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## Company Name

C	O	L	F	I	N	A	N	C	I	A	L	G	R	O	U	P	,	I	N	C	.	(	F	O	R	
m	e	r	l	y	C	i	t	i	s	e	c	O	n	l	i	n	e	.	c	o	m	,	I	n	c	.)

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

U	n	i	t	2	4	0	1	-	B	E	a	s	t	T	o	w	e	r	,	P	S	E	C	e	
n	t	r	e	,	E	x	c	h	a	n	g	e	R	o	a	d	,	O	r	t	i	g	a	s	C
e	n	t	e	r	,	P	a	s	i	g	C	i	t	y											

Form Type

1	7	-	A
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Department requiring the report

C	F	D
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Secondary License Type, If Applicable

B	r	o	k	e	r
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## COMPANY INFORMATION

Company's Email Address

helpdesk@colfinancial.com
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Company's Telephone Number/s

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

Mobile Number

NA
----

No. of Stockholders

32
----

Annual Meeting  
Month/Day

03/31
-------

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A (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, 2015**
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>
<b>Common</b>	<b>475,000,000 shares</b>

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.  
**₱2,555,506,800 (182,536,200 @ ₱14.00 per share as of February 29, 2016)**

## TABLE OF CONTENTS

	Page No.
<b>PART I- BUSINESS AND GENERAL INFORMATION</b>	
Item 1. Business	
Company Overview	2
Business Model	2
Products and Services	3
Competitor Analysis	7
Business Strategy	8
Customers	8
Patents, Trademarks, Licenses, Franchises, Concessions or Royalty Agreements	8
Transactions with and/or Dependence on Related Parties	9
Government Regulation	9
Employees	10
Risk Factors and Risk Management	11
Item 2. Properties	15
Item 3. Legal Proceedings	16
Item 4. Submission of Matters to a Vote of Security Holders	17
<b>PART II- OPERATIONAL AND FINANCIAL INFORMATION</b>	
Item 5. Market for Issuer's Common Equity and Related Stockholder Matters	
Market Information	17
Holders of Common Equity	17
Dividends	18
Recent Sales of Unregistered or Exempt Securities	18
Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations	
Industry/Business Review	19
Material Changes in the Financial Condition	21
Material Changes in the Results of Operations	22
Other Matters	24
Prospects for the Future	25
Item 7. Financial Statements	25
Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	25
Item 9. Audit and Audit-Related Fees	26
<b>PART III- CONTROL AND COMPENSATION INFORMATION</b>	
Item 10. Directors and Executive Officers of the Issuer	
Board of Directors	26
Management Team	28
Term of Office	30
Resignation/Retirement of Directors and Executive Officers as of December 31, 2015	30
Significant Employees	30
Family Relationships	30
Involvement in Certain Legal Proceedings	30
Item 11. Executive Compensation	
Standard Arrangements	30
Other Arrangements	31
Employment Contracts and Termination of Employment and Change-in-Control Arrangements	33
Item 12. Security Ownership of Certain Beneficial Owners and Management	
Security Ownership of Certain Record and Beneficial Owners	33
Security Ownership of Management	34
Item 13. Certain Relationships and Related Transactions	34
<b>PART IV- CORPORATE GOVERNANCE</b>	
Item 14. Corporate Governance	34
<b>PART V- EXHIBITS AND SCHEDULES</b>	
Item 15. Exhibits and Reports on SEC Form 17-C	35
<b>SIGNATURES</b>	38
<b>INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES</b>	39

## **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, providing practical and ethical financial products through value-driven and innovative solutions to help them achieve their financial goals.

Despite the tough market environment in 2015, COL's commitment to serve its customers continued to pay off and remained to be its major growth driver. COL managed to grow its total number of new accounts by around 50,000 to 162,330 customers, up 44% year-on-year. In addition to this, new and existing customers likewise continued to entrust their hard-earned assets with COL. Last year, COL attracted ₱5.8 billion in net new assets, up 28% year-on-year. Total asset base of retail clients as at year-end was ₱46.5 billion, up 8.5%.

However, the growth in COL's customer assets did not shelter COL from the difficult market condition that prevailed in 2015. COL's market share in terms of value turnover declined from 4.1% in 2014 to 3.9% in 2015 due to, among others, higher foreign flows and investment banking deals done thru other local brokers as well as lesser trading activity by COL's existing customers. In spite of this, COL still retained its ranking in the Philippine Stock Exchange (PSE) as the eighth (8<sup>th</sup>) largest stock broker. However, in terms of volume of trades handled, COL remained to be in the topmost rank having handled more than 5 million trades, up 24% year-on-year.

As part of COL's commitment to provide more useful products and services to help its customers build genuine wealth, COL launched in July 2015 the first and only online fund supermarket in the country, called COL Fund Source. During the six-month period, the fund distribution business was already able to attract 7,526 mutual fund investors, closing the year with ₱500 million in total assets under administration.

COL remains committed to its advocacy of investor education for its customers and the investing public by regularly providing free seminars. These are scheduled weekly and are held at the COL Training Center with topics ranging from the basics of stock and mutual funds investing and how to trade online to the more advanced topics for the active traders.

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). In August 2014, COLHK entered into a non-disclosed broker account with Interactive Brokers (IB) that allowed its customers to gain access and electronically trade global equity markets including but not limited to Japan, USA, Singapore, Germany and China (via Shanghai-Hong Kong Stock Connect).

Going forward, COL Financial will continually seek to maintain the loyalty and trust of its customers by offering them a meaningful and financially rewarding investing experience.

#### **Business Model**

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

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

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

### **Products and Services**

COL Financial prides itself in its array of competitive products and service offerings which provide best-in-class benefits to its customers:

□ **Full-service online stock brokerage**

COL provides an online access to all investors who wish to trade stocks in the Philippine stock market. Its trading platform, [www.colfinancial.com](http://www.colfinancial.com), provides the convenience, complete access and flexibility to manage one's own stock portfolio. By harnessing the power of technology, investors are given the ability to make trades, check prices, view their account status and portfolio values and update their investing strategies wherever they may be, 24x7. COL offers investors access to up-to-date market information and they are empowered to tap on the available online financial tools including graphs, stock quotes, and relevant research to guide them in making sound investment choices. The depth and ease of use of an online trading platform enables the execution of quick transactions at a fraction of the cost.

Customers with a minimum portfolio of at least ₱200,000.00 can avail of the margin trading facility being offered by COL. This allows 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 because of the credit line that they can conveniently use to buy selected marginable stocks. A competitive and flexible interest rate is charged based on the utilized amount of the credit line which is computed on a daily basis.

COL also innovated a simple yet effective investment plan called the COL Easy Investment Program (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, which involves investing a fixed amount of money to buy shares of stocks at regular intervals over a period of time as a passive, long-term investment in the stock market. COL EIP also makes investing more convenient and easy as it automatically reminds customers of their investment scheduled dates which can all be done online. COL's trading platform provides an EIP Scheduler and Calendar where customers can customize and personalize their investment schedules and purchases for the specific period of their investments. To further assist its customers, the COL Research Team has put together a pre-selected list of Premium Growth companies, which makes it even easier for the investor to choose among the stocks that have already been studied and analyzed.

The investing public can also open an account, update personal information as well as register and reserve a slot in the COL Seminar Series through the COL's online portal.

❑ Wide Selection of mutual funds in a single platform

Aside from providing investors the capacity to invest in companies listed in PSE, COL has launched during the third quarter of 2015 the first and only online mutual fund supermarket in the Philippines called the COL Fund Source that allows clients to invest in various mutual funds using their online account. All COL accountholders are automatically given access to the platform without needing any additional forms to fill out. To access the COL Fund Source platform, customers simply need to log into their COL account at [www.colfinancial.com](http://www.colfinancial.com) and click the Mutual Fund tab on the upper right hand corner of the page.

This new service essentially caters to Filipino investors who may not have the time to actively manage their investments and those who are looking to diversify their portfolios outside of stocks. By putting money in mutual funds, investors are given the opportunity to easily and conveniently own a variety of securities that can match their financial goals. Mutual fund investors also get the benefit of having a professional fund manager who will be in charge of making investment decisions and monitoring their overall portfolio composition in their behalf. In addition, mutual funds allow investors to achieve instant diversification even with a small amount as these funds are already invested in various securities yet require a minimum investment amount of as low as ₱5,000.

Through the COL Fund Source platform, investors are effectively given access to a wide array of mutual funds from the top investment houses in the country. As the platform is essentially a one-stop shop, clients are able to compare investment opportunities and consolidate their positions in different types of mutual funds such as money market funds, bond funds, balanced funds, and equity funds, using just one account. Currently, a total of 24 peso-denominated mutual funds are available in the platform. These pre-screened funds are managed by the largest asset management companies in the Philippines: ATR Asset Management, BPI Investment Management Inc., First Metro Asset Management Inc., Philam Asset Management Inc., Philequity Management Inc., and Sun Life Asset Management Inc. Together, these six asset management companies account for close to 98% of the total assets under management of the mutual fund industry as of end-2015.

Much like with stocks, customers are also allowed to set-up an EIP schedule for their mutual fund investments. By doing so, customers can set aside a fixed amount to be invested in their fund of choice and to be done at regular intervals over a period of time. Customers may only create an EIP schedule for their existing mutual fund investments. Orders through this EIP facility can be executed automatically, which entails the system posting the order during the scheduled date as long as the cash balance of the client is sufficient, or manually, whereby customers are reminded by the system that they have a scheduled buying date.

In order to help the clients in choosing the right fund for them, COL Found Source also features a quarterly research report for each mutual fund where they can get insights on the strategy of the fund, the experience of the fund manager, and the risk profile of the fund. The relevant statistics including the daily performance of each fund are also available on the website. Customers may also quickly compare the requirements and

fees related to each mutual fund through the mutual fund product guide posted under the research tab and by looking at the fund information page. A set of tutorial videos is likewise available to guide the clients step-by-step on how to buy and sell mutual funds.

With this recent development in the COL Website, investing in mutual funds through COL Fund Source has never been easy and convenient.

#### ❑ Professional Equity Advisory Services

COL provides professional equity advisory services through its Agency and Advisory Groups (AAG) composed of the Private Client Group (PCG) and the Independent Financial Advisors (IFA).

The PCG is a group of experienced market professionals that offers advice on constructing bespoke equity portfolios that fit client needs and requirements. PCG focuses primarily on high net-worth individuals and financial institutions. The team takes great care in studying both the objectives and circumstances of its clients, while analysing themes and trends in the market - allowing its customers to take advantage of opportunities and at the same time properly manage risk. A PCG client is provided a dedicated broker-advisor selected from a team of experts, as well as access to *PCG-client exclusive* knowledge products, events, briefings and conferences. All this while still enjoying the 24/7 convenience and transparency of COL Financial's online platform. PCG's senior officers have over 70 years of combined experience in Philippine financial markets, acquired from working with large multinational institutions. This experience, combined with a firmly established local network, results in a unique blend of global perspective and local insight.

The IFA is composed of a team of dynamic and seasoned investment professionals with decades of experience in local and global equity trading that provided them the discipline and skills in stock market investing. Their goal is to focus on addressing the needs of high net worth individuals and to provide personalized investment advice on their stock market investments.

#### ❑ Research Support

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

COL also offers a technical guide that reviews more than 60 local stocks, the PSE index, as well as the sub-indices in the Philippines and generates various technical signs that pertain to an instrument's trend condition and technical recommendation. This guide is heavily used by COL Financial customers when attempting to time movements into or out of stock positions.

□ Investor Education Seminars

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

For investors that opt to choose a simpler way to invest in the stock market, COL carries a seminar on its Easy Investment Program (EIP). COL's EIP educates investors on how to make investing simple through the methodology of cost averaging – buying stocks slowly over time.

For those who require a little more handholding, COL also introduced a seminar on investing into Mutual Funds through COL's Fund Source.

COL also offers a dedicated seminar to new COL participants who have just started using the COL's web interface which gives them an overview of the online trading platform and how to maximize its use. This seminar focuses on integral aspects of the website's functionality including the use of research reports and guides, how to access and read price quotes, how to enter orders online and how to review essential items relating to the customer's portfolio page.

□ Market updates and information-driven briefings

COL holds Market Outlook events twice a year to present both its fundamental and technical views of the markets to offer COL Financial customers a deep understanding of what to expect into the next six months and how they can tailor fit their stock portfolios accordingly to adjust to such expectations.

COL Financial also conducts Industry Briefings and Company Briefings to highlight the state of affairs of key sectors in the investment realm. These events cater to providing options for customers to focus on and hone in on potential trades.

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

□ Customer Support

COL ensures that all its customers have access to the Customer Service team through email and phone and through its 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 has also setup a Relationship Manager desk that supports its 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.

COL Financial further enhanced the customer experience by increasing its touch-points with them. COL's Helpdesk, its in-house customer service team, introduced an enhanced email CRM service by securing a third party software that can centralize email communication, track customer responses better, provide an online help portal and provide an avenue to solicit customer feedback. COL also continues to use various online platforms to share new educational videos, articles and announcements to effectively communicate the company objectives and services to the general public. COL's digital channels such as Facebook, Twitter and YouTube have grown at an average rate of 110% over the previous year. A new channel was also introduced via Instagram to cater to a new target audience which had a total of 2,854 followers at the end of 2015.

COL's regular live tweet sessions have been growing steadily and is scheduled twice a month, with an average of fifty two (52) received questions per session. This activity has made COL more accessible to its growing customer base as inquiries ranging from mutual fund selection, stock recommendations, how to get started on investing and more are well accommodated.

COL's YouTube channel is regularly updated with numerous contents from previous events and market briefings paving the way for a wider audience and catering to those who were unable to go to the said events. COL's Facebook channel remains an active platform of communicating ongoing and future activities and developments within the company. The community has grown to over fifty thousand (50,000) at the end of the year. 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.

### **Competitor Analysis**

There are around ten (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 its three (3) nearest competitors:

<b>Features</b>	<b>COL</b>	<b>Competitor 1</b>	<b>Competitor 2</b>	<b>Competitor 3</b>
Trade Execution	Yes	Yes	Yes	Yes
Market Information	Yes	Yes	Yes	Yes
Real-Time / Streaming Data	Yes	Yes	Yes	Yes
Charting Functions	Yes	Yes	Yes	Yes
Daily News	Yes	Yes	Yes	Yes
Research Reports	Yes	Yes	Yes	Yes
Price Alerts	Yes	Yes	Yes	Yes

Features	COL	Competitor 1	Competitor 2	Competitor 3
Stock Watch List	Yes	No	Yes	Yes
Seminars	Yes	Yes	Yes	Yes
T + 3	Yes	Yes	Yes	No
Commissions	0.25%	0.25%	0.25%	0.25%
Bank Transfer	Yes	Yes	Yes	Yes
Mobile App	Yes	No	Yes	Yes

### 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	Approved by the IPO with registration up to January 15, 2025
4.	"Richer Life"	September 24, 2014	Approved by the IPO with registration up to January 15, 2025

	<b>Mark</b>	<b>Date of Application</b>	<b>Status</b>
5.	“Fund Source”	March 19, 2015	Approved by the IPO with registration up to September 24, 2025
6.	“C” (COL Logo)	March 19, 2015	Approved by the IPO with registration up to July 2, 2025

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. COLHK being a licensed broker in Hong Kong is governed by these agencies.

The SFC has clearly defined the Financial Resources Rule (FRR) that governs the liquidity requirements of an intermediary. For a securities broker that provides cash-based accounts, the liquidity requirement is the higher of HKD3.0 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 2015 and the projected number of employees for 2016 to complement the operational requirements of the Group are broken down as follows:

	<b>2016</b>	<b>2015</b>
Executives	2	3
Senior Officers	7	6
Junior Officers	27	28
Professional/Technical/Others	80	69
<b>TOTAL</b>	<b>116</b>	<b>106</b>

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

## **Risk Factors and Risk Management**

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

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

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

### Risks Associated with an Early and Evolving Market

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

Although 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.

### Risk Associated with Potential Local and Foreign-Based Competition

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

With its customer-centered business model complemented by its trading infrastructure and business center expansion, COL anticipates that it will be able to 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.

#### Client Risk

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

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

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

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

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

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

#### Risk of Client Having No Access to the Trading Website

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

This risk is reduced by allowing clients to still execute orders (new, modification, cancellation) by calling our Customer Service Department and asking the agents for assistance in posting their order. These orders are executed into the system only after ascertaining the identity of caller and validating client code and other personal information of the caller. This type of alternative means of order posting, modification, or cancellation made available to clients is called Broker Assisted Transaction.

#### Administrative and Operational Risks

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

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.

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

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

#### Fiduciary Risk

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 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.

