SEC Registration Number

A	1	9	9	9	1	0	0	6	5	

Company Name

COL FINANCIAL GROUP, INC.

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
30	**03/30**	**12/31**

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A (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, 2016**

2. SEC Identification Number: **A199910065**

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

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

5. Province, Country or other jurisdiction of incorporation or organization:
   PASIG CITY, PHILIPPINES
6. Industry Classification Code: ☐ (SEC Use Only)

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

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

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

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

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

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

    Yes [**x**] No [ ]

12. Check whether the issuer:

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

    Yes [**x**] No [ ]

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

    Yes [**x**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates.
    ₱2,936,223,432 (181,472,400 @ ₱16.18 per share as of February 28, 2017)

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Company Overview

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

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

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 COL Fund Source, the first and leading online mutual fund supermarket in the Philippines which provides investors access to a wide selection of mutual funds.

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

Business Model

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

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

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

Products and Services

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

A. Online Trading Platform

COL provides online access to all investors who wish to trade stocks in the Philippine stock market. It's trading platform, www.colfinancial.com, provides 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, 24/7. COL offers a variety of investors empowerment as they have access to real-time streaming market information, relevant research along with other online financial tools such as stock graphs, stock quotes, and various statistical guides that help in making sound investment choices. The depth and ease of the online trading platform allows the online service to suit a variety of customer types, from those who but starting to invest and to those who are already quite savvy. Given its ability to drive quick trade executions at the lowest commission rates in the industry, COL Financial's services have also been taken in well by sophisticated traders.

Aside from providing investors the direct capacity to invest in companies listed in the PSE, COL Financial launched in the third quarter of 2015 *COL Fund Source* - being the first online mutual fund supermarket in the Philippines. COL Fund Source allows COL customers to invest in various mutual funds managed by many of the top mutual fund companies in the Philippines. COL accountholders can easily avail of these mutual funds without having to open an account with these other mutual funds companies. With COL Fund Source now in place, COL Financial now serves as a one-stop-shop portal making investing in stocks and/or mutual funds more easy and convenient.

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

- COL Fund Source-Wide selection of mutual funds in a single platform

  To access the COL Fund Source platform, customers simply need to log into their COL account at www.colfinancial.com and click the Mutual Fund tab on the upper right hand corner of the page. This service caters to Filipino investors who may not have the time to actively manage their investments and to those who are looking to diversify their portfolios outside of stocks. By putting money in mutual funds, investors are given the opportunity to easily and conveniently own a variety of securities that can match their financial goals. Mutual fund investors also get the benefit of having a professional fund manager who will be in charge of making investment decisions and monitoring their overall portfolio composition in their behalf. In addition, mutual funds allow investors to achieve instant diversification even with a small amount as these funds are already invested in various securities while requiring only a minimum investment amount of ₱5,000.

  Through the COL Fund Source platform, investors are 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 26 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-2016.

- Margin facility

COL Financial's Margin Facility permits eligible customers to conveniently borrow funds from COL Financial to purchase additional securities on credit using their available cash or marginable stocks as collateral for the loan. 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. The credit facility provides for the purchase of up to double the value of cash or/and up to 100% more of the value of marginable securities.

COL Financial customers with a total account equity (of stocks and cash) of at least ₱200,000.00 and above are eligible to apply for the margin facility. A competitive and flexible interest rate is charged based on the utilized amount of the credit line which is computed on a daily basis.

- 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, all made available through 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, review the trend motions of various equity markets and other investment instruments and determine their likely impact on the Philippine market as a whole and on its list of stock members.

COL also offers a technical guide that reviews more than 160 local stocks, the PSE index, as well as the sub-indices in the Philippines, also showing 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.

To help customers choose the right fund for them, COL Fund 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. Relevant statistics, such as the daily performance of each fund, are also available on the website. In addition, customers can quickly compare the requirements and fees related to each mutual fund through the mutual fund product guide posted under the research tab and by looking at the fund information page. A set of tutorial videos is likewise available to guide the clients step-by-step on how to buy and sell mutual funds.

