |
| State whether CD format or hard copies were distributed | CD format |
| If yes, indicate whether requesting stockholders were provided hard copies | Yes |

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

| | |
|---|-----|
| Each resolution to be taken up deals with only one item | Yes |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | Yes |
| The auditors to be appointed or re-appointed. | Yes |
| An explanation of the dividend policy, if any dividend is to be declared. | Yes |
| The amount payable for final dividends. | No |
| Documents required for proxy vote. | No |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

At the time of release of Notice of Annual Stockholders' Meeting, no dividends have yet been declared. The documents for proxy vote are made available to all stockholders, upon request.

2) TREATMENT OF MINORITY STOCKHOLDERS

(a) State the company's policies with respect to the treatment of minority shareholders.

| Policies | Implementation |
|--|--|
| All stockholders shall be treated equally or without discrimination. | The Board gives the minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. |

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company’s external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

COL meets the requirement of the PSE in disclosing material public information. Disclosure to both employees and the public are done at the same time so as to avoid the possibility of insider trading.

Disclosures and major company announcements are reviewed and approved by the President, the CFO, and the Board of Directors.

2) Describe the company’s investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders, and the public in general. Disclose the contact details (e.g. telephone, fax, and email) of the officer responsible for investor relations.

| | Details |
|---------------------------------|--|
| (1) Objectives | To provide information that would aid shareholders in determining whether or not the company, its board and its management team are acting responsibly as stewards of public money. |
| (2) Principles | The Board shall publicly and timely disclose material information that could adversely affect the viability of the corporation or the interests of the stockholders. |
| (3) Modes of Communication | Postings in the Company's website www.colfinancial.com, emailing presentations to investors to discuss major developments (ex. Earnings reports), meeting investors who request face to face meetings. |
| (4) Investors Relations Officer | Depending on the nature of the concern, the investor may approach any of the members of the Board of Directors or Senior Management. |

3) What are the company’s rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

No mergers or sales of substantial portions of corporate assets contemplated.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

None.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

| Initiative | Beneficiary |
|--|--------------------------------------|
| Investor education initiatives (ongoing) | Open to the Public |
| Tree Planting Activity (2012) | Old Sanitary Landfill, Antipolo City |
| Protect a Hectare (2013-2014) | La Mesa Watershed |

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

| | Process | Criteria |
|----------------------|---|-----------------|
| Board of Directors | Assessment through formal and informal board discussion and interviews with members of Senior Management. | |
| Board Committees | | |
| Individual Directors | | |
| CEO/President | | |

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

| Violations | Sanctions |
|--|--|
| Any violation of the Corporate Governance Manual | The sanctions as indicated in the Company's Code of Discipline shall apply. In case the violation is by a non-executive director, the sanction shall be subject to the approval of the Board of Directors. |

REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG) S.S.

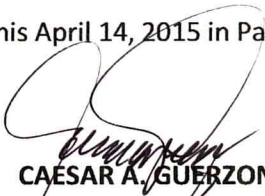
SECRETARY'S CERTIFICATE

I, **CAESAR A. GUERZON**, of legal age, Filipino, with office address at 24/F East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, after having been duly sworn to in accordance with law, hereby depose and say:


1. That I am the Corporate Secretary of **COL FINANCIAL GROUP, INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with office address at 24/F East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City;
2. That at the special meeting of the Board of Directors of the Corporation held on March 30, 2015, at which a quorum was present and voting throughout, the following resolution was passed and approved:

"RESOLVED, that the Board of Directors of **COL Financial Group, Inc.** hereby approves the consolidated changes in the Annual Corporate Governance Report for the year 2014."

IN WITNESS WHEREOF, I have hereunto affixed my signature this April 14, 2015 in Pasig City.


CAESAR A. GUERZON
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 14 April 2015 in Pasig City, affiant exhibiting to me his Passport No. EB2801974 issued at DFA Manila on 27 June 2011.


ATTY. SHARON T. LIM
Notary Public for the Cities of Pasig, Taguig, &
San Juan and Municipality of Pateros
Until 12-31-15/Appt. No. 27 (2014-2015)
2401B East Tower, Phil. Stock Exchange Centre,
Exchange Rd., Ortigas Center, Pasig City 1605
Roll No. 53601/IBP No. 0983675/01-06-15/RSM
PTR No. 0383586/1-08-15/Pasig
MCLE Compliance No. IV-0010699/12-20-12/Pasig

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Series of 2015.