#### Manpower Risk

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

### **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. Marketing and investor education activities are also conducted in COL's Investor Center located at the Mezzanine Floor of Citibank Center in Makati City and in a dedicated booth at the Insular Life Cebu Business Centre in Cebu 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.

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 almost 1,950 square meters, COL pays a monthly rental ranging from ₱262.50 to ₱472.50 per square meter for its offices in Pasig City, from ₱525.00 to ₱950.00 per square meter for its Makati offices, ₱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 hardware 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.

COL also reserved an office space at the PSE One Bonifacio High Street in Taguig City with an estimated cost of ₱16.6 million for the purpose of housing its IT Center in close proximity to the new PSE main office.

### **Item 3. Legal Proceedings**

#### ***Commissioner of Internal Revenue vs. COL Financial Group, Inc. G.R. No. 222170; Supreme Court (Third Division)***

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. COL, however, believes that RR 2-2010 and RMC 16-2010 should be given prospective effect. 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.

On December 15, 2015, the CTA En Banc denied the Motion for Reconsideration filed by the CIR, effectively affirming the Decision of the Court of Tax Appeals Third Division ordering the CIR to issue a tax credit certificate in favor of COL for the full amount being refunded.

On March 10, 2016, COL received a copy of the Petition for Review on Certiorari filed by the CIR to the Supreme Court Third Division.

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, 2015 is 475,000,000 with a market capitalization of ₱7.41 billion as of end of 2015, based on the closing price of ₱15.80 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:

	2015		2014	
	High	Low	High	Low
1 <sup>st</sup> Quarter	17.00	14.20	18.70	15.88
2 <sup>nd</sup> Quarter	16.76	14.00	18.48	14.80
3 <sup>rd</sup> Quarter	16.30	15.10	15.00	14.60
4 <sup>th</sup> Quarter	15.80	14.70	15.24	12.76

The high and low prices of COL at the PSE on April 8, 2016 were ₱14.42 and ₱14.38, respectively.

##### Holders of Common Equity

As of February 29, 2016, COL has 32 stockholders owning common shares. The Top twenty (20) common stockholders are as follows:

Rank	Name	Citizenship	Total Shares	Percentage of Total Shares Outstanding held by each
1	PCD Nominee Corporation	Filipino	302,845,887	63.7570
2	PCD Nominee Corporation	Foreign	76,506,208	16.1066
3	Lee, Edward K.	Filipino	62,250,000	13.1053
4	Yu, Alexander C.	Filipino	20,000,000	4.2105
5	Ang, Valentina L.	Filipino	5,000,000	1.0526
6	Yuson, Frederick	Filipino	4,000,000	0.8421

Rank	Name	Citizenship	Total Shares	Percentage of Total Shares Outstanding held by each
7	Kobayashi, Hirotsugu	Japanese	1,000,000	0.2105
8	Lee, Lydia C.	Filipino	1,000,000	0.2105
9	Tan, Jessalynn L.	Filipino	1,000,000	0.2105
10	Vinzon, Regina Cielo M.	Filipino	1,000,000	0.2105
11	Lim, Hernan G.	Filipino	100,000	0.0211
12	Yu, Raymond C.	Filipino	100,000	0.0211
13	Han, Paulwell	British	100,000	0.0211
14	Ong, Catherine L.	Filipino	50,000	0.0105
15	Barretto, Serafin Jr. P.	Filipino	12,000	0.0025
16	Estacion, Manuel S.	Filipino	10,000	0.0021
17	Yu, Wellington C. Or Yu, Victoria O.	Filipino	10,000	0.0021
18	Filio, Sernando	Filipino	5,000	0.0011
19	Gara, Rosario	Filipino	5,000	0.0011
20	Guerzon, Caesar A.	Filipino	1,000	0.0002
	<b>TOTAL</b>		<b>474,995,095</b>	<b>99.9990</b>

## 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 2015 and 2014:

Year	Regular Cash Dividend	Ex-date	Record Date	Payment Date
2015	₱0.10 per share	April 11, 2015	April 16, 2014	May 13, 2015
2014	₱0.12 per share	April 10, 2014	April 15, 2014	May 14, 2014

Year	Special Cash Dividend	Ex-date	Record Date	Payment Date
2015	₱0.40 per share	April 11, 2015	April 16, 2014	May 13, 2015
2014	₱0.48 per share	April 10, 2014	April 15, 2014	May 14, 2014

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

## Recent Sales of Unregistered or Exempt Securities

As of July 20, 2006, the SEC has approved COL's application for exemption from the registration requirements of the SRC, for the issuance of a total of Forty Six Million (46,000,000) Common Shares 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.

These stock options are exercisable one and a half (1 ½) years from the date of listing of COL's shares at the PSE and will terminate ten (10) years from the said date.

During 2015, a total of 450,000 shares have been exercised.

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

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

### **Industry and Economic Review**

The Philippine stock market had a mixed performance in 2015. From 7,230.57 during the start of the year, the PSEi rose by as much as 12.5% to a new record high of 8,134.38, before closing the year down by 3.9% to 6,952.08.

Sentiment for Philippine stocks turned negative in April of 2015 after listed companies reported disappointing earnings results. Sentiment was also hurt by the announcement of a weaker than expected first quarter GDP growth of only 5.2%, way below the consensus growth forecast of 6.6%. Other factors hurting sentiment for Philippines stocks include the weak performance of the Chinese economy and the depreciation of its currency, the poor performance of other Asian markets, the Fed's decision to proceed with its divergent monetary policy, and the resulting decline in commodity prices, weakness of the peso and rise in local interest rates.

Due to the challenges facing the Philippine economy and stock market, foreign investors turned into net sellers, with total net selling reaching ₱104.1 billion from April to December. This is more than double the ₱47.5 billion net buying registered during the first three months of the year. Average daily value turnover also weakened. After increasing by 47.6% during the first quarter of the year, average daily value turnover fell by 10.1% during the April to December period to only ₱8.4 billion.

The HK stock market also had a mixed performance in 2015. Several factors boosted sentiment for HK stocks in early 2015. These included looser monetary policy and accelerated reforms in China, the launch of the Shanghai Hong Kong stock connect scheme in November last year, and China's move to allow Chinese mutual funds without Qualified Domestic Institutional Investor or QDII quotas to invest in HK equities.

However, the strength of the HK stock market could not be sustained as the Chinese economy remained weak. For example, China's 2015 GDP growth decelerated to only 6.9%, the slowest pace of growth in 25 years. China's manufacturing sector also continued to contract as implied by the Caixin Manufacturing PMI which stayed below the critical 50 level after exceeding it momentarily in February this year. As a result, the Hang Seng index (HSI), the Hang Seng China Affiliate Corp. Index (HSCCI) and the Hang Seng China Enterprise Index (HSCEI) ended down by 7.1%, 6.8% and 19.4% respectively compared to their end 2014 levels despite a strong start. On the positive side, average daily turnover remained elevated, rising to HKD105.1 billion in 2015 from an average of HKD68.7 billion in 2014.

## **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:

	2015	2014
Number of Customer Accounts	162,926	113,347
Customers' Net Equity (in millions)	₱48,642.8	₱58,851.9
Net Revenues (in millions)	₱737.0	₱723.8
Annualized Return on Equity	20.3%	20.3%
Risk Based Capital Adequacy Ratio*	593.0%	577.0%
Liquid Capital** (in millions)	HKD28.2	HKD63.7

\* Parent Company only

\*\*HK Subsidiary

Despite the volatile trading environment in the PSE, the number of customer accounts for COL's Philippine operations expanded considerably by 43.9% to more than 162,330 as of end 2015. COL's client base continued to grow as it remained active in educating and encouraging Filipinos to save and invest. It also continued to benefit from the heightened interest among Filipinos to invest outside of traditional fixed income instruments brought about by the low interest rate environment.

Net equity of retail customers also continued to grow on a year-on-year basis, increasing to ₱46.9 billion as of end 2015 from ₱43.3 billion as of end 2014. Although consolidated net equity fell by 17.2% on a year-on-year basis, the drop was due to the net outflow of one of COL's institutional clients who used to employ COL as a custodian. Excluding the said transaction, COL still incurred a net new cash inflow of ₱7.0 billion in 2015.

Net revenues in 2015 slightly grew by 1.9% to ₱737.0 million. Although commission revenues fell by 3.3% to ₱486.9 million largely due to weaker trading activity in the local stock market, this was offset by the 8.3% increase in interest income. Interest income rose as COL benefited from the significant increase in its cash position from ₱4.6 billion as of end 2014 to ₱6.5 billion as of end 2015. COL also booked ₱17.1 million worth of other income, up from ₱5.0 million in 2014.

Return on average equity (ROE) remained flat at 20.3% in 2015 as profit was hardly changed at ₱262.7 million. During 2014 and 2015, COL booked non-recurring expenses amounting to ₱30.4 million and ₱23.7 million, respectively. Excluding the said amounts, profits would have been higher at ₱292.7 million for 2014 and ₱286.4 million for 2015.

In 2015, both the Parent Company and its HK subsidiary continued to meet the stringent rules of regulators in the Philippines and Hong Kong. As of end 2015, the Parent company's Risk Based Capital Adequacy Ratio (RBCA) reached 593%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD28.2 million of liquid capital. This is also well above the minimum requirement of HKD3.0 million or 5% of adjusted liabilities.

## **Material Changes in the Financial Condition**

### **2015 vs. 2014**

COL's assets continued to grow, increasing by 25.0% to ₱8.0 billion compared to its end 2014 level of ₱6.4 billion. The growth was largely funded by non-interest bearing liabilities as trade payables jumped by 32.4% to ₱6.5 billion. Trade payables rose largely due to the increase in customers' cash balance which in turn is a result of the significant growth in COL's client base.

Cash and cash equivalents composed mainly of cash in banks and short-term placements increased by 39.9% to ₱6.5 billion as of end 2015, also largely due to COL's growing client base and the resulting increase in their cash balances. As discussed earlier, net inflow of funds amounted to ₱7.0 billion in 2015. Cash in a segregated account booked by COL's HK Subsidiary increased by 65.8% to ₱255.6 million in compliance with the SFC regulations on the segregation of clients' money.

Trade receivables fell by 25.2% to ₱1.1 billion largely due to diminishing receivable from margin customers. Average margin utilization fell to ₱994.9 million in 2015 from ₱1.2 billion in 2014 as volatile market conditions prompted more clients to stay conservative and shy away from margin loans.

Financial assets at fair value through profit or loss (FVPL) decreased by 82.2% to ₱1.7 million due to the sale of financial assets held by the Parent Company.

Deferred tax assets fell by 4.3% to ₱35.6 million due to the reversal of a big portion of cumulative translation losses booked on HK operations as a result of stronger HK dollar versus the Philippine peso at the end of the year.

As discussed earlier, trade payables, which account for more than 90% of total liabilities, jumped by 32.4% to ₱6.5 billion. The increase was driven by the continuous growth in COL's client base and their corresponding cash balances.

Other current liabilities fell 17.8% to ₱59.0 million as a result of the reduction in performance bonuses and taxes related to selling transactions of customers as of end 2015.

Income tax payable fell 16.0% to ₱11.4 million due to lower taxable income generated in 2015.

Stockholders' equity increased by 3.2% or ₱40.5 million to ₱1.3 billion largely due to the booking of ₱262.7 million net income in 2015, partly offset by the declaration of the ₱237.3 million worth of cash dividends to the stockholders of the Parent Company.

### **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 by ₱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 earlier 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.

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

### **2015 vs. 2014**

COL's consolidated revenues in 2015 increased by 1.9% to ₱737.0 million. Both cost of services and operating expenses rose slightly by 1.4% and 1.1% to ₱196.7 million and ₱178.7 million respectively. Meanwhile, provision for income taxes increased by 9.0% to ₱99.1 million. As a result of the foregoing movements, net income was hardly changed at ₱262.7 million on a year-on-year basis.



COL's revenues increased by 1.9% as the drop in commission revenues was offset by the increase in interest and other income. Commission revenues fell by 3.3% to ₱486.9 million largely due to the deterioration of market conditions in the Philippines.

Meanwhile, interest income climbed by 8.3% to ₱233.2 million as COL's average cash position increased by 42.3% year-on-year driven by its growing client base.

Other income jumped to ₱17.1 million from ₱5.0 million as the Parent Company was able to book significant gains from the sale of financial assets.

Cost of services increased only marginally as commission expenses, which account for the largest portion of cost of services, fell by 1.6% to ₱83.9 million. The drop in commission expenses partly offset the 2.7% rise in personnel cost to ₱64.9 million and the 5.6% increase in communications cost to ₱25.3 million.

Operating expenses likewise increased only slightly by 1.1% to ₱178.7 million. Personnel costs and professional fees, which together account for a third of operating expenses, increased by 10.8% to ₱59.5 million. However, this was offset by the reduction of several operating expense items including marketing, training, seminars and meetings, representation and entertainment expenses. COL also benefited from the absence of fringe benefit taxes amounting to ₱30.4 million. Operating expenses would have been even less if not for the booking of ₱23.7 million worth of non-recurring taxes and related penalties. Excluding the said amount, operating expenses dropped by 12.3% to ₱155.0 million.

Due to COL's higher revenues and the subdued increase in expenses, operating profits went up by ₱8.6 million or 2.4% to ₱361.8 million. However, net profits still ended flat at ₱262.7 million as provision for income taxes grew by 8.9%, largely due to the growing share of interest income from cash placements in terms of total revenues.

### **2014 vs. 2013**

COL's consolidated revenue fell by 3.7% to ₱723.8 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 as the 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 stock exchange.

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 AAG which handle 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%.

#### **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: COL remains confident that the macroeconomics of the Philippines remains strong as the country's GDP is expected to grow by 5-6% in 2016. However in the short-term, sentiment in the local stock market is expected to remain weak as numerous challenges experienced in 2015 extend to 2016. These challenges include among others, weak corporate earnings, depreciating peso, China growth fears, and the U.S. Fed's divergent monetary policy, making it difficult for the Philippine stock market to fight this contagion. That said, value turnover in the PSE likely to slowdown a least for the first half of the year coming from a high base and as investors stay sidelined.

Nevertheless, COL will continue to actively promote the benefits of investing to the individual investor and continue to help its customers build wealth by providing value driven ethical products and services. COL will also aggressively push investing in funds through the COL online platform and raise clients awareness on how to select the right funds that best suit their needs.

Meanwhile, COL's HK operations will most likely remain a small contributor to the Group's business in 2016 given the bearish outlook in China's growth and the turbulent market conditions globally.

Medium to Long Term Prospects: The medium to long term outlook of the Philippine market is very attractive as it remains in a secular bull market. The economy is expected to maintain its above average growth pace, driven by the country's favorable demographics, the steady flow of OFW remittances, and the growth in BPO revenues. Furthermore, 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 foregoing 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, 2015 and 2014.

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

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

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

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

	2015	2014
Audit and Audit-Related Fees in connection with the annual review of the Group's financial statements	₱1,300,000	₱1,220,000
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, 2015 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**, 61, Filipino, is concurrently the Founder and Chairman of the Board of COL since 1999, COL Securities (HK) Limited since 2001, Citisecurities, Inc. since 1986, and Caylum Trading Institute since 2013. Mr. Lee served as a nominee of Citisecurities, Inc. to the Manila Stock Exchange and presently to the Philippine Stock Exchange. 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 32 years now. He was elected as one of the Governors of the Philippine Stock Exchange and was the Chairman of the Computerization committee of the Manila Stock Exchange and PSE in 1994. He went on to become a member of the Board of Directors of A. Soriano Corporation serving for two terms. Mr. Lee was also nominated as a finalist to the 2007 Entrepreneur of the Year Philippines by Ernst & Young. In 2015, he was awarded with the Theodore Vail Most Outstanding JA Alumni Awardee.

**Alexander C. Yu**, 61, 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**, 54, 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**, 64, 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**, 58, 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**, 71, 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**, 73, 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**, 62, 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**, 63, 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**, 57, 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**, 46, 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, 65, 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, 48, 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, 46, 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, 45, 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, 39, 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, 43, 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, 2015**

None

**Significant Employees**

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

**Family Relationships**

With the exception of Mr. Alexander C. Yu and Mr. Raymond C. Yu and Mr. Edward K. Lee and Ms. Catherine L. Ong, who are siblings, there are no other family relationships either by consanguinity or affinity up to the fourth (4<sup>th</sup>) 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 Ten Thousand Pesos (₱10,000.00) per meeting. There are no other arrangements for compensation either by way of payments for committee participation or special assignments.