- Easy Investment Program (EIP)

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

  COL customers can now also set up an EIP schedule for their mutual fund investments through COL Fund Source. By doing so, customers can set aside a fixed amount to be invested in their fund of choice, to be executed at regular intervals over a period of time. 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.

- Other online services

  COL customers are also given the online advantage of participating in Initial Public Offerings (IPOs) through the broker's allocation, availing of tender offers and subscribing to stock rights. The investing public can also open an account, as well as register and reserve a slot in the COL Seminar Series through the COL's online portal.

B. Professional Equity Advisory Services

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

- Private Client Group (PCG)

  PCG is a group of experienced market professionals who offer advice and guidance 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 the 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.

- Independent Financial Advisors (IFA)

  The IFA is composed of a team of dynamic and seasoned investment professionals with appropriate experience in local and global equity trading. This allows them to make the necessary decisions given the discipline and skills necessary 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.

C. Seminars and Briefings

COL remains committed to its advocacy of investor education for its customers and the investing public by regularly providing free seminars.

- Investor Education Seminars

  The COL Investor Education 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 who want a simpler way to invest in the stock market, COL offers an EIP seminar. This seminar explains how to make investing simple through the methodology of cost averaging—buying stocks slowly and regularly over time.

  For those investors who prefer to have a professional to manage their money, COL has a regular seminar on investing in the stock market through Mutual Funds using COL Fund Source.

  COL also offers a dedicated seminar to new customers who have just started using COL's website, to give 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 in 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. These Market Outlook events are for COL Financial customers to have 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 after the events through COL's YouTube channel.

D. Customer Support

- Face-to-face services

  Although COL Financial's primary service is to drive internet based servicing to independent investors, it upholds personal services when required. A Business center at COL's head office and two small satellite Investor centers are utilized to handle personal (face-to-face) relationships with customers. These centers which are appropriately staffed offer more personal services to conduct face-to-face client discussions for sales, customer support services, market orientation activities, IPO application services, as well as conduct meetings with various client types, suppliers, and industry related personnel. Basic investing seminars are also regularly held in these investor centers free of charge.

- Customer Experience Manager (CEM) Desk

  COL has a Customer Experience Manager (CEM) desk that supports the customer service needs of its Premium customers. They serve as a concierge of action to centralize requests from these customers and issue forth necessary replies at a much quicker reaction times. They may also provide special services like sending selected reports or data to such customers upon request or inviting them to Premium events and functions where customer engagement remains high. CEM agents are tasked to undertake the following:

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

  2. Coordinate the needs of the client to other functions of the brokerage such as on IPO requests, tender offers or stock rights.

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

  4. Convey and assist in inquiries about COL's research and other functionalities.

- Helpdesk

  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 their navigational, technical and account queries. All customer service personnel are fully equipped to handle account information and technical assistance and can take and course orders to COL's order desk, through recorded phone calls, should the site be inaccessible to the customers or if customers have no access to an internet terminal.

  COL Financial further enhanced the customer experience by 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 Fresh Desk that can centralize email communication, track customer responses better, provide an online help portal and provide an avenue to solicit customer feedback.

- Digital channels

  COL also continues to use various online platforms to share 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 steadily in followers over the previous year showing a pick-up of 61.8%, 47.05% and 86.7%, respectively. After introducing the Instagram channel the year previous to cater to a new target audience, COL reached 7,754 (+171%) followers as of end of 2016.

  COL's YouTube channel is regularly updated with numerous content from previous events and market briefings, paving the way for a wider audience and catering to customers who were unable to attend and to the general public.

  COL's Facebook channel remains an active platform of communicating ongoing and future activities and developments within COL. The community has grown to over eighty four thousand (84,000) followers at the end of the year.