**Executives and Senior Officers**

<b>SUMMARY COMPENSATION TABLE</b>						
<b>Annual Compensation</b>						
<b>(in ₱ Million)</b>	<b>Annual Salary 2016 (est)</b>	<b>Annual Salary 2014</b>	<b>Annual Salary 2014</b>	<b>Annual Salary 2013</b>	<b>Bonuses 2013 - 2015</b>	<b>Other Annual Compensation 2013 - 2015</b>
<b>a) Chief Executive Officer and the Four Most Compensated Executives:</b> 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						
<b>All above-named Executives and Officers as a Group</b>	₱14.4	₱15.2	₱14.4	₱14.3	₱70.2	-nil-
<b>b) All other Executives and Officers as a Group named</b>	₱4.4	₱5.1	₱4.7	₱4.6	₱21.1	-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, 2006, a total of Forty Six Million (46,000,000) Common Shares were granted to qualified individuals. No additional shares have been granted thereafter. For the entire year of 2015, 450,000 SOP shares have been exercised. As of December 31, 2015, only 1,000,000 SOP shares are yet to be exercised.

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.

### 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, 2015** 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	<b>PCD Nominee Corp. – Filipino</b> G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	Citisecurities, Inc. (CTS)	Filipino	78,671,000	16.56%
		COL Financial Group, Inc. (COL)	Filipino	83,659,042	17.61%
		Various Stockholders/ Clients	Filipino	10,074,745	2.12%
Common	<b>PCD Nominee Corp. – Foreign</b> G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	Citisecurities, Inc. (CTS)	Foreign	32,218,308	6.78%
		Various Stockholders/ Clients	Foreign	8,307,000	1.75%
Common	<b>Edward K. Lee</b> 186 N. Averilla St., San Juan, Metro Manila <i>Stockholder</i>	Edward K. Lee	Filipino	97,440,200	20.51%
Common	<b>Alexander C. Yu</b> 211 Ortega St., San Juan, Metro Manila <i>Stockholder</i>	Alexander C. Yu	Filipino	66,411,800	13.98%
Common	<b>Paulwell Han</b> 9E G/F Broom Road, Happy Valley, Hong Kong <i>Stockholder</i>	Paulwell Han	Chinese	35,820,000	7.54%
Common	<b>Raymond C. Yu</b> 117 4th St., New Manila, Quezon City <i>Stockholder</i>	Raymond C. Yu	Filipino	26,216,400	5.52%
Common	<b>Conrado F. Bate</b> 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, 2015

Title of Class	Name of Owner	Position	Citizenship	Total No. of Shares	Percent (%)
Common	Edward K. Lee	Chairman	Filipino	97,440,200	20.51%
Common	Alexander C. Yu	Vice-Chairman	Filipino	66,411,800	13.98%
Common	Conrado F. Bate	President	Filipino	23,983,700	5.05%
Common	Hernan G. Lim	Director	Filipino	19,961,600	4.20%
Common	Raymond C. Yu	Director	Filipino	26,216,400	5.52%
Common	Wellington C. Yu	Director	Filipino	586,900	0.12%
Common	Paulwell Han	Director	Chinese	35,820,000	7.54%
Common	Joel Litman	Director	American	34,000	0.01%
Common	Manuel S. Estacion	Independent Director	Filipino	600,000	0.13%
Common	Khoo Boo Boon	Independent Director	Malaysian	25,800	0.01%
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	4,010,500	0.84%
Common	Juan G. Barredo	VP for Sales and Customer Support	Filipino	1,900,000	0.40%
Common	Nikos J. Bautista	VP/Chief Technology Officer	Filipino	1,160,200	0.24%
Common	Lorena E. Velarde	VP/Financial Controller	Filipino	955,200	0.20%
Common	April Lynn L. Tan	VP/Head of Research	Filipino	2,530,000	0.53%
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%
<b>Common</b>	<b>Key Officers and Directors (as a group)</b>			<b>292,050,300</b>	<b>61.48%</b>

As of December 31, 2015, the Parent Company's public float is 38.52%.

### 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)	Change in Shareholdings of Directors and Principal Officers	07/08/15	07/09/15	C03773-2015
2)	Change in Shareholdings of Directors and Principal Officers	07/08/15	07/09/15	C03774-2015
3)	Change in Shareholdings of Directors and Principal Officers	07/08/15	07/09/15	C03775-2015
4)	Change in Shareholdings of Directors and Principal Officers	07/08/15	07/09/15	C03776-2015
5)	Change in Shareholdings of Directors and Principal Officers	07/14/15	07/14/15	C03869-2015
6)	Change in Shareholdings of Directors and Principal Officers	07/14/15	07/14/15	C03870-2015
7)	Change in Shareholdings of Directors and Principal Officers	07/14/15	07/14/15	C03871-2015
8)	Change in Shareholdings of Directors and Principal Officers	07/21/15	07/22/15	C04022-2015
9)	Change in Shareholdings of Directors and Principal Officers	07/21/15	07/22/15	C04023-2015
10)	Change in Shareholdings of Directors and Principal Officers	07/21/15	07/22/15	C04024-2015
11)	Change in Shareholdings of Directors and Principal Officers	07/21/15	07/22/15	C04025-2015
12)	Change in Shareholdings of Directors and Principal Officers	07/27/15	07/27/15	C04127-2015
13)	Change in Shareholdings of Directors and Principal Officers	07/27/15	07/27/15	C04128-2015
14)	Change in Shareholdings of Directors and Principal Officers	07/27/15	07/27/15	C04129-2015
15)	Change in Shareholdings of Directors and Principal Officers	07/31/15	07/31/15	C04252-2015
16)	Change in Shareholdings of Directors and Principal Officers	08/06/15	08/06/15	C04401-2015
17)	Change in Shareholdings of Directors and Principal Officers	08/06/15	08/06/15	C04402-2015
18)	Change in Shareholdings of Directors and Principal Officers	08/12/15	08/12/15	C04540-2015
19)	Change in Shareholdings of Directors and Principal Officers	08/12/15	08/12/15	C04541-2015
20)	Results of Board of Directors' Meeting	08/13/15	08/14/15	C04592-2015

Items Reported		Date filed	Announcement Date	Circular No.
21)	Press Release	08/14/15	08/14/15	C04603-2015
23)	Change in Shareholdings of Directors and Principal Officers	08/18/15	08/18/15	C04687-2015
24)	Change in Shareholdings of Directors and Principal Officers	08/26/15	08/26/15	C04799-2015
25)	Change in Shareholdings of Directors and Principal Officers	08/26/15	08/26/15	C04800-2015
26)	Change in Shareholdings of Directors and Principal Officers	09/02/15	09/02/15	C04900-2015
27)	Change in Shareholdings of Directors and Principal Officers	09/02/15	09/02/15	C04901-2015
28)	Change in Shareholdings of Directors and Principal Officers	09/02/15	09/02/15	C04902-2015
29)	Change in Shareholdings of Directors and Principal Officers	09/07/15	09/07/15	C04969-2015
30)	Change in Shareholdings of Directors and Principal Officers	09/07/15	09/07/15	C04970-2015
31)	Change in Shareholdings of Directors and Principal Officers	09/11/15	09/11/15	C05035-2015
32)	Change in Shareholdings of Directors and Principal Officers	09/11/15	09/11/15	C05036-2015
33)	Change in Shareholdings of Directors and Principal Officers	09/17/15	09/17/15	C05156-2015
34)	Change in Shareholdings of Directors and Principal Officers	09/17/15	09/17/15	C05157-2015
35)	Change in Shareholdings of Directors and Principal Officers	09/23/15	09/23/15	C05244-2015
36)	Change in Shareholdings of Directors and Principal Officers	09/23/15	09/23/15	C05245-2015
37)	Change in Shareholdings of Directors and Principal Officers	09/23/15	09/23/15	C05246-2015
38)	Change in Shareholdings of Directors and Principal Officers	09/23/15	09/23/15	C05247-2015
39)	Change in Shareholdings of Directors and Principal Officers	09/29/15	09/29/15	C05319-2015
40)	Change in Shareholdings of Directors and Principal Officers	09/29/15	09/29/15	C05320-2015
41)	Change in Shareholdings of Directors and Principal Officers	09/29/15	09/29/15	C05321-2015
42)	Change in Shareholdings of Directors and Principal Officers	10/05/2015	10/06/2015	C05438-2015
43)	Change in Shareholdings of Directors and Principal Officers	10/05/2015	10/06/2015	C05439-2015
44)	Change in Shareholdings of Directors and Principal Officers	10/05/2015	10/06/2015	C05440-2015
45)	Change in Shareholdings of Directors and Principal Officers	10/09/2015	10/12/2015	C05511-2015
46)	Change in Shareholdings of Directors and Principal Officers	10/09/2015	10/12/2015	C05518-2015
47)	Change in Shareholdings of Directors and Principal Officers	10/15/2015	10/15/2015	C05585-2015
48)	Change in Shareholdings of Directors and Principal Officers	10/21/2015	10/21/2015	C05672-2015
49)	Change in Shareholdings of Directors and Principal Officers	10/27/2015	10/27/2015	C05779-2015

Items Reported		Date filed	Announcement Date	Circular No.
50)	Change in Shareholdings of Directors and Principal Officers	10/27/2015	10/27/2015	C05780-2015
51)	Change in Shareholdings of Directors and Principal Officers	11/02/2015	11/02/2015	C05885-2015
52)	Change in Shareholdings of Directors and Principal Officers	11/02/2015	11/02/2015	C05886-2015
53)	Change in Shareholdings of Directors and Principal Officers	11/06/2015	11/06/2015	C05987-2015
54)	Change in Shareholdings of Directors and Principal Officers	11/06/2015	11/06/2015	C05988-2015
55)	Change in Shareholdings of Directors and Principal Officers	11/12/2015	11/12/2015	C06122-2015
56)	Change in Shareholdings of Directors and Principal Officers	11/12/2015	11/12/2015	C06123-2015
57)	Change in Shareholdings of Directors and Principal Officers	11/12/2015	11/12/2015	C06124-2015
58)	Change in Shareholdings of Directors and Principal Officers	11/20/2015	11/20/2015	C06255-2015
59)	Change in Shareholdings of Directors and Principal Officers	11/20/2015	11/20/2015	C06256-2015
60)	Press Release	11/23/2015	11/24/2015	C06275-2015
61)	Results of Board of Directors' Meeting	11/23/2015	11/24/2015	C06274-2015
62)	Change in Shareholdings of Directors and Principal Officers	11/26/2015	11/26/2015	C06327-2015
63)	Change in Shareholdings of Directors and Principal Officers	12/03/2015	12/04/2015	C06447-2015
64)	Change in Shareholdings of Directors and Principal Officers	12/9/2015	12/9/2015	C06514-2015
65)	Change in Shareholdings of Directors and Principal Officers	12/15/2015	12/15/2015	C06616-2015
66)	Change in Shareholdings of Directors and Principal Officers	12/15/2015	12/15/2015	C06617-2015
67)	Change in Shareholdings of Directors and Principal Officers	12/21/2015	12/21/2015	C06735-2015
68)	Change in Shareholdings of Directors and Principal Officers	12/21/2015	12/21/2015	C06736-2015
69)	Change in Shareholdings of Directors and Principal Officers	12/29/2015	12/29/2015	C06828-2015
70)	Change in Shareholdings of Directors and Principal Officers	12/29/2015	12/29/2015	C06829-2015

**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, 2016.


**COL FINANCIAL GROUP, INC.**

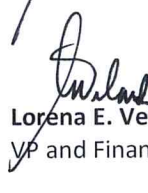
**Issuer**

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

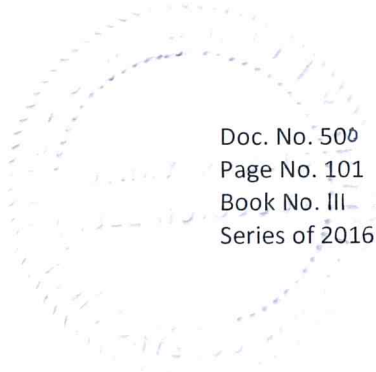
**SUBSCRIBED AND SWORN** to before me this 14<sup>th</sup> day of April 2016, at Pasig, affiants exhibiting to me their Passports/Driver's License, as follows:

<b>NAMES</b>	<b>PASSPORT NO./DRIVER'S LICENSE</b>	<b>DATE OF ISSUE</b>	<b>PLACE OF ISSUE</b>
Conrado F. Bate	PP # EC3662119	Mar. 13, 2015	DFA NCR East
Catherine L. Ong	PP # EC0356590	Feb. 20, 2014	DFA 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 December 31, 2017/Appt No. 20(2016-2017)  
2401B East Tower, Phil. Stock Exchange Centre, Exchange Rd., Ortigas Center, Pasig City 1605  
Roll No. 53601/IBP No. 1009937/10-19-15/RSM  
PTR No. 1216068/01-06-16/Pasig  
MCLE Compliance No. V-0010052/08-26-15/ Pasig



Doc. No. 500  
Page No. 101  
Book No. III  
Series of 2016



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

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

<b>FINANCIAL STATEMENTS</b>	Remarks/Attachments
Statement of Management's Responsibility for Financial Statements	✓
Report of Independent Auditors	✓
Consolidated Statements of Financial Position as of December 31, 2015 and 2014	✓
Consolidated Statements of Income for the Years Ended December 31, 2015, 2014 and 2013	
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2015, 2014 and 2013	✓
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2015, 2014 and 2013	✓
Consolidated Statements of Cash Flows for the Years Ended December 31, 2015, 2014 and 2013	✓
Notes to Consolidated Financial Statements	✓
<b>SUPPLEMENTARY SCHEDULES</b>	
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**

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															

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

U	n	i	t	2	4	0	1	-	B	E	a	s	t	T	o	w	e	r	,	P	S	E	C	e	
n	t	r	e	,	E	x	c	h	a	n	g	e	R	o	a	d	,	O	r	t	i	g	a	s	C
e	n	t	e	r	,	P	a	s	i	g	C	i	t	y											

Form Type

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Department requiring the report

C	F	D
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Secondary License Type, If Applicable

B	r	o	k	e	r
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**COMPANY INFORMATION**

Company's Email Address

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

Company's Telephone Number

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

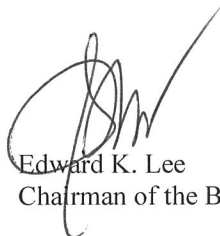
**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for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

**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, 2015 and 2014, 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

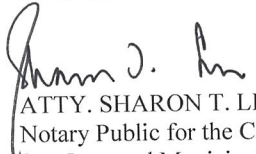
Signed this 1<sup>st</sup> day of March 2016.