  These digital platforms allow COL to reach out to its growing customer base and to prospective customers 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 twenty (20) online stockbrokers in the Philippines, ranging from those that offer just the basic trading platform to those that offer a wide range of services. Presented below is the comparison of some of the features of COL against its three (3) nearest competitors:

Features	COL	Competitor 1	Competitor 2	Competitor 3
Online Trading Platform	Yes	Yes	Yes	Yes
Real-Time / Streaming Data	Yes	Yes	Yes	Yes
Charting Functions	Yes	Yes	Yes	Yes
Research Reports	Yes	Yes	Yes	Yes
0. 25% Commission	Yes	Yes	Yes	Yes
Mobile App	Yes	Yes	Yes	Yes
Margin Facility	Yes	No	No	Yes
Broker Assisted Service	Yes	Yes	Yes	Yes
Demo Accounts	Yes	Yes	Yes	Yes
Free Seminars	Yes	Yes	Yes	Yes

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

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

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

3. COL has over 200,000 clients, a testament to how many people trust in it and its products and services.

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

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

Business Strategy

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

COL will remain customer-focused and will 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 investor education and financial literacy campaigns, and by delivering timely and relevant market research reports and analysis to aid its customers in successful investing.

3. Creating value for its customers by developing new products and services to better cater to 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 any one of them would have a material adverse effect on COL and its HK Subsidiary taken as a whole. Further, there is no customer that accounts for, or based upon existing transactions, will account for twenty percent (20%) or more of COL's total sales.

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

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

	Mark	Date of Application	Status
1.	"COL"	September 22, 2006	Approved by the IPO with registration up to August 20, 2017
2.	"CitisecOnline"	April 13, 2012	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
5.	"Fund Source"	March 19, 2015	Approved by the IPO with registration up to September 24, 2025

	Mark	Date of Application	Status
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 other unrelated party. This policy is to prevent conflicts of interest between COL and its major stockholders, which may result in action taken by COL that does not fully reflect the interests of all its stockholders.

In order to minimize any conflict of interest and to ensure the fairness and reasonableness of any future material transaction involving COL and 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 2016 and the projected number of employees for 2017 to complement the operational requirements of the Group are broken down as follows:

	2017	**2016**
Executives	2	2
Senior Officers	7	7
Junior Officers	30	30
Professional/Technical/Others	89	82
TOTAL	128	121

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

Risk Factors and Risk Management

Risks Associated with the Stock Brokerage and Mutual Fund Distribution Business

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

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

Risks Associated with an Early and Evolving Market

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

Although there is currently less than full awareness and acceptance by the general investing public of the concept of investing in the stock market as well as online trading, COL has embarked on several programs that 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.

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

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 who may establish their own online trading platform and integrate this with their other product lines.

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

Client Risk

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

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

Technology Risks

The online stock brokerage services industry and the delivery of financial services are characterized by rapid technological change, varying customer requirements, the introduction of new products and services, and emerging new standards. Should new industry standards and practices emerge, COL's technology may become obsolete. COL is well capitalized with over ₱500.0 million in paid-up capital, giving it the ability to make its system flexible and adaptable to new technologies and changing customer needs. It also has a strong and excellent team of IT programmers and consultants with years of experience and proficiency in the intricacies of trading-related programs.

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

All servers are connected to UPS systems connected to the building generator-enabled outlets. COL's primary backup facility is on the 24th floor of the Tektite building. The facility runs on hot standby, allowing for an automatic switchover should there be any inability of the main computer center in Ayala to function.

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

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

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

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

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

<u>Risk of Client Having No Access to the Trading Website</u>

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

This risk is reduced by allowing clients to still execute orders (new, modification, cancellation) by calling COL's 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.

<u>Administrative and Operational Risks</u>

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

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

COL also has a CEM desk to assist the needs of high-end customers, as well as a team of Account Officers to respond to navigational, technical, and account queries of walk-in customers. 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 financial or reputational loss. In order to manage this risk, especially in the custody and processing of customers' cash and securities, a comprehensive and detailed set of procedures have been established to ensure that obligations to clients are discharged faithfully and in accordance with the governing legal and regulatory requirements.