*Statement of Management's Responsibility  
for Financial Statements*

SUBSCRIBED AND SWORN to before me this 1<sup>st</sup> day of March 2016, at Pasig, 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 # EC5602768	Oct. 6, 2015/DFA NCR East
Conrado F. Bate	PP # EC3662119	Mar. 13, 2015/DFA NCR East
Catherine L. Ong	PP # EC0356590	Feb. 20, 2014/ DFA NCR East

NOTARY PUBLIC



ATTY. SHARON T. LIM

Notary Public for the Cities of Pasig, Taguig &  
San Juan and Municipality of Pateros

Until December 31, 2017/Appt No. 20(2016-2017)

2401B East Tower, Phil. Stock Exchange Centre,  
Exchange Rd., Ortigas Center, Pasig City 1605

Roll No. 53601/IBP No. 1009937/10-19-15/RSM

PTR No. 1216068/01-06-16/Pasig

MCLE Compliance No. V-0010052/08-26-15/ Pasig

Doc. No.434:  
Page No. 88:  
Book No. III:  
Series of 2016

## **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. and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, 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, 2015, 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, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Janeth T. Nuñez-Javier

Partner

CPA Certificate No. 111092

SEC Accreditation No. 1328-A (Group A),  
July 1, 2013, valid until June 30, 2016

Tax Identification No. 900-322-673

BIR Accreditation No. 08-001998-69-2015,  
February 27, 2015, valid until February 26, 2018

PTR No. 5321671, January 4, 2016, Makati City

March 1, 2016



**COL FINANCIAL GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>					
	<b>2015</b>			<b>2014</b>		
	<b>Money Balance</b>	<b>Security Valuation</b>		<b>Money Balance</b>	<b>Security Valuation</b>	
	<b>Long</b>	<b>Short</b>		<b>Long</b>	<b>Short</b>	
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents (Note 4)	<b>₱6,493,600,095</b>			₱4,640,187,892		
Cash in a segregated account (Note 5)	<b>255,596,013</b>			154,129,025		
Financial assets at fair value through profit or loss (FVPL) (Note 6)	<b>1,673,427</b>	<b>₱1,673,427</b>		9,375,564		₱9,375,564
Trade receivables (Notes 7 and 18)	<b>1,075,809,699</b>	<b>3,700,094,576</b>		1,438,423,878		6,792,074,324
Other receivables (Note 7)	<b>8,425,177</b>			12,130,063		
Prepayments	<b>2,097,787</b>			2,267,080		
<b>Total Current Assets</b>	<b>7,837,202,198</b>			6,256,513,502		
<b>Noncurrent Assets</b>						
Property and equipment (Note 8)	<b>44,268,412</b>			35,825,494		
Intangibles (Note 9)	<b>24,413,383</b>			23,338,991		
Deferred tax assets (Note 17)	<b>35,558,643</b>			37,145,366		
Other noncurrent assets (Note 10)	<b>11,388,382</b>			8,581,369		
<b>Total Noncurrent Assets</b>	<b>115,628,820</b>			104,891,220		
<b>TOTAL ASSETS</b>	<b>₱7,952,831,018</b>			₱6,361,404,722		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			<b>₱43,011,188,066</b>			₱55,408,644,059

(Forward)



	December 31					
	2015			2014		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables (Notes 11 and 18)	₱6,539,148,312	₱39,309,420,063		₱4,940,928,346	₱48,607,194,171	
Other current liabilities (Note 12)	59,026,457			71,836,693		
Income tax payable	11,387,517			13,556,314		
Fringe benefit tax payable	—			30,437,647		
<b>Total Current Liabilities</b>	<b>6,609,562,286</b>			<b>5,056,759,000</b>		
<b>Noncurrent Liability</b>						
Retirement obligation (Note 16)	26,277,714			28,192,690		
<b>Total Liabilities</b>	<b>6,635,840,000</b>			<b>5,084,951,690</b>		
<b>Equity</b>						
Capital stock (Note 13)	475,000,000			474,550,000		
Capital in excess of par value	53,219,024			53,219,024		
Cost of share-based payment (Note 16)	4,031,571			5,499,602		
Accumulated translation adjustment	(5,241,859)			(21,814,947)		
Loss on remeasurement of retirement obligation (Note 16)	(4,836,196)			(4,400,783)		
Retained earnings:						
Appropriated (Note 13)	169,021,759			140,028,578		
Unappropriated	625,796,719			629,371,558		
<b>Total Equity</b>	<b>1,316,991,018</b>			<b>1,276,453,032</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱7,952,831,018</b>	<b>₱43,011,188,066</b>	<b>₱43,011,188,066</b>	<b>₱6,361,404,722</b>	<b>₱55,408,644,059</b>	<b>₱55,408,644,059</b>

See accompanying Notes to Consolidated Financial Statements.





**COL FINANCIAL GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31		
	2015	2014	2013
<b>REVENUES</b>			
Commissions (Note 18)	₱486,883,432	₱503,390,041	₱540,521,647
Others:			
Interest income (Notes 14 and 18)	233,164,409	215,385,753	209,119,905
Trading gains - net (Note 6)	10,852,242	3,407,634	-
Foreign exchange gains	-	-	31,466
Others	6,137,509	1,587,660	1,752,223
	<b>737,037,592</b>	<b>723,771,088</b>	<b>751,425,241</b>
<b>COST OF SERVICES</b>			
Commission expense (Note 18)	83,929,514	85,323,813	111,551,863
Personnel costs - operations (Notes 15 and 18)	64,928,766	63,239,706	65,446,518
Stock exchange dues and fees	11,959,433	12,010,298	12,331,228
Central depository fees	8,385,836	7,702,432	8,257,728
Research	2,031,795	1,513,288	975,429
Others:			
Communications	25,263,922	23,913,982	23,936,890
Depreciation and amortization (Note 8)	154,548	184,511	1,184,374
	<b>196,653,814</b>	<b>193,888,030</b>	<b>223,684,030</b>
<b>GROSS PROFIT</b>	<b>540,383,778</b>	<b>529,883,058</b>	<b>527,741,211</b>
<b>OPERATING EXPENSES</b>			
Administrative expenses:			
Personnel costs (Notes 15 and 18)	32,158,605	30,216,124	26,834,553
Taxes and licenses (Note 17)	28,373,917	4,910,260	4,059,154
Professional fees (Note 18)	27,370,666	23,495,950	19,687,554
Management bonus (Note 18)	13,759,639	13,586,282	16,715,797
Rentals (Note 19)	13,610,309	11,597,494	10,820,260
Advertising and marketing	9,506,605	9,748,647	10,050,888
Bank charges	5,147,896	3,585,008	3,527,755
Security and messengerial services	4,480,432	3,870,683	3,597,811
Power, light and water	4,162,488	4,134,836	3,578,703
Office supplies	3,311,590	2,880,838	2,615,328
Insurance and bonds	2,837,168	2,500,221	2,374,103
Representation and entertainment	2,565,237	3,359,742	2,305,722
Condominium dues and utilities	2,260,213	1,864,854	1,754,120
Repairs and maintenance	1,886,711	1,815,976	1,092,623
Transportation and travel	1,269,358	1,093,392	1,676,007
Communications	941,225	698,485	673,441
Directors' fees	890,000	740,000	740,000
Membership fees and dues	786,203	991,889	936,294
Trainings, seminars and meetings	723,052	1,253,369	557,316
Fringe benefit tax	-	30,437,647	-
Stock option expense (Notes 16 and 18)	-	1,430,000	572,000
Donations and contributions	-	1,000,000	-
Others	2,826,612	3,352,877	1,074,436
	<b>158,867,926</b>	<b>158,564,574</b>	<b>115,243,865</b>
Depreciation and amortization (Note 8)	17,528,714	15,046,813	14,534,422
Interest expense (Note 16)	1,296,864	1,574,391	1,433,064
Provision for credit losses (Note 7)	-	1,184,279	-
Miscellaneous expense	878,247	273,409	82,312
	<b>178,571,751</b>	<b>176,643,466</b>	<b>131,293,663</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>361,812,027</b>	<b>353,239,592</b>	<b>396,447,548</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 17)			
Current			
Regular corporate income tax	82,823,973	84,630,826	88,160,210
Final income tax	22,086,975	12,255,530	10,464,636
Deferred	(5,792,263)	(5,913,824)	(5,767,191)
	<b>99,118,685</b>	<b>90,972,532</b>	<b>92,857,655</b>
<b>NET INCOME</b>	<b>₱262,693,342</b>	<b>₱262,267,060</b>	<b>₱303,589,893</b>

See accompanying Notes to Consolidated Financial Statements.



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

	<b>Years Ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>NET INCOME</b>	<b>₱262,693,342</b>	<b>₱262,267,060</b>	<b>₱303,589,893</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>			
Item that will not be reclassified to consolidated statements of income:			
Gain (loss) on remeasurement of retirement obligation - net of tax (Note 16)	<b>(435,413)</b>	3,842,860	813,144
Item that may be reclassified subsequently to consolidated statements of income:			
Translation adjustments - net of tax	<b>16,573,088</b>	1,161,553	23,268,903
	<b>16,137,675</b>	5,004,413	24,082,047
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱278,831,017</b>	<b>₱267,271,473</b>	<b>₱327,671,940</b>
<b>Earnings Per Share (Note 24)</b>			
Basic	<b>₱0.55</b>	₱0.56	₱0.65
Diluted	<b>₱0.55</b>	₱0.55	₱0.64

*See accompanying Notes to Consolidated Financial Statements.*



**COL FINANCIAL GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, and 2013**

	Capital Stock	Capital In Excess of Par Value	Cost of Share-Based Payment	Accumulated Translation Adjustment	Gain (loss) on Remeasurement of Retirement Obligation	Retained Earnings		Total
						Appropriated	Unappropriated	
Balances at January 1, 2015	₱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
Net income	–	–	–	–	–	–	262,693,342	262,693,342
Other comprehensive income	–	–	–	16,573,088	(435,413)	–	–	16,137,675
Total comprehensive income	–	–	–	16,573,088	(435,413)	–	262,693,342	278,831,017
Appropriation of retained earnings (Note 13)	–	–	–	–	–	28,993,181	(28,993,181)	–
Issuance of shares upon exercise of stock options (Notes 16 and 26)	450,000	–	–	–	–	–	–	450,000
Cost of share-based payment (Note 16)	–	–	(1,468,031)	–	–	–	–	(1,468,031)
Declaration of cash dividend (Note 13)	–	–	–	–	–	–	(237,275,000)	(237,275,000)
<b>Balances at December 31, 2015</b>	<b>₱475,000,000</b>	<b>₱53,219,024</b>	<b>₱4,031,571</b>	<b>(₱5,241,859)</b>	<b>(₱4,836,196)</b>	<b>₱169,021,759</b>	<b>₱625,796,719</b>	<b>₱1,316,991,018</b>
Balances at January 1, 2014	₱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
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)	–
Issuance of shares upon exercise of stock options (Note 16)	5,900,000	5,720,000	(5,720,000)	–	–	–	–	5,900,000
Cost of share-based payment (Note 16)	–	–	(18,547,949)	–	–	–	–	(18,547,949)
Declaration of cash dividend (Note 13)	–	–	–	–	–	–	(281,190,000)	(281,190,000)
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

(Forward)



	Capital Stock	Capital In Excess of Par Value	Cost of Share-Based Payment	Accumulated Translation Adjustment	Gain (loss) on Remeasurement of Retirement Obligation	Retained Earnings		Total
						Appropriated	Unappropriated	
Balances at January 1, 2013	₱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
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)	–
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)
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

See accompanying Notes to Consolidated Financial Statements.



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

	<b>Years Ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱361,812,027</b>	₱353,239,592	₱396,447,548
Adjustments for:			
Interest income (Notes 14 and 18)	<b>(233,164,409)</b>	(215,385,753)	(209,119,905)
Depreciation and amortization (Note 8)	<b>17,683,262</b>	15,231,324	15,718,796
Contribution to the retirement fund (Note 16)	<b>(8,190,778)</b>	–	–
Retirement costs under ‘Personnel costs’ (Notes 15 and 16)	<b>4,356,919</b>	4,487,206	4,235,529
Interest expense (Note 16)	<b>1,296,864</b>	1,574,391	1,433,064
Unrealized trading loss (gain) - net (Note 6)	<b>1,233,669</b>	(1,028,340)	–
Dividend income (Note 6)	<b>(20,932)</b>	(29,651)	(156,803)
Loss (gain) on disposal of property and equipment (Note 8)	<b>(1,069)</b>	56,898	–
Stock option expense (Notes 16 and 18)	–	1,430,000	572,000
Provision for credit losses (Note 7)	–	1,184,279	–
Operating income before working capital changes	<b>145,005,553</b>	160,759,946	209,130,229
Decrease (increase) in:			
Cash in a segregated account	<b>(101,466,988)</b>	(41,535,600)	(48,393,050)
Financial assets at FVPL	<b>6,468,468</b>	(1,110,610)	(4,269,624)
Trade receivables	<b>396,784,593</b>	(85,359,331)	154,821,033
Other receivables	<b>809,290</b>	356,005	185,905
Prepayments	<b>212,819</b>	(97,289)	322,273
Other noncurrent assets	<b>(11,272,707)</b>	(9,570,913)	(10,713,428)
Increase (decrease) in:			
Trade payables	<b>1,589,010,275</b>	1,541,543,509	510,883,058
Fringe benefit tax payable	<b>(30,437,647)</b>	30,437,647	–
Other current liabilities	<b>(15,660,966)</b>	6,996,831	(3,668,816)
Net cash generated from operations	<b>1,979,452,690</b>	1,602,420,195	808,297,580
Interest received	<b>235,340,332</b>	209,673,357	207,180,438
Income taxes paid	<b>(98,464,491)</b>	(88,088,143)	(84,480,252)
Dividends received	<b>20,932</b>	29,651	156,803
Net cash flows from operating activities	<b>2,116,349,463</b>	1,724,035,060	931,154,569
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment (Note 8)	<b>(26,113,336)</b>	(12,109,102)	(16,307,767)
Proceeds from disposal of property and equipment (Note 8)	<b>1,076</b>	62,730	–
Net cash flows used in investing activities	<b>(26,112,260)</b>	(12,046,372)	(16,307,767)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends declared and paid (Note 13)	<b>(237,275,000)</b>	(281,190,000)	(295,249,500)
Issuance of additional shares (Notes 13 and 16)	<b>450,000</b>	5,900,000	840,000
Net cash flows used in financing activities	<b>(236,825,000)</b>	(275,290,000)	(294,409,500)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,853,412,203</b>	1,436,698,688	620,437,302
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,640,187,892</b>	3,203,489,204	2,583,051,902
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱6,493,600,095</b>	₱4,640,187,892	₱3,203,489,204

See accompanying Notes to Consolidated Financial Statements.



# **COL FINANCIAL GROUP, INC. AND SUBSIDIARY**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

COL Financial Group, Inc. (the 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 (COLHK), the 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 (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 SEC to act as mutual fund distributor of various funds.

The accompanying consolidated financial statements of the Group as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were authorized for issue in accordance with a resolution by the BOD on March 1, 2016.



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

### Basis of Preparation

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

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

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

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

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

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

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

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



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

#### Changes in Accounting Policies and Disclosures

The Group applied for the first time certain standards and amendments. Unless otherwise indicated, these standards and amendments have no impact to the Group. Except for these standards and amended PFRS which were adopted as of January 1, 2015, the accounting policies adopted are consistent with those of the previous financial year.

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs (2010 - 2012 cycle)
  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*.
  - PAS 24, *Related Party Disclosures - Key Management Personnel*
- Annual Improvements to PFRSs (2011 - 2013 cycle)
  - PFRS 3, *Business Combinations - Scope Expectations for Joint Arrangements*
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
  - PAS 40, *Investment Property*

#### Standards and Interpretations Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements of the Group unless otherwise stated.

No definite adoption date prescribed by the SEC and Financial Reporting Standards Council (FRSC)

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective January 1, 2016

- 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*
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture - Change in Financial Reporting for Bearer Plants*
- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*





Annual Improvements to PFRSs (2012 - 2014 cycle)

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
- PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits - Regional Market Issue regarding Discount Rate*
- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Effective January 1, 2018

- PFRS 9, *Financial Instruments* (2014 or final version)

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application is before February 1, 2015. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurements of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurements of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* (effective January 1, 2018)

IFRS 15 which was issued in May 2014 by the IASB 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 good or services to a customer. The principles on IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard in the required effective date once adopted locally.

- IFRS 16, *Leases* (effective January 1, 2019)

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces IAS 17, the current leases standard and the related Interpretations.



Under the new standard, lessees will no longer reclassify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and the related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with the term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standards carried forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

## Summary of Significant Accounting Policies

### Foreign Currency Translation

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

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

### Current versus Non-current Classification

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

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

All other assets are classified as non-current.

A liability is current when:

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



The Group classifies all other liabilities as non-current.

Deferred tax assets are classified as non-current assets.

#### 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 financial assets 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 include financial assets at FVPL and loans and receivables. As at December 31, 2015 and 2014, the Group has no HTM investments and AFS financial assets.

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, 2015 and 2014 are in 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 'Trading gains - 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, 2015 and 2014, the Group has no financial assets and financial liabilities that have been designated as at FVPL. As at December 31, 2015 and 2014, 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 receivables', '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 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 effective interest rate (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 effective interest 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 the Group's statutory liabilities).

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

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

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

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

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

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

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

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

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



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

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

#### Trade Receivables and Payables

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

#### Derecognition of Financial Instruments

##### *Financial Assets*

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

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

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

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.

#### *Financial Assets Carried at Amortized Cost*

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

If there is objective evidence that an impairment loss on 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 Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

Prepayments and Other Noncurrent Assets

The Group's prepayments are composed of prepaid insurance, prepaid taxes, prepaid rent 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 losses, if any. Such cost includes the cost of replacing part of such property and equipment, if the recognition criteria are met.

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

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

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

<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.

#### Software cost

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

#### 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 assessment of indefinite life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Parent Company does not intend to sell its exchange trading right in the near future. 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

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.



Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

#### Cash Dividend

The Group recognizes a liability to make cash distributions to equity holders of the parent when distribution is authorized and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized in equity.

#### 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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements except for its brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized:

#### *Commissions*

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

#### *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 rendered. 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 (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) (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 'Gain (loss) on remeasurement of retirement obligation' under equity.

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

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

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.

### Taxes

#### *Current Income Tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income.

#### *Deferred Income Tax*

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

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

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

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

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

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



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

*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.

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.

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### 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 PHP and



HK\$, respectively. PHP 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.

*Assessing 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. Details of financial assets at FVPL are disclosed in 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 Receivables 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, 2015 and 2014, the carrying amounts of trade receivables and other receivables and the allowance for credit losses on trade receivables and other receivables are disclosed in 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, 2015 and 2014. The net book values of property and equipment are disclosed in 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, 2015 and 2014.