Credit Risk

Virtually all capital markets and trading transactions are exposed to credit risk. Credit risk is the risk of economic loss from the failure of the obligor to perform the terms and conditions of a contract or agreement. It is inherent to the stock brokerage business as potential losses may arise due to the failure of its customers and counterparties to fulfill their trading obligations on settlement dates or the possibility that the value of collateral held to secure obligations becomes inadequate due to adverse market conditions.

Prepaid accounts

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

Margin accounts

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

Postpaid accounts

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

Risks of Infringement

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

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

Manpower Risk

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

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

Item 2. Properties

Leased Properties

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, PSE Centre, Exchange Road, Ortigas Center, Pasig City. Marketing and investor education activities are also conducted in COL's Investor Center located at the Ground Floor of Citibank Tower in Makati City and in a dedicated booth at the Insular Life Cebu Business Centre in Cebu City. On December 5, 2016 COL opened its new Investor Center located at Robinsons Cybergate Davao. 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 Mabalacat, 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 1,990 square meters, COL pays a monthly rental ranging from ₱275.63 to ₱545.00 per square meter for its offices and storage spaces in Pasig City, from ₱541.41 to ₱1,100.00 per square meter for its Makati offices, ₱450.00 per square meter for its Davao office, ₱60.00 per square meter for its storage space in Pampanga, and ₱15,000.00 per month for its office booth in Cebu.

Owned Properties

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

Limitations on Properties

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

Properties to be Acquired

Within the next twelve (12) months, the Parent Company will purchase additional hardware and software programs with an estimated cost of around ₱15.0 million to ₱20.0 million which will be sourced from its operations. These capital expenditures are directed to the further expansion of the capacity, disaster recovery and security capabilities of its trading platform for both the primary and backup sites to continuously provide its growing clientele base the best trading experience possible.

The planned major purchases will be:

1. Additional servers for database and web expansion;
2. Additional hardware and software for security (IDS/IPS systems, upgraded firewall); and
3. Additional hardware and software for network and data center management.

COL is also in the planning stage of creating another data center which will be located outside of Metro Manila. Once completed, COL will have to acquire the necessary hardware equipment and software programs to enable the operations of this data center. Estimated cost for the first phase of the new hardware and software acquisitions for this data center is at ₱25.0 million to ₱30.0 million pesos.

COL also reserved an office space at the PSE One Bonifacio High Street in Taguig City with an estimated cost of ₱16.6 million which will be used either as an additional Investor Center or as an extension office for COL's Sales Team.

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 the issuance made by the BIR of Revenue Regulations (RR) No. 2-2010 and Revenue Memorandum Circular (RMC) 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, 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) on April 15, 2010, representing the additional taxes due should the retroactive effect of said latter issuances be held as valid.

On April 6, 2016, the Supreme Court denied the Petition for Review on Certiorari filed by the Commissioner of Internal Revenue (CIR), effectively upholding the decision of the Court of Tax Appeals ordering the CIR to issue a tax credit certificate in favor of COL in the amount of ₱8,960,245. Said decision became final and executory on September 22, 2016.

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, 2016 is 476,000,000 with a market capitalization of ₱7.66 billion as of end of 2016, based on the closing price of ₱16.10 per share.

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

	2016		2015	
	High	**Low**	**High**	**Low**
1st Quarter	15.00	13.90	16.98	14.30
2nd Quarter	14.62	13.92	16.76	14.98
3rd Quarter	17.04	14.20	16.28	15.10
4th Quarter	16.80	16.06	15.76	14.70

The high and low prices of COL at the PSE on April 7, 2017 were ₱16.40 and ₱16.20, respectively.

Holders of Common Equity

As of February 28, 2017, there are thirty (30) holders of common shares of COL. The Top Twenty (20) common shareholders of the Parent Company are as follows:

Rank	Name	Citizenship	Total Shares	Percentage of Total Shares Outstanding held by each
1	PCD Nominee Corporation	Filipino	309,880,587	65.1010
2	PCD Nominee Corporation	Foreign	75,467,508	15.8545
3	Lee, Edward K.	Filipino	62,250,000	13.0777
4	Yu, Alexander C.	Filipino	20,000,000	4.2017
5	Ang, Valentina L.	Filipino	5,000,000	1.0504
6	Lee, Lydia C.	Filipino	1,000,000	0.2101
7	Tan, Jessalynn L.	Filipino	1,000,000	0.2101

Rank	Name	Citizenship	Total Shares	Percentage of Total Shares Outstanding held by each
8	Vinzon, Regina Cielo M.	Filipino	1,000,000	0.2101
9	Lim, Hernan G.	Filipino	100,000	0.0210
10	Yu, Raymond C.	Filipino	100,000	0.0210
11	Han, Paulwell	Chinese	100,000	0.0210
12	Ong, Catherine L.	Filipino	50,000	0.0105
13	Barretto, Serafin Jr. P.	Filipino	12,000	0.0025
14	Estacion, Manuel S.	Filipino	10,000	0.0021
15	Yu, Wellington C. Or Yu, Victoria O.	Filipino	10,000	0.0021
16	Filio, Sernando	Filipino	5,000	0.0011
17	Gara, Rosario	Filipino	5,000	0.0011
18	Villanueva, Myra P.	Filipino	5,000	0.0011
19	Guerzon, Caesar A.	Filipino	1,000	0.0002
20	Khoo Boo Boon	Malaysian	1,000	0.0002
	TOTAL		**475,997,095**	**99.9995**

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 2016 and 2015:

Year	Regular Cash Dividend	Ex-date	Record Date	Payment Date
2016	₱0.11 per share	April 12, 2016	April 15, 2016	April 22, 2016
2015	₱0.10 per share	April 11, 2015	April 16, 2015	May 6, 2015

Year	Special Cash Dividend	Ex-date	Record Date	Payment Date
2016	₱0.39 per share	April 12, 2016	April 15, 2016	April 22, 2016
2015	₱0.40 per share	April 11, 2015	April 16, 2015	May 6, 2015

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.

In 2016, a total of 1,000,000 shares were exercised.

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

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

A. Industry and Economic Review

The Philippine stock market had a volatile performance in 2016. From 6,952.08 during the start of the year, the PSEi fell by as much as 12.5% to a low of 6,084.28 in January, rallied to a high of 8,102.30 in August, before closing at 6,840.64 by the end of 2016.

Investor sentiment was extremely negative during the start of the year, brought about by several factors including disappointing corporate earnings results, the weak performance of the Chinese economy and its currency, the poor performance of other Asian markets, the U.S. Fed's decision to proceed with its first rate hike, falling prices of commodities including oil, the weakness of emerging market currencies including the peso, and the rise in local interest rates.

Sentiment for stocks improved briefly from March to August, after global central banks announced fresh stimulus measures and after the U.S. Fed signaled that it was not about to increase interest rates anytime soon. As a result, the dollar weakened while interest rates in the secondary market fell. This in turn led to the increase in oil and other commodity prices, the strengthening of emerging market currencies including the peso and the drop in local interest rates. The peaceful conclusion of the local presidential elections and investors' favorable view towards the country's newly elected President Rodrigo Duterte also helped boost the performance of the stock market.

However, the market's recovery was cut short after the U.S. Fed began to hint that it was ready to resume its interest rate hike cycle. President Duterte's negative reaction to criticisms against his war on drugs and his anti-U.S. rhetoric also negatively affected sentiment for the stock market. Finally, the surprise victory of Donald Trump in the U.S. presidential elections led to funds shifting away from emerging markets such as the Philippines back to the U.S. due to expectations that Trump's policies would push up economic growth, interest rates and lead to a stronger dollar.

Value turnover in the PSE remained thin. Average daily value turnover fell by 12.9% to ₱7.8 billion in 2016 from ₱8.9 billion in 2015.