No impairment loss was recognized in 2015 and 2014 for prepayments, property and equipment and other noncurrent assets.

As at December 31, 2015 and 2014, the Group has no allowance for impairment losses on prepayments, property and equipment and other noncurrent assets. The net book values of property and equipment and other noncurrent assets are disclosed in Notes 8 and 10, respectively.

*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, 2015 and 2014, the carrying values of intangibles are disclosed in 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 deferred income tax assets as at December 31, 2015 and 2014, are disclosed in 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 (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.

*Determining Retirement Obligation*

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

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

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

*Determining Fair Values of Financial Instruments*

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (Note 22).



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#### 4. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	<b>₱466,769,391</b>	₱576,094,610
Short-term cash investments	<b>6,026,830,704</b>	4,064,093,282
	<b>₱6,493,600,095</b>	₱4,640,187,892

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group's immediate cash requirements, and earn interest ranging from 0.69% to 3.00% per annum in 2015 and 2014 and from 1.07% to 2.38% in 2013. Interest income of the Group from cash in banks amounted to ₱110,436,251, ₱61,280,263 and ₱52,323,890 in 2015, 2014 and 2013, respectively (Note 14). The Parent Company has United States dollar (US\$)-denominated cash in banks amounting to US\$16,144 and US\$82,822 as at December 31, 2015 and 2014, respectively, while COLHK has United States dollar (US\$)-denominated cash in banks amounting to US\$39,260 and US\$195,285 as at December 31, 2015 and 2014, respectively.

In compliance with Securities Regulation Code (SRC) Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve bank accounts for its customers amounting to ₱6,194,973,419 and ₱4,252,919,947 as at December 31, 2015 and 2014, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at December 31, 2015 and 2014, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

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#### 5. Cash in a Segregated Account

COLHK receives and holds money deposited by clients in the conduct of the regulated activities of its ordinary business. These clients' monies are maintained with a licensed bank. The Group has classified the clients' monies under current assets in the consolidated 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, 2015 and 2014, cash in a segregated account for COLHK amounted to ₱255,596,013 and ₱154,129,025, respectively.

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#### 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.

In 2015, 2014 and 2013, realized trading gains from the sale of financial assets at FVPL amounted to ₱12,085,911, ₱2,379,294 and nil, respectively. While, unrealized net trading gain (loss) recognized from changes in the fair value of financial assets at FVPL booked under 'Trading gains - net' amounted to (₱1,233,669), ₱1,028,340 and nil, in 2015, 2014 and 2013, respectively.



Dividend income included under other revenues amounted to ₱20,932, ₱29,651 and ₱156,803 in 2015, 2014 and 2013, respectively.

Financial assets at FVPL as at December 31, 2015 and 2014 amounted to ₱1,673,427 and ₱9,375,564, respectively.

## 7. Trade Receivables and Other Receivables

	2015	2014
Trade receivables:		
Customers	<b>₱846,028,233</b>	₱1,413,525,241
Clearing house	<b>96,016,120</b>	13,076,269
Subscription receivables	<b>233,064</b>	168,552
Other brokers	<b>134,806,639</b>	15,064,050
	<b>1,077,084,056</b>	1,441,834,112
Less allowance for credit losses on receivables from customers	<b>1,274,357</b>	3,410,234
	<b>₱1,075,809,699</b>	₱1,438,423,878
Other receivables:		
Accrued interest	<b>₱6,874,758</b>	₱9,050,681
Advances to officers and employees (Note 18)	<b>372,055</b>	280,583
Others	<b>10,138,609</b>	11,759,044
	<b>17,385,422</b>	21,090,308
Less allowance for credit losses on other receivables	<b>8,960,245</b>	8,960,245
	<b>₱8,425,177</b>	₱12,130,063

As at December 31, 2015 and 2014, the Parent Company offered a credit line facility amounting to ₱5,118,001,000 and ₱5,296,333,000, respectively, to its customers who qualified for margin account. The outstanding balance of utilized margin is being charged an interest rate ranging from 1.00% to 1.50% per month. Interest income from customers amounted to ₱122,711,829, ₱154,105,490 and ₱156,796,015 in 2015, 2014 and 2013, respectively (Note 14).

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

	2015		2014	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Fully secured accounts:				
More than 250%	<b>₱341,152,360</b>	<b>₱2,908,670,462</b>	₱446,753,436	₱5,207,812,487
Between 200% and 250%	<b>70,434,578</b>	<b>157,862,011</b>	149,439,902	344,207,209
Between 150% and 200%	<b>243,478,049</b>	<b>437,812,936</b>	443,316,145	834,475,645
Between 100% to 150%	<b>106,850,738</b>	<b>115,301,775</b>	313,503,049	351,951,335
Less than 100%	<b>84,112,493</b>	<b>80,447,392</b>	60,510,622	53,627,648
Unsecured accounts	<b>15</b>	-	2,087	-
	<b>846,028,233</b>	<b>3,700,094,576</b>	1,413,525,241	6,792,074,324
Less allowance for credit losses on trade receivables from customers	<b>1,274,357</b>	-	3,410,234	-
	<b>₱844,753,876</b>	<b>₱3,700,094,576</b>	₱1,410,115,007	₱6,792,074,324

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral



falls below this level, customers may either deposit additional collateral or sell stock to cover 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, 2015 and 2014, ₱761,915,725 and ₱1,353,012,532, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at December 31, 2015 and 2014, were fully collected subsequently in January 2016 and 2015, respectively. These are noninterest-bearing and are collected on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

Receivables from other brokers pertain to client monies deposited to Interactive Brokers (IB) LLC through COLHK. In March 2014, COLHK opened an account with the said broker to enable retail customers to trade in other foreign markets.

Included in 'Others' account as at December 31, 2015 and 2014 are lodgment fees and advances to legal counsels and the amount of ₱8,960,245 representing additional corporate income tax paid under protest by the Parent Company for the taxable year 2009 which was fully provided with allowance for impairment losses. 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. On December 15, 2015, the CTA En Banc denied the Motion for Reconsideration filed by the Commissioner of Internal Revenue (CIR), effectively affirming the Decision of the Court of Tax Appeals Third Division ordering the CIR to issue a tax credit certificate in favor of the Parent Company in the amount of ₱8,960,245.

On January 27, 2016, the CIR filed a Motion for Extension of Time to File Petition for Review on Certiorari with the Supreme Court En Banc. The case is still pending with the Supreme Court En Banc as at March 1, 2016. Pending the outcome of the case, no reversal of allowance for impairment losses was made.



Movements in the allowance for credit losses follow:

	2015			2014		
	Customers	Others	Total	Customers	Others	Total
Balances at beginning of year	₱3,410,234	₱8,960,245	₱12,370,479	₱2,225,955	₱8,960,245	₱11,186,200
Provision for (recovery from) credit losses	(2,135,877)	–	(2,135,877)	1,184,279	–	1,184,279
Balances at end of year	₱1,274,357	₱8,960,245	₱10,234,602	₱3,410,234	₱8,960,245	₱12,370,479

Recovery from credit losses is lodged under ‘Others’ account in the consolidated statements of income.

## 8. Property and Equipment

	2015			
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
<b>Cost</b>				
At beginning of year	₱92,214,633	₱26,804,789	₱26,292,911	₱145,312,333
Additions	21,545,134	2,899,338	1,668,864	26,113,336
Disposals	(3,222,443)	(94,063)	–	(3,316,506)
Translation adjustments	403,837	512,024	48,204	964,065
At end of year	110,941,161	30,122,088	28,009,979	169,073,228
<b>Accumulated depreciation and amortization</b>				
At beginning of year	64,455,912	22,440,517	22,590,410	109,486,839
Depreciation and amortization	12,904,055	2,611,769	2,167,438	17,683,262
Disposals	(3,222,439)	(94,060)	–	(3,316,499)
Translation adjustments	403,610	499,400	48,204	951,214
At end of year	74,541,138	25,457,626	24,806,052	124,804,816
<b>Net book value</b>	<b>₱36,400,023</b>	<b>₱4,664,462</b>	<b>₱3,203,927</b>	<b>₱44,268,412</b>
	2014			
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
<b>Cost</b>				
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
<b>Accumulated depreciation and amortization</b>				
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
<b>Net book value</b>	<b>₱27,758,721</b>	<b>₱4,364,272</b>	<b>₱3,702,501</b>	<b>₱35,825,494</b>

As of December 31, 2015 and 2014, the cost of the Group’s fully depreciated property and equipment still in use amounted to ₱68,041,934 and ₱59,722,758, respectively. Disposal of property and equipment resulted in gain (loss) amounting to ₱1,069, (₱56,898) and nil in 2015, 2014 and 2013, respectively.



The depreciation and amortization were distributed as follows:

	2015	2014	2013
Cost of services	<b>₱154,548</b>	₱184,511	₱1,184,374
Operating expenses	<b>17,528,714</b>	15,046,813	14,534,422
	<b>₱17,683,262</b>	₱15,231,324	₱15,718,796

## 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, 2015 and 2014, the market value of the said exchange trading right amounted to ₱8,500,000.

### *Hong Kong Operations*

COLHK's exchange trading right, amounting to HK\$3,190,000, is carried at its cost net of accumulated impairment losses. The carrying value of the exchange trading right is reviewed annually to ensure that this does not exceed the recoverable amount, whether or not an indicator of impairment is present. The stock exchange trading right is a non-transferable right with an indefinite useful life. It is closely associated with COLHK's business activities to have a right to trade the shares in the HK Stock Exchange in its continuing operation. As at December 31, 2015 and 2014, the carrying value of COLHK exchange trading right in Philippine peso amounted to ₱19,413,383 and ₱18,338,991, 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 of 9.40%. 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 gross of allowance for impairment losses follow:

	2015	2014
At beginning of year	<b>₱23,338,991</b>	₱23,269,449
Translation adjustment	<b>1,074,392</b>	69,542
At end of year	<b>₱24,413,383</b>	₱23,338,991



**10. Other Noncurrent Assets**

	2015	2014
Deposit to CTGF	<b>₱13,724,200</b>	₱13,724,200
Refundable deposits:		
Rental deposits	<b>4,142,089</b>	2,621,174
Other refundable deposits	<b>2,976,766</b>	2,659,828
	<b>7,118,855</b>	5,281,002
Input VAT	<b>4,269,527</b>	3,300,367
	<b>25,112,582</b>	22,305,569
Less allowance for impairment losses on other noncurrent assets	<b>13,724,200</b>	13,724,200
	<b>₱11,388,382</b>	₱8,581,369

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 non-refundability 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, 2015 and 2014.

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**

	2015	2014
Customers	<b>₱6,479,279,657</b>	₱4,866,109,620
Clearing house	<b>59,868,655</b>	74,818,726
	<b>₱6,539,148,312</b>	₱4,940,928,346





	2015		2014	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	<b>₱6,479,279,657</b>	<b>₱38,259,806,585</b>	₱4,866,109,620	₱47,028,983,013
No money balances	-	<b>1,049,613,478</b>	-	1,578,211,158
	<b>₱6,479,279,657</b>	<b>₱39,309,420,063</b>	₱4,866,109,620	₱48,607,194,171

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

Payable to customers with money balances amounting to ₱255,596,013 and ₱154,129,025 as at December 31, 2015 and 2014, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of conduct of regulated activities. These balances are payable on demand (Note 5).

Trade payables to clearing house as at December 31, 2015 and 2014 were subsequently paid in January 2016 and 2015, 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

	2015	2014
Accrued expenses	<b>₱19,124,581</b>	₱22,914,409
Due to BIR	<b>16,085,261</b>	21,506,162
Accrued management bonus	<b>14,514,857</b>	17,342,782
Trading fees	<b>1,653,463</b>	2,499,072
Others	<b>7,648,295</b>	7,574,268
	<b>₱59,026,457</b>	₱71,836,693

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

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

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

'Others' account consist mainly of deposits of clients which were received after the cut-off time for the processing of collections and which were credited to the clients' trading accounts on the next business day following the end of the reporting period.



### 13. Equity

#### Capital Stock

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

	2015		2014		2013	
	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	474,550	474,550	468,650	468,650	467,810	467,810
Issuance of common shares upon exercise of stock options (Note 16)	450	450	5,900	5,900	840	840
Balances at end of year	475,000	₱475,000	474,550	₱474,550	468,650	₱468,650

#### 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.

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.

On March 30, 2015, the BOD declared a regular and a special dividend amounting to ₱0.10 per share held or ₱47,455,000 (474,550,000 shares multiplied by ₱0.10 cash dividend per share) and ₱0.40 per share held or ₱189,820,000 (474,550,000 shares multiplied by ₱0.40 cash dividend per share), respectively, to stockholders as of record date of April 16, 2015. These dividends were paid on May 6, 2015.

### 14. Interest Income

	2015	2014	2013
Customers (Note 7)	₱122,711,829	₱154,105,490	₱156,796,015
Banks (Note 4)	110,436,251	61,280,263	52,323,890
Others	16,329	—	—
	₱233,164,409	₱215,385,753	₱209,119,905

Interest income consists of interest earned from margin accounts and bank placements.



## 15. Personnel Costs

	2015	2014	2013
Salaries and wages	<b>₱85,526,022</b>	₱82,432,482	₱82,448,387
Retirement costs (Note 16)	<b>4,356,919</b>	4,487,206	4,235,529
Other benefits (Note 16)	<b>7,204,430</b>	6,536,142	5,597,155
	<b>₱97,087,371</b>	₱93,455,830	₱92,281,071

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

The above accounts were distributed as follows:

	2015	2014	2013
Cost of services	<b>₱64,928,766</b>	₱63,239,706	₱65,446,518
Operating expenses	<b>32,158,605</b>	30,216,124	26,834,553
	<b>₱97,087,371</b>	₱93,455,830	₱92,281,071

## 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 2015, 2014 and 2013.

There have been no cancellations or modifications to the plan in 2015, 2014 and 2013.

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

### 1st Tranche

	2015	2014	2013
Outstanding at beginning of year	<b>1,450,000</b>	1,850,000	2,690,000
Exercised during the year (see Note 13)	<b>(450,000)</b>	(400,000)	(840,000)
Outstanding at end of year	<b>1,000,000</b>	1,450,000	1,850,000

*These stock options have not been recognized in accordance with PFRS 2, Share-Based Payment, as these options were granted 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
Outstanding at beginning of year	5,500,000	5,500,000
Exercised during the year (Note 13)	(5,500,000)	–
Outstanding at end of year	–	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 1.5 years, 2.5 years and 3.5 years as at December 31, 2015, 2014 and 2013, 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 3, 2006 amounted to ₱1.04 per share.

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:

	2015	2014	2013
Balances at beginning of year	₱5,499,602	₱29,767,551	₱33,263,658
Movement on deferred tax asset on intrinsic value of outstanding options	(1,468,031)	(19,977,949)	(4,068,107)
Cost of share-based payment recognized as capital in excess of par value	-	(5,720,000)	-
Stock option expense (Note 18)	-	1,430,000	572,000
Movements during the year	(1,468,031)	(24,267,949)	(3,496,107)
Balances at end of year	₱4,031,571	₱5,499,602	₱29,767,551

#### 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, 2015, 2014 and 2013.

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



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

Retirement costs consist of:

	2015	2014	2013
Current service cost (Note 15)	<b>₱4,356,919</b>	₱4,487,206	₱4,235,529
Net interest expense	<b>1,296,864</b>	1,574,391	1,433,064
	<b>₱5,653,783</b>	₱6,061,597	₱5,668,593

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

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

	2015	2014
Retirement obligation at beginning of year	<b>₱28,192,690</b>	₱27,620,893
Retirement costs	<b>5,653,783</b>	6,061,597
Contributions	<b>(8,190,778)</b>	-
Net actuarial gains (losses)	<b>622,019</b>	(5,489,800)
	<b>₱26,277,714</b>	₱28,192,690

Retirement obligation is the net of the present value (PV) of retirement obligation and fair value of plan assets computed as follows:

	2015	2014
PV of defined benefit obligation	<b>₱40,298,424</b>	₱34,875,040
Fair value of plan assets	<b>(14,020,710)</b>	(6,682,350)
	<b>₱26,277,714</b>	₱28,192,690

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

	2015	2014
Opening PV of defined benefit obligation	<b>₱34,875,040</b>	₱34,399,721
Current service cost	<b>4,356,919</b>	4,487,206
Interest cost	<b>1,604,252</b>	1,960,784
Remeasurement losses (gains) on:		
Financial assumptions	<b>(1,810,843)</b>	(3,146,102)
Experience adjustments	<b>2,209,909</b>	(2,564,444)
Benefits paid	<b>(936,853)</b>	(262,125)
	<b>₱40,298,424</b>	₱34,875,040



Changes in the fair value of plan assets follow:

	2015	2014
Balances at beginning of year	₱6,682,350	₱6,778,828
Expected interest income	307,388	386,393
Contributions	8,190,778	-
Benefits paid	(936,853)	(262,125)
Remeasurement loss on plan assets	(222,953)	(220,746)
	<b>₱14,020,710</b>	<b>₱6,682,350</b>

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

	2015	2014
Investment in unit investment trust funds (UITF)	99.98%	99.97%
Cash in bank	0.02%	0.03%
	<b>100.00%</b>	<b>100.00%</b>

The plan assets is exposed to concentration risk since 99.98% of its plan assets is investment in UITF. The maximum exposure is equal to the carrying value of the investment in UITF.