Similar to the Philippines, the HK stock market finished weak in 2016 after showing signs of recovery during the third quarter of the year. The market rebounded during the third quarter after the Chinese economy started showing signs of stabilization. For example, China's industrial production stayed above 6.0% since March of 2016. Retail sales growth also accelerated to 10.7% in September after falling to a low of 10.0% in May. Although economic indicators out of China remained strong in the fourth quarter, investors chose to focus instead on the weakness of the Chinese currency, the continuous capital outflows, and the potential impact of newly elected U.S. president Donald Trump's anti-China trade narrative. As of end December, the Hang Seng China Affiliate Corp. Index (HSCCI) and the Hang Seng China Enterprise Index (HSCEI) were lower by 11.5% and 2.8% respectively compared to their end-2015 levels. Although the Hang Seng Index (HSI) performed better, it was merely flat year-on-year at 22,001.

HK average daily turnover fell significantly to HKD65.5 billion in 2016 from HKD105.1 billion in 2015.

B. Business Review

1. *Key Performance Indicators*

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

	2016	**2015**
Number of Customer Accounts	205,761	162,926
Customers' Net Equity (in millions)	₱60,913.7	₱48,642.8
Revenues (in millions)	₱833.7	₱737.0
Return On Average Equity (ROE)	24.0%	20.3%
Risk Based Capital Adequacy Ratio*	636.0%	593.0%
Liquid Capital** (in millions)	HKD24.2	HKD28.2

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

Despite the volatile trading environment in the PSE, the number of customer accounts for COL's Philippine operations expanded by 26.3% to more than 205,000 as of end 2016. 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, increasing to ₱60.9 billion as of end 2016 from ₱48.6 billion as of end 2015. This included net cash inflows amounting to ₱7.6 billion in 2016.

Even with the challenging operating environment, COL's 2016 revenues increased by 13.1% to ₱833.7 million. Although trading activity in the PSE fell compared to a year ago, commission revenues from COL's domestic operations grew 30.4% as the Parent Company's market share in terms of value turnover improved to 5.6% from 3.9%. The significant increase in COL's commission revenues from domestic operations was partly offset by the weak performance of its HK operations and the drop in interest income. In 2016, COL's revenues from HK dropped by 65.8% to only ₱10.6 million while interest income fell by 5.5% to ₱220.4 million, largely driven by the 41.3% decline in the average value of margin loans.

Despite the strong growth of revenues, operating expenses decreased by 3.2% to ₱172.8 million. This was largely due to the absence of deficiency income taxes paid in 2015 amounting to ₱24.0 million and successful cost cutting measures implemented by the Parent Company. Coupled with the strong growth of domestic commission revenues, net income jumped by 25.0% to ₱328.5 million. ROE also improved to 24.0% in 2016 from 20.3% in 2015 due to COL's strong earnings performance.

In 2016, both COL and its HK subsidiary continued to meet the stringent rules of regulators in the Philippines and Hong Kong. As of end 2016, the Parent Company's Risk Based Capital Adequacy Ratio (RBCA) reached 636%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD24.2 million of liquid capital. This is also well above the minimum requirement of HKD3.0 million or 5% of adjusted liabilities.

2. *Material Changes in Financial Condition*

a. 2016 vs. 2015

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

Despite the challenging operating environment, consolidated assets continued to grow, increasing by 12.0% to ₱8.9 billion compared to its end-2015 level of ₱8.0 billion. The growth was largely funded by non-interest bearing liabilities as trade payables jumped by 12.5% to ₱7.4 billion. 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.

Cash and cash equivalents composed mainly of cash in banks and short-term placements increased by 11.3% to ₱7.2 billion as of end-2016, 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 ₱7.6 billion in 2016.

Cash in a segregated account booked by COL's HK Subsidiary decreased by 47.2% to ₱134.9 million due to net withdrawals made by some customers in light of poor market conditions in the Chinese market.

Trade receivables went up 10.5% to ₱1.2 billion due to the increase in the volume of transactions executed by some of the post-paid accounts, mostly high net-worth individuals and financial institutions, and higher amount of selling transactions of the retail customers posted towards the end of the year that are due for settlement after the reporting period.

In June 2016, the Parent