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

	2015	2014
Discount rate	4.60%	5.70%
Future salary increases	5.00%	5.00%
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, 2015 and 2014 assuming all other assumptions were held constant.

	2015	
	Increase (decrease) in significant assumptions	Increase (decrease) in defined benefit obligation
Discount rates	+0.50%	(₱2,087,030)
	-0.50%	2,284,683
Future salary increases	+0.50%	2,102,899
	-0.50%	(1,940,960)
Mortality rate	+1 year	(114,266)
	-1 year	119,419



	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

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 99.98% investment in UITF and 0.02% regular savings account as at December 31, 2015.

The Parent Company has no funding policies. As at March 1, 2016, the Parent Company has not yet reasonably determined the amount of the 2016 contributions to the retirement plan.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2015 and 2014:

	2015	2014
Zero (0) to five (5) years	<b>₱13,043,528</b>	₱11,001,133
Six (6) to ten (10) years	<b>24,321,660</b>	23,079,703
Beyond ten (10) years	<b>243,802,333</b>	198,830,191
	<b>₱281,167,521</b>	₱232,911,027

COLHK makes monthly contribution to a fund under the mandatory provident fund schemes ordinance enacted by the HK Government. The plan is a defined contribution retirement plan. Under the plan, COLHK should contribute five percent (5%) of the monthly relevant income of all its qualified employees. The contribution recognized as 'Other benefits' under 'Personnel costs' amounted to ₱315,685, ₱315,341 and ₱277,402 in 2015, 2014 and 2013, respectively.

## 17. Income Taxes

### Current Income Taxes

The breakdown of provision for current income tax is as follows:

	2015	2014	2013
Regular corporate income tax	<b>₱82,823,973</b>	₱84,630,826	₱88,160,210
Final income tax	<b>22,086,975</b>	12,255,530	10,464,636
	<b>₱104,910,948</b>	₱96,886,356	₱98,624,846



Deferred Income Taxes

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

	2015	2014
Unused tax losses of COLHK	<b>₱20,697,886</b>	₱12,766,933
Retirement obligation	<b>7,883,314</b>	8,457,807
Cost of share-based payment	<b>4,031,571</b>	5,499,602
Accumulated translation adjustment	<b>2,246,511</b>	9,349,262
Allowance for credit losses on trade receivables from customers	<b>382,307</b>	1,023,070
Unamortized past service cost	<b>265,531</b>	350,334
Unrealized trading loss (gain)	<b>60,590</b>	(309,511)
Unrealized foreign exchange loss (gain)	<b>(9,067)</b>	7,869
	<b>₱35,558,643</b>	₱37,145,366

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

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, 2015 and 2014, for which no deferred tax asset was recognized since management believes that it is probable that these temporary difference will not be realized in the future (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:

	2015	2014	2013
Income tax at statutory income tax rate	<b>₱108,543,608</b>	₱105,971,878	₱118,934,264
Additions to (reductions in) income tax resulting from:			
Interest income subjected to final tax	<b>(11,043,878)</b>	(6,128,178)	(5,232,531)
Effect of lower income tax rate in HK 40% OSD	<b>5,666,508</b>	4,016,476	3,455,581
Non-taxable income	<b>(6,279)</b>	(8,736)	(111)
Exercise of stock option	-	(5,821,200)	-
Others	<b>909,426</b>	(332,039)	(1,851,850)
Provision for income tax	<b>₱99,118,685</b>	₱90,972,532	₱92,857,655

In 2015, 2014 and 2013, the Parent Company availed of the OSD method in claiming its deductions.

Deficiency Taxes

In 2015, the Parent Company received and settled tax assessment from the BIR amounting to ₱23,676,425 (included in 'Taxes and licenses' account) for deficiency income tax arising from disallowed cost of services and withholding taxes for the calendar year 2011, including interest and miscellaneous charges.





## 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 and other receivables	Terms	Conditions
<b>Key management personnel</b>								
<b>2015</b>	<b>₱1,824,079</b>	<b>₱728,588</b>	<b>₱-</b>	<b>₱-</b>	<b>₱76,796,152</b>	<b>₱9,706,066</b>	3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing	Secured; not guaranteed
2014	2,095,582	492,225	-	-	15,617,120	45,389,054		
2013	4,087,083	3,543,170	-	-	51,109,892	6,378,345		
<b>Other related parties:</b>								
<b>Companies with common officers, directors and stockholders</b>								
<b>2015</b>	<b>₱6,173,808</b>	<b>₱1,605,200</b>	<b>₱3,050</b>	<b>₱4,259,406</b>	<b>₱28,000,372</b>	<b>₱-</b>	3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing/ Payable upon billing; noninterest-bearing	Secured; not guaranteed
2014	22,470,606	3,834,492	9,440	4,155,700	1,909,816	36,772,900		
2013	29,858,696	1,390,621	279,710	4,516,537	18,464,495	7,560,697		
<b>Directors, officers and employees</b>								
<b>2015</b>	<b>₱19,731,125</b>	<b>₱361,183</b>	<b>₱-</b>	<b>₱-</b>	<b>₱26,717,466</b>	<b>₱372,055</b>	3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing	Secured; not guaranteed
2014	16,491,004	8,534	-	-	107,035,196	280,583		
2013	20,017,639	25,098	-	-	41,210,586	19,710,226		



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

	2015	2014	2013
Short-term employee benefits			
Personnel costs	<b>₱37,538,691</b>	₱41,572,579	₱42,471,096
Management bonus	<b>13,759,639</b>	13,586,282	16,715,797
Retirement costs (Note 16)	<b>2,160,229</b>	2,007,247	1,896,639
Stock options (Note 16)	-	1,430,000	572,000
	<b>₱53,458,559</b>	₱58,596,108	₱61,655,532

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

As at December 31, 2015 and 2014, the carrying amount and the fair value of the retirement plan assets amounted to ₱14,020,710 and ₱6,682,350, respectively (Note 16).

In 2015, the Parent Company made a contribution to the retirement fund amounting to ₱8,190,778. In 2014 and 2013, there were no transactions between the retirement fund and the Parent Company.

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## 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 ₱13,610,309, ₱11,597,494 and ₱10,820,260 in 2015, 2014 and 2013, respectively.

The future minimum lease payments are as follows:

	2015	2014
Within one (1) year	<b>₱10,727,828</b>	₱12,011,340
After one (1) year but not more than five (5) years	<b>4,239,631</b>	9,242,871
	<b>₱14,967,459</b>	₱21,254,211

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## 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, 2015, 2014 and 2013.

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, 2015 and 2014, the Parent Company is compliant with the foregoing requirements.

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

The RBCA ratio of the Parent Company as at December 31, 2015 and 2014 are as follows:

	2015	2014
Equity eligible for NLC	<b>₱1,029,597,528</b>	₱967,578,520
Less ineligible assets	<b>197,401,134</b>	192,360,547
NLC	<b>₱832,196,394</b>	₱775,217,973
Position risk	<b>₱956,579</b>	₱3,549,916
Operational risk	<b>139,461,571</b>	130,743,519
Counterparty risk	<b>15</b>	-
Total Risk Capital Requirement (TRCR)	<b>₱140,418,165</b>	₱134,293,435
AI	<b>₱6,178,490,687</b>	₱4,864,850,475
5.00% of AI	<b>₱308,924,534</b>	₱243,242,524
Required NLC	<b>308,924,534</b>	243,242,524
Net Risk-Based Capital Excess	<b>₱523,271,860</b>	₱531,975,449
Ratio of AI to NLC	<b>742.00%</b>	628.00%
RBCA ratio (NLC/TRCR)	<b>593.00%</b>	577.00%

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 2015 and 2014, 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 (Note 13).

The Parent Company's regulated operations have complied with all externally-imposed capital requirements as at December 31, 2015 and 2014.

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, 2015 and 2014, COLHK is compliant with the said requirement.

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

*Aging Analyses of Financial Assets*

The aging analyses of the Group's financial assets as at December 31, 2015 and 2014 are summarized in the following tables:

	2015					Total
	Neither past due nor impaired	Past due but not impaired			Impaired	
		4-14 days	15-31 days	More than 31 days		
<b>Loans and receivables:</b>						
Cash and cash equivalents*	₱6,493,556,838	₱-	₱-	₱-	₱-	₱6,493,556,838
Cash in segregated account	255,596,013	-	-	-	-	255,596,013
Trade receivables	281,162,220	63,717,839	60,878,758	671,325,239	-	1,077,084,056
Other receivables	8,425,177	-	-	-	8,960,245	17,385,422
Refundable deposits	7,118,855	-	-	-	-	7,118,855
Financial assets at FVPL	1,673,427	-	-	-	-	1,673,427
	<b>₱7,047,532,530</b>	<b>₱63,717,839</b>	<b>₱60,878,758</b>	<b>₱671,325,239</b>	<b>₱8,960,245</b>	<b>₱7,852,414,611</b>

\*Excluding cash on hand

	2014					Total
	Neither past due nor impaired	Past due but not impaired			Impaired	
		4-14 days	15-31 days	More than 31 days		
<b>Loans and receivables:</b>						
Cash and cash equivalents*	₱4,640,150,645	₱-	₱-	₱-	₱-	₱4,640,150,645
Cash in segregated account	154,129,025	-	-	-	-	154,129,025
Trade receivables	356,743,660	157,439,815	267,199,738	660,450,899	-	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
	<b>₱5,177,809,959</b>	<b>₱157,439,815</b>	<b>₱267,199,738</b>	<b>₱660,450,899</b>	<b>₱8,960,245</b>	<b>₱6,271,860,656</b>

\*Excluding cash on hand



Past due accounts pertain to margin accounts of the Parent Company earning interest ranging from 12% to 18%. The account has no due date and becomes demandable only when equity percentage of the customers falls below 33.33%.

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

	2015			
	<u>Neither Past Due nor Specifically Impaired</u>			Total
	High Grade	Standard Grade	Individually Impaired	
Loans and receivables:				
Cash and cash equivalents*	₱6,493,556,838	₱-	₱-	₱6,493,556,838
Cash in a segregated account	255,596,013	-	-	255,596,013
Trade receivables	1,013,366,217	63,717,839	-	1,077,084,056
Other receivables	-	8,425,177	8,960,245	17,385,422
Refundable deposits	7,118,855	-	-	7,118,855
	<b>7,769,637,923</b>	<b>72,143,016</b>	<b>8,960,245</b>	<b>7,850,741,184</b>
Financial assets at FVPL	1,673,427	-	-	1,673,427
	<b>₱7,771,311,350</b>	<b>₱72,143,016</b>	<b>₱8,960,245</b>	<b>₱7,852,414,611</b>

\*Excluding cash on hand

	2014			
	<u>Neither Past Due nor Specifically Impaired</u>			Total
	High Grade	Standard Grade	Individually Impaired	
Loans and receivables:				
Cash and cash equivalents*	₱4,640,150,645	₱-	₱-	₱4,640,150,645
Cash in a segregated account	154,129,025	-	-	154,129,025
Trade receivables	1,287,746,965	154,087,147	-	1,441,834,112
Other receivables	-	12,130,063	8,960,245	21,090,308
Refundable deposits	5,281,002	-	-	5,281,002
	<b>6,087,307,637</b>	<b>166,217,210</b>	<b>8,960,245</b>	<b>6,262,485,092</b>
Financial assets at FVPL	9,375,564	-	-	9,375,564
	<b>₱6,096,683,201</b>	<b>₱166,217,210</b>	<b>₱8,960,245</b>	<b>₱6,271,860,656</b>

\*Excluding cash on hand

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, 2015 and 2014, ₱846,028,218 and ₱1,413,523,154 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 ₱3,700,094,576 and ₱6,792,074,324, respectively (Note 7). Transactions through the stock exchange are covered by the guarantee fund contributed by member brokers and maintained by the clearing house.

Refundable deposits under other noncurrent assets is classified as high grade 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, 2015 and 2014, 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:

	2015	2014
Cash and cash equivalents (Note 4)*	<b>₱6,493,556,838</b>	₱4,640,150,645
Cash in a segregated account (Note 5)	<b>255,596,013</b>	154,129,025
Financial assets at FVPL (Note 6)	<b>1,673,427</b>	9,375,564
Trade receivables (Note 7)	<b>1,075,809,699</b>	1,438,423,878
Other receivables (Note 7)	<b>8,425,177</b>	12,130,063
Refundable deposits (Note 10)	<b>7,118,855</b>	5,281,002
	<b>7,842,180,009</b>	6,259,490,177
Unutilized margin trading facility	<b>4,478,456,061</b>	4,280,085,476
	<b>₱12,320,636,070</b>	₱10,539,575,653

\*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, 2015 and 2014, 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, 2015 and 2014 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 and in mutual fund shares. 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 2015 and 2014 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\$55,404 and US\$278,107 as at December 31, 2015 and 2014, respectively (Note 4).

Since the amount of US\$-denominated cash in bank subject to foreign currency risk is immaterial relative to the consolidated financial statements, management believes that disclosure of foreign currency risk analysis for 2015 and 2014 is not significant.





Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7 require the Group to disclose information about rights to offset related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar agreements. The effects of these arrangements are disclosed in the succeeding tables:

December 31, 2015							
Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statements of Financial Position [a-b]	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		Net Exposure	
				Financial Instruments [d]	Fair Value of Financial Collateral [e] = [c-d]		
	[a]	[b]	[c]	[d]	[e]		
<b>Financial Assets</b>							
Receivable from customers	₱846,028,233	₱-	₱846,028,233	₱10,223,347	₱-	₱835,804,886	
Receivable from clearing house	96,016,120	-	96,016,120	58,684,378	-	37,331,742	
	<b>₱942,044,353</b>	<b>₱-</b>	<b>₱942,044,353</b>	<b>₱68,907,725</b>	<b>₱-</b>	<b>₱873,136,628</b>	
<b>Financial Liabilities</b>							
Payable to customers	₱6,479,279,657	₱-	₱6,479,279,657	₱10,223,347	₱-	₱6,469,056,310	
Payable to clearing house	59,868,655	-	59,868,655	58,684,378	-	1,184,277	
	<b>₱6,539,148,312</b>	<b>₱-</b>	<b>₱6,539,148,312</b>	<b>₱68,907,725</b>	<b>₱-</b>	<b>₱6,470,240,587</b>	
December 31, 2014							
Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statements of Financial Position [a-b]	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		Net Exposure	
				Financial Instruments [d]	Fair Value of Financial Collateral [e] = [c-d]		
	[a]	[b]	[c]	[d]	[e]		
<b>Financial Assets</b>							
Receivable from customers	₱1,413,525,241	₱-	₱1,413,525,241	₱13,002,579	₱-	₱1,400,522,662	
Receivable from clearing house	13,076,269	-	13,076,269	11,954,204	-	1,122,065	
	<b>₱1,426,601,510</b>	<b>₱-</b>	<b>₱1,426,601,510</b>	<b>₱24,956,783</b>	<b>₱-</b>	<b>₱1,401,644,727</b>	
<b>Financial Liabilities</b>							
Payable to customers	₱4,866,109,620	₱-	₱4,866,109,620	₱13,002,579	₱-	₱4,853,107,041	
Payable to clearing house	74,818,726	-	74,818,726	11,954,204	-	62,864,522	
	<b>₱4,940,928,346</b>	<b>₱-</b>	<b>₱4,940,928,346</b>	<b>₱24,956,783</b>	<b>₱-</b>	<b>₱4,915,971,563</b>	

**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, 2015 and 2014:

	Carrying Values		Fair Values	
	2015	2014	2015	2014
<b>Financial Assets</b>				
Loans and receivables:				
Refundable deposits	<b>₱7,118,855</b>	₱5,281,002	<b>₱6,200,755</b>	₱4,483,853

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, 2015 and 2014. Fair value of financial assets at FVPL is based on the closing quoted prices of stock investments published by the PSE and the mutual fund providers, respectively.

*Refundable Deposits*

The fair value of the refundable deposits is based on the present value of the future cash flows discounted using credit adjusted risk-free rates for a similar type of instrument using 2.80% and 3.33% as at December 31, 2015 and 2014, respectively. There are no changes in the valuation techniques in 2015 and 2014.

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:

	2015		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	P1,673,427	P-	P-
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	-	-	6,200,755
	2014		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	P9,375,564	P-	P-
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	-	-	4,483,853

During the years ended December 31, 2015 and 2014, there were no transfers among levels 1, 2 and 3 of fair value measurements.

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**23. Contingency**

As discussed in Note 7, on April 21, 2014, a Decision in favor of the Group was issued by the Court of Tax Appeals (CTA) granting the Group's Petition for the refund and/or issuance of tax credit certificate (TCC) in the amount of P8,960,245. On May 8, 2014, the 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. On December 15, 2015, the CTA En Banc denied the Motion for Reconsideration filed by the CIR, effectively affirming the Decision of the CTA Third Division ordering the Commissioner of Internal Revenue (CIR) to issue a TCC in favor of the Parent Company in the amount of P8,960,245.

On January 27, 2016, the CIR filed a Motion for Extension of Time to File Petition for Review on Certiorari with the Supreme Court En Banc. The case is still pending with the CTA En Banc as at March 1, 2016.



## 24. EPS Computation

	2015	2014	2013
Net income attributable to equity holders of the Parent Company	<b>₱262,693,342</b>	₱262,267,060	₱303,589,893
Weighted average number of shares for basic earnings per share	<b>474,712,500</b>	468,750,000	468,440,000
Dilutive shares arising from stock options	<b>1,204,904</b>	6,799,241	7,152,804
Adjusted weighted average number of common shares for diluted earnings per share	<b>475,917,404</b>	475,549,241	475,592,804
Basic EPS	<b>₱0.55</b>	₱0.56	₱0.65
Diluted EPS	<b>₱0.55</b>	₱0.55	₱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:

	2015			Total
	Philippines	Hong Kong	Elimination	
Revenue from external customers:				
Commissions	₱456,763,490	₱30,119,942	₱-	₱486,883,432
Interest	233,164,336	73	-	233,164,409
Others	16,222,006	767,745	-	16,989,751
Inter-segment revenue	45,923,814	-	(45,923,814)	-
Segment revenue	752,073,646	30,887,760	(45,923,814)	737,037,592
Cost of services	(180,581,144)	(16,072,670)	-	(196,653,814)
Operating expenses	(150,058,761)	(56,752,790)	45,768,514	(161,043,037)
Depreciation and amortization	(17,492,178)	(36,536)	-	(17,528,714)
Income (loss) before income tax	403,941,562	(41,974,236)	(155,300)	361,812,027
Benefit from (provision for) income tax	(106,044,448)	6,925,763	-	(99,118,685)
Net income (loss)	<b>₱297,897,114</b>	<b>(35,048,473)</b>	<b>(155,300)</b>	<b>₱262,693,342</b>
Segment assets	₱7,411,524,095	₱680,109,210	(₱138,802,287)	7,952,831,018
Segment liabilities	6,374,148,517	265,647,180	(3,955,697)	6,635,840,000
Capital expenditures:				
Tangible fixed assets	25,626,480	486,856	-	26,113,336
Cash flows arising from:				
Operating activities	2,257,704,153	(141,354,690)	-	2,116,349,463
Investing activities	(25,625,404)	(486,856)	-	(26,112,260)
Financing activities	(236,825,000)	-	-	(236,825,000)



2014				
	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱464,636,005	₱38,754,036	₱-	₱503,390,041
Interest	215,384,518	1,235	-	215,385,753
Others	4,667,387	327,907	-	4,995,294
Inter-segment revenue	44,717,507	-	(44,717,507)	-
Segment revenue	729,405,417	39,083,178	(44,717,507)	723,771,088
Cost of services	(177,415,221)	(16,472,809)	-	(193,888,030)
Operating expenses	(150,736,281)	(55,514,540)	44,654,168	(161,596,653)
Depreciation and amortization	(14,913,322)	(133,491)	-	(15,046,813)
Income (loss) before income tax	386,340,593	(33,037,662)	(63,339)	353,239,592
Benefit from (provision for) income tax	(96,408,776)	5,436,244	-	(90,972,532)
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	(12,046,372)	(85,475)	-	(12,131,847)
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	209,119,905	-	-	209,119,905
Others	1,679,451	104,238	-	1,783,689
Inter-segment revenue	42,891,145	-	(42,891,145)	-
Segment revenue	749,745,062	44,571,324	(42,891,145)	751,425,241
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	422,280,312	(25,596,892)	(235,872)	396,447,548
Benefit from (provision for) income tax	(97,198,365)	4,340,710	-	(92,857,655)
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 Philippine Standards on Auditing, the consolidated financial statements of COL Financial Group, Inc. and Subsidiary (the Group) as at December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated March 1, 2016. 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.

  
Janeth T. Nuñez-Javier

Partner

CPA Certificate No. 111092

SEC Accreditation No. 1328-A (Group A),

July 1, 2013, valid until June 30, 2016

Tax Identification No. 900-322-673

BIR Accreditation No. 08-001998-69-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5321671, January 4, 2016, Makati City

March 1, 2016



**COL FINANCIAL GROUP, INC. AND SUBSIDIARY  
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**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



**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, 2015**

<b><u>Unappropriated Retained Earnings, beginning</u></b>		<b>₱273,832,722</b>
<b>Adjustments</b>		<b>—</b>
<b><u>Unappropriated Retained Earnings, as adjusted, beginning</u></b>		<b>273,832,722</b>
<b><u>Net income during the period closed to retained earnings (Parent)*</u></b>	<b>297,897,114</b>	
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	<b>1,133,499</b>	
Subtotal	<b>299,030,613</b>	
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	<b>—</b>	
<b><u>Net Income Actual/Realized</u></b>	<b>299,030,613</b>	<b>299,030,613</b>
Add (Less):		
Dividend declarations during the period	<b>(237,275,000)</b>	
Appropriations of retained earnings based on 10% of December 31, 2015 audited net income**	<b>(29,789,711)</b>	
Reversals of appropriations	—	
Effects of prior period adjustments	—	
Treasury shares	—	
Subtotal	<b>(267,064,711)</b>	<b>(267,064,711)</b>
<b><u>Unappropriated Retained Earnings, as adjusted, ending</u></b>		<b>305,798,624</b>

\* Consolidated net income of ₱262,693,342 net of ₱35,048,473 COLHK net loss and ₱155,300 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 (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, 2015**

**List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2015:**

PFRS		Adopted	Not adopted	Not applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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			✓
<b>PFRS 2</b>	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓





PFRS		Adopted	Not adopted	Not applicable
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	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	Not early adopted		
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
<b>PFRS 10, PFRS 12 and PAS 27</b>	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	Not early adopted		
<b>PFRS 11</b>	Joint Arrangements			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities			✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
<b>PAS 1 (Revised)</b>	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	✓		
<b>PAS 2</b>	Inventories			✓



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



PFRS		Adopted	Not adopted	Not applicable
<b>PAS 32</b>	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	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓
<b>PAS 36</b>	Impairment of Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
<b>PAS 39</b>	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			✓
<b>PAS 40</b>	Investment Property			✓
<b>PAS 41</b>	Agriculture			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓



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



PFRS		Adopted	Not adopted	Not applicable
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	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, 2015**

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

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

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
COLHK	3,736,756	45,923,814	45,704,873	–	–	–	3,955,697

**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	18,338,991	–	–	1,074,392	–	19,413,383
	23,338,991	–	–	1,074,392	–	24,413,383

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**

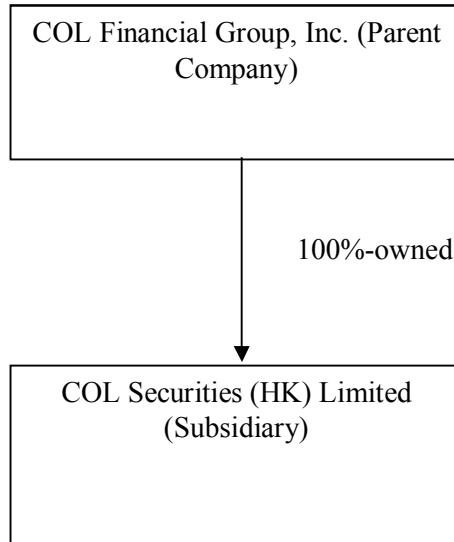
Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
None	N/A	N/A	N/A	N/A

**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	475,000	1,000	-	292,050	182,950



**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, 2015**





**SCHEDULE V**  
**COL FINANCIAL GROUP, INC. AND SUBSIDIARY**  
**SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2015**

	2015	2014
Profitability ratios:		
Return on assets	3%	4%
Return on equity	20%	20%
Net profit margin	36%	36%
Solvency and liquidity ratios:		
Current ratio	1.19:1	1.24:1
Debt to equity ratio	5.11:1	3.94:1
Quick ratio	1.19:1	1.24:1
Asset to equity ratio	6.13:1	4.93:1
Other relevant ratios:		
RBCA ratio	593%	577%
Ratio of AI to NLC	742%	628%



SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year 2015
  
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

## TABLE OF CONTENTS

A. BOARD MATTERS .....	4
1) Board of Directors.....	4
(a) Composition of the Board .....	4
(b) Corporate Governance Policy .....	5
(c) Review and Approval of Vision Mission .....	5
(d) Directorship in Other Companies .....	5
(e) Shareholding in the Company.....	6
2) Chairman and CEO .....	7
3) Succession Planning.....	8
4) Other Executive, Non-Executive and Independent Directors.....	8
5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors).....	11
6) Orientation and Education Program.....	15
B. CODE OF BUSINESS CONDUCT & ETHICS.....	16
1) Policies .....	16
2) Dissemination of Code.....	17
3) Compliance with Code.....	18
4) Related Party Transactions .....	18
(a) Policies and Procedures .....	18
(b) Conflict of Interest .....	18
5) Family, Commercial and Contractual Relations.....	19
6) Alternative Dispute Resolution.....	19
C. BOARD MEETINGS & ATTENDANCE.....	20
1) Schedule of meetings .....	20
2) ATTENDANCE OF DIRECTORS.....	20
3) Separate Meeting of Non-Executive Directors .....	20
4) Quorum Requirement .....	20
5) Access to Information.....	20
6) External Advice .....	21
7) CHANGE/S IN EXISTING POLICIES .....	22
D. REMUNERATION MATTERS .....	22
1) Remuneration Process.....	22
2) Remuneration Policy and Structure for Executive and Non-Executive Directors.....	22
3) AGGREGATE REMUNERATION .....	23
4) Stock Rights, Options and Warrants.....	23
5) Remuneration of Management .....	24
E. BOARD COMMITTEES .....	24
1) Number of Members, Functions and Responsibilities.....	24
2) Committee Members.....	25
3) Changes in Committee Members .....	27
4) WORK DONE and Issues Addressed.....	28
5) Committee Program .....	28
F. RISK MANAGEMENT SYSTEM .....	28
1) Statement of Effectiveness of Risk Management System .....	28
2) Risk Policy .....	29
3) Control System Set Up.....	32

G. INTERNAL AUDIT AND CONTROL .....	32
1) Statement on Effectiveness of Internal Control System .....	32
2) Internal Audit.....	33
(a) Role, Scope and Internal Audit Function .....	33
(b) Appointment/Removal of Internal Auditor .....	33
(c) Reporting Relationship with the Audit Committee.....	34
(d) Resignation, Re-assignment, and Reasons.....	34
(e) Progress against Plans, Issues, Findings and Examination Trends .....	34
(f) Audit Control Policies and Procedures.....	34
(g) Mechanism and Safeguards .....	34
(h) Officers to Attest to Company’s Compliance .....	35
H. ROLE OF STAKEHOLDERS .....	35
I. DISCLOSURE AND TRANSPARENCY .....	37
J. RIGHTS OF STOCKHOLDERS .....	39
1) Right to participate effectively in and vote in Annual/Special Stockholders’ Meetings.....	39
2) Treatment of Minority Stockholders .....	44
K. INVESTORS RELATIONS PROGRAM .....	44
L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES .....	45
M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....	45
N. INTERNAL BREACHES AND SANCTIONS .....	46

## A. BOARD MATTERS

### 1) BOARD OF DIRECTORS

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
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#### (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) <sup>1</sup>	Elected when (Annual/Special Meeting)	No. of years served as director
Bate, Conrado F.	ED	n/a	Conrado F. Bate	03/31/04	03/30/15	Annual	12
Estacion, Manuel S.	ID	n/a	Conrado F. Bate – no relationship	03/30/01	03/30/15 4 years	Annual	15
Han, Paulwell	NED	n/a	Conrado F. Bate	03/30/10	03/30/15	Annual	5
Khoo Boo Boon	ID	n/a	Conrado F. Bate – no relationship	03/30/01	03/30/15 4 years	Annual	15
Lee, Edward K.	NED	n/a	Conrado F. Bate	03/20/00	03/30/15	Annual	16
Lim, Hernan G.	NED	n/a	Conrado F. Bate	03/10/06	03/30/15	Annual	10
Litman, Joel A.	NED	n/a	Conrado F. Bate	03/30/12	03/30/15	Annual	4
Ong, Catherine L.	ED	n/a	Conrado F. Bate	03/20/00	03/30/15	Annual	16
Yu, Alexander C.	NED	n/a	Conrado F. Bate	03/20/00	03/30/15	Annual	16
Yu, Raymond C.	NED	n/a	Conrado F. Bate	03/10/06	03/30/15	Annual	10
Yu, Wellington C.	NED	n/a	Conrado F. Bate	03/30/01	03/30/15	Annual	15

<sup>1</sup> 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 Group<sup>2</sup>*

*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:*

<b>Director’s Name</b>	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman</b>
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:*

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

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

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates, and joint ventures of the Company

(iii) Relationship within the Company and its Group

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
<b>Executive Director</b>	"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
<b>Non-Executive Director</b>		
<b>CEO</b>		

(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.	410,000	190,000		-	-	0.13%
Han, Paulwell	100,000	35,720,000		-	-	7.54%
Khoo Boo Boon	1,000	24,800		-	-	0.01%
Lee, Edward K.	62,250,000	27,434,500	Lydia C. Lee Edmund C. Lee Ellee & Co., Inc.	1,000,000 - -	3,964,000 2,040,000 1,021,700	20.57%
Lim, Hernan G.	100,000	15,872,800	Doris Lim	-	3,488,800	4.20%

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	Nicole Ann Lim	-	500,000	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	46,411,800		-	-	13.98%
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.	260,000	326,900				0.12%
<b>TOTAL</b>	<b>83,272,100</b>	<b>175,725,400</b>		<b>1,000,000</b>	<b>21,267,900</b>	<b>59.21%</b>

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"> <li>• Preside at the meetings of directors and the shareholders (Art. IV, Sec 2., By-laws);</li> <li>• Ensure that the meetings of the Board are held in accordance with</li> </ul>	<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"> <li>• Preside at the meetings of the Board of Directors and shareholders in the absence of the Chairman and Vice-Chairman;</li> <li>• 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</li> </ul>



	<b>Chairman</b>	<b>Chief Executive Officer</b>
Accountabilities	<p>the by-laws or as the Chair may deem necessary (Part III, C, Corporate Governance Manual);</p> <ul style="list-style-type: none"> <li>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);</li> <li>Maintain qualitative and timely lines of communication and information between the Board and Management (Part III, C, Corporate Governance Manual); and</li> <li>Exercise such powers and perform such duties as the Board of Directors may assign to him (Art. IV, Sec 2., By-laws).</li> </ul>	<p>executive training, development and compensation;</p> <ul style="list-style-type: none"> <li>Supervise and manage the business affairs of the corporation upon the direction of the Board of Directors;</li> <li>Implement the administrative and operational policies of the corporation under his supervision and control;</li> <li>Appoint, remove, suspend or discipline employees of the corporation; prescribe their duties, and determine their salaries;</li> <li>Oversee the preparation of the budgets and the statements of accounts of the corporation;</li> <li>Represent the corporation at all functions and proceedings;</li> <li>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;</li> <li>Make reports to the Board of Directors and stockholders;</li> <li>Sign certificates of stock; and</li> <li>Perform other duties as are incident to his office or are entrusted to him by the Board of Directors.</li> </ul>
Deliverables		

### 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"> <li>By-Laws (Art. III, Sec 1) <ul style="list-style-type: none"> <li>• Exercise all the corporate powers of the corporation;</li> <li>• Conduct all business and hold and control all properties of the corporation;</li> <li>• 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;</li> </ul> </li> <li>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;</li> <li>• 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;</li> <li>• To incur such indebtedness as the Board may deem necessary, to issue evidence of 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;</li> <li>• To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation;</li> <li>• 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;</li> <li>• 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</li> <li>• 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.</li> </ol>		
Deliverables	<ol style="list-style-type: none"> <li>Corporate Governance Manual <u>Duties and Functions of the Board (Part II, F)</u> <ul style="list-style-type: none"> <li>• Implement a process for the selection of directors who can add value and contribute</li> </ul> </li> </ol>		

	Executive	Non-Executive	Independent Director
			<p>independent judgment to the formulation of sound corporate strategies and policies. Adopt an effective succession planning program for Management.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Ensure the corporation’s faithful compliance with all applicable laws, regulations, and best business practices.</li> <li>• Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation.</li> <li>• 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.</li> <li>• Adopt a system of check and balance within the Board.</li> <li>• 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.</li> <li>• Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions.</li> <li>• Constitute an Audit Committee and such other committees, as it deems necessary to assist the Board in the performance of its duties and responsibilities.</li> <li>• Establish and maintain an alternative dispute resolution system in the corporation.</li> <li>• Meet at such times or frequency as may be needed and the minutes of such meetings should be duly recorded.</li> <li>• 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.</li> <li>• Appoint a Compliance Officer.</li> </ul> <p><u>Specific Duties and Responsibilities of a Director (Part II, G)</u></p> <ul style="list-style-type: none"> <li>• Act in the best interest of the corporation in a manner characterized by transparency, accountability, and fairness.</li> <li>• Exercise leadership, prudence, and integrity in directing the corporation towards sustained progress.</li> <li>• Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.</li> <li>• Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</li> <li>• Act judiciously.</li> <li>• Exercise independent judgment.</li> <li>• 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.</li> <li>• Observe confidentiality.</li> </ul>

*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
<b>a. Selection/Appointment</b>		
(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)	Minimum qualifications for Directors of the Company: <ul style="list-style-type: none"> <li>• Holder of at least one (1) share of the capital stock of COL;</li> <li>• College education or sufficient experience in managing a business to substitute for such formal education;</li> <li>• Practical understanding of the business of COL; and</li> <li>• Possess none of the disqualifications as enumerated below.</li> </ul>
(ii) Non-Executive Directors		

Procedure	Process Adopted	Criteria
(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>b. Re-appointment</b>		
(i) Executive Directors	<p>The procedure for re-appointment is the same as the procedure for initial appointment/election of directors.</p>	<p>The criteria for re-appointment of executive and non-executive directors are the same as the criteria for initial appointment of directors.</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		<p>Please note additional term limit disqualifications of independent directors, as explained below.</p>
<b>c. Permanent Disqualification</b>		
(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</p>	
(ii) Non-Executive Directors		

Procedure	Process Adopted	Criteria
	<p>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 than six (6) years, or a violation of the Corporation Code within five (5) years prior to the date of his election or appointment.</p>	
(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>	
<b>d. Temporary Disqualification</b>		
(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</p>	

Procedure	Process Adopted	Criteria
(ii) Non-Executive Directors	<p>Implementing Rules and Regulations.</p> <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>	
<b>e. Removal</b>		
(i) Executive Directors	<p>Any director may be removed from office by a vote of the stockholders holding or 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.</p> <p>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.</p> <p>Removal may be with or without cause; Provided, that removal without cause cannot be used to deprive minority stockholders of the right of representation.</p>	
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>f. Re-instatement</b>		
(i) Executive Directors	<p>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.</p> <p>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.</p>	
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	<p>The Board may implement rules, procedure, and criteria in relation to the suspension of directors.</p>	
(ii) Non-Executive Directors		
(iii) Independent		

Procedure	Process Adopted	Criteria
Directors		

*Voting Result of the last Annual General Meeting*

Name of Director	Votes Received
Bate, Conrado F.	382,875,405
Estacion, Manuel S.	382,875,405
Han, Paulwell	382,875,405
Khoo Boo Boon	382,875,405
Lee, Edward K.	382,875,405
Lim, Hernan G.	382,875,405
Litman, Joel A.	382,875,405
Ong, Catherine L.	382,875,405
Yu, Alexander C.	382,875,405
Yu, Raymond C.	382,875,405
Yu, Wellington C.	382,875,405

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 Management<sup>3</sup> 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

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



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.
Members of the Board of Directors, Senior Officers, and Associated Persons	March 31, 2015	Corporate Governance Seminar Program	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Conrado F. Bate	April 30, 2015	#ThinkPH	Rappler
Catherine L. Ong, Raymond C. Yu, and Wellington C. Yu	April 30, 2015	Corporate Governance Seminar Program	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Caesar A. Guerzon	August 28, September 4 & 18, October 2, 2015	Mandatory Continuing Legal Education	Ateneo Law School
All Department Heads	November 6, 2015	Updates on SRC IRR	Sharon T. Lim

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

No programs/seminars for 2015.

## 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 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	

<b>Business Conduct &amp; Ethics</b>	<b>Directors</b>	<b>Senior Management</b>	<b>Employees</b>
		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 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,<sup>4</sup> 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., Yu, Alexander C., and Yu, Raymond C.	Business	They are all 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, Raymond	Business	Mr. Yu 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

*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	

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

### 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.	03/30/15	8	8	100%
Member	Bate, Conrado F.	03/30/15	8	8	100%
Member	Han, Paulwell	03/30/15	8	8	100%
Member	Lim, Hernan G.	03/30/15	8	8	100%
Member	Litman, Joel A.	03/30/15	8	8	100%
Member	Ong, Catherine L.	03/30/15	8	8	100%
Member	Yu, Alexander C.	03/30/15	8	8	100%
Member	Yu, Raymond C.	03/30/15	8	8	100%
Member	Yu, Wellington C.	03/30/15	8	7	88%
Independent	Estacion, Manuel S.	03/30/15	8	8	100%
Independent	Khoo Boo Boon	03/30/15	8	8	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 papers<sup>5</sup> for board of directors meetings provided to the board?

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

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<sup>5</sup> 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.

(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

*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	7,663,482.36	-	-
(b) Variable remuneration	-	-	-
(c) Per diem allowance	180,000.00	355,000.00	180,000.00
(d) Bonus	1,915,870.59	-	-
(e) Stock Options and other financial instruments	-	250,000 shares	200,000 shares
(f) Others (specify)	-	-	-
<b>Total</b>	<b>9,759,352.95</b>	<b>605,000.00</b>	<b>380,000.00</b>

Other Benefits	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
1) Advances	-	-	-
2) Credit granted	-	-	-
3) Pension Plan/s Contributions	-	-	-
4) Pension Plans, Obligations incurred	-	-	-
5) Life Insurance Premium	-	-	-
6) Hospitalization Plan	-	-	-
7) Car Plan	-	-	-
8) Others (specify)	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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
N/A				



(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, Corporate Secretary, Head of Admin	12,174,526.11
Juan G. Barredo – VP, Head of Sales & Customer 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"> <li>• Assist the Board in the performance of its oversight responsibility for the financial reporting process, audit process, and monitoring of compliance with applicable laws, rules, and regulations.</li> <li>• Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the corporation.</li> <li>• Perform oversight functions over the corporation's external auditors.</li> <li>• Discuss with the external auditor the nature, scope, and expenses of the audit prior to its commencement.</li> <li>• Monitor and evaluate the adequacy and</li> </ul>		

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-Executive Director (NED)	Independent Director (ID)				
					effectiveness of the corporation's internal control system, including financial reporting control and information technology security.		
					<ul style="list-style-type: none"> <li>Review the reports submitted by external auditors.</li> <li>Review the quarterly, half-year, and annual financial statements before their submission to the Board; and</li> <li>Coordinate, monitor, and facilitate compliance with laws, rules, and regulations.</li> </ul>		
Nomination	0	1	1		<ul style="list-style-type: none"> <li>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.</li> </ul>		
Remuneration	1	2	1		<ul style="list-style-type: none"> <li>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.</li> </ul>		
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.	03/30/15	1	1	100%	9 yrs.
Member (ED)						
Member (NED)	Yu, Raymond C. Lim, Hernan G.	03/30/15	1	1	100%	9 yrs.
Member (ID)						
Member						

*Disclose the profile qualification of the Audit Committee members.*

**Manuel S. Estacion**, 70, Filipino, is a Bachelor of Science in Commerce graduate of San Beda College. He previously served The Hongkong and Shanghai Banking Corporation (HSBC) in various capacities and was Vice President Human Resources from 1996 to 1999 after which he acted as Consultant to HSBC for three years. Mr. Estacion is a Charter Member of the Rotary Club of Ortigas Center. He is at present a member of the Board of Directors of Vynex Signs Philippines Inc.

**Raymond C. Yu**, 62, 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**, 63, 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	03/30/15				9 yrs.
Member (ED)						
Member (NED)	Yu, Alexander C.	03/30/15				5 yrs.
Member (ID)						

Member	Guerzon, Caesar A.	03/30/15				9 yrs.
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(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.	03/30/15				9 yrs.
Member (ED)	Ong, Catherine L.	03/30/15				9 yrs.
Member (NED)	Yu, Alexander C.	03/30/15				9 yrs.
Member (ID)	Estacion, Manuel S.	03/30/15				5 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 2015
Nomination	Complied with its duties and responsibilities as enumerated in E(1) above	No significant issue encountered in 2015
Remuneration	Complied with its duties and responsibilities as enumerated in E(1) above	No significant issue encountered in 2015
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 2015.

(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:*

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
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 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. 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.
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	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

Risk Exposure	Risk Management Policy	Objective
	as entrepreneurs with decades of experience in the Philippine stock market.	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 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

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
		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 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 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 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:*

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Same as above		



(c) Minority Shareholders

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

<b>Risk to Minority Shareholders</b>
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:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
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:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
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:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
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 2015.

- (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.*

<b>Name of Audit Staff</b>	<b>Reason</b>
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.*

<b>Progress Against Plans</b>	Not applicable. COL is still in the process of hiring an internal auditor.
<b>Issues</b>	
<b>Findings</b>	
<b>Examination Trends</b>	

*[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".*

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
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):*

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
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:

	<b>Policy</b>	<b>Activities</b>
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"> <li>• Conduct of free seminars to COL client to help them with their investment decisions.</li> <li>• Access to research materials provided in COL's website.</li> <li>• Maintenance of Customer service hotline where clients can contact COL for any concerns</li> <li>• Relationship Manager desk instituted to assist high-end customers</li> <li>• New Account Officers hired to respond to the concerns of walk-in customers</li> </ul>
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"> <li>• Canvassing at least three (3) potential suppliers before making a final decision on who to contract with.</li> <li>• Supplier to submit corporate documents prior to engagement (i.e. DTI permit, SEC registration,</li> </ul>

	<b>Policy</b>	<b>Activities</b>
		Mayor's Permit, etc.) <ul style="list-style-type: none"> <li>• Review of all contracts by the Company's Legal Department.</li> </ul>
Environmentally friendly value-chain	The Company recognizes the need to protect and sustain the environment.	<ul style="list-style-type: none"> <li>• Conduct of annual environmental corporate social responsibility activities to increase awareness among employees.</li> <li>• Reduction of paper wastage by discouraging employees from printing documents when such is not necessary and encouraging the use of scratch paper.</li> </ul>
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"> <li>• Tie-ups with different organizations to promote financial literacy.</li> <li>• Free EIP seminar available to clients and non-clients alike.</li> </ul>
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"> <li>• Periodic review by Management of all company policies, rules, and procedures to ensure ethical practices and reduce opportunities for corruption.</li> <li>• Streamlining functions in relation to handling payments both from internal and external sources.</li> </ul>
Safeguarding creditors' rights	The Company strives to reduce credit risk by ensuring prompt payment of all obligations.	<ul style="list-style-type: none"> <li>• Establishing clear payment terms with existing suppliers/ creditors.</li> <li>• Payment is immediately processed upon completion of all documentation.</li> </ul>

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 2015, 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	12
Various Human Resource-related seminars	4
CFA Seminars	5
Various marketing seminars	3
Briefing - Corporate Titans	18
Investing in Stock Market Today	Employees
Introduction to Technical Analysis	Employees
COL Easy Investment Program Briefing	Employees
Technical Trading Strategies	Employees
AMLA	All employees
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.	87,673,600	18.46%	Citisecurities, Inc.
PCD Nominee Corp.	85,912,500	18.09%	COL Financial Group, Inc.

Edward K. Lee	97,440,200	20.51%	
Alexander C. Yu	66,411,800	13.98%	
Paulwell Han	35,820,000	7.54%	
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.	1.75%
Caesar A. Guerzon	1,000	4,009,500/PCD Nominee Corp.	0.84%
Juan G. Barredo	-	1,900,000/PCD Nominee Corp.	0.40%
Nikos J. Bautista	-	1,160,200/PCD Nominee Corp.	0.24%
Lorena E. Velarde	-	955,200/PCD Nominee Corp.	0.20%
April Lynn L. Tan	-	2,530,000/PCD Nominee Corp.	0.53%
<b>TOTAL</b>	<b>51,100</b>	<b>42,803,500/PCD Nominee Corp.</b>	<b>9.02%</b>

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.	1,300,000	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:

4 March 2015

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	Yes
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.

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.

<b>Quorum Required</b>	Majority of the outstanding stock
------------------------	-----------------------------------



(b) System Used to Approve Corporate Acts

*Explain the system used to approve corporate acts.*

<b>System Used</b>	Approved by the Board of Directors and ratified by the stockholders during the Annual Stockholders' Meeting.
<b>Description</b>	

(c) Stockholders' Rights

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

<b>Stockholders' Rights under The Corporation Code</b>	<b>Stockholders' Rights not in The Corporation Code</b>
None	

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

*Dividends*

<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
March 30, 2015	April 16, 2015	On or before May 13, 2015

(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.

<b>Measures Adopted</b>	<b>Communication Procedure</b>
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: 09 March 2015
- b. Date of Annual/Special Stockholders' Meeting: 30 March 2015

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

<b>Resolution</b>	<b>Approving</b>	<b>Dissenting</b>	<b>Abstaining</b>
Approving the agenda of the stockholders' meeting	Unanimous	n/a	n/a
Approving the minutes of the meetings held on 31 March 2014	Unanimous	n/a	n/a
Approving the President's report for 2014	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 2014	Unanimous	n/a	n/a
Approval of 2014 Audited Financial Statements of the Company	Unanimous	n/a	n/a
Election of the following Directors for the year 2015-2016: <ul style="list-style-type: none"> <li>a. Mr. Edward K. Lee</li> <li>b. Mr. Conrado F. Bate</li> <li>c. Mr. Raymond C. Yu</li> <li>d. Mr. Joel Litman</li> <li>e. Ms. Catherine L. Ong</li> <li>f. Mr. Manuel S. Estacion</li> <li>g. Mr. Alexander C. Yu</li> <li>h. Mr. Hernan G. Lim</li> <li>i. Mr. Paulwell Han</li> <li>j. Mr. Wellington C. Yu</li> <li>k. Mr. Khoo Boo Boon</li> </ul>	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 Mr. Raymond C. Yu Mr. Wellington C. Yu Atty. Caesar A. Guerzon Mr. Juan G. Barredo Ms. Lorena E. Velarde Ms. Melissa O. Ng	03/30/15	By ballot	55.91%	24.77%	80.68%
Special	No special stockholders' meeting held for 2015					

(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

	<b>Company's Policies</b>
	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.*

<b>Policies</b>	<b>Procedure</b>
Notices of Annual/Special Stockholders' Meeting should be sent out at least fifteen (15) business days prior to the date of the meeting.	The PSE shall be given a written notice of the Annual/Special 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	09 March 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	09 March 2015
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.

	Details
(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
Tree Planting Activity (2015)	Gratchi's Getaway, Tagaytay

#### 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.*

<b>Violations</b>	<b>Sanctions</b>
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.

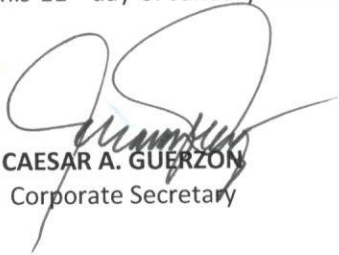
### SECRETARY'S CERTIFICATE

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 January 11, 2016, 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 2015."

IN WITNESS WHEREOF, I have hereunto affixed my signature this 11<sup>th</sup> day of January 2016 in Pasig City.

  
**CAESAR A. GUERZON**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 11<sup>th</sup> day of January 2016 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 12-31-17/Appt. No. 20 (2016-2017)  
2401B East Tower, Phil. Stock Exchange Centre,  
Exchange Rd., Ortigas Center, Pasig City 1605  
Roll No. 53601/IBP No. 1009937/10-19-15/RSM  
PTR No. 1216068/01-06-16/Pasig  
MCLE Compliance No. V-0010052/08-26-15/Pasig

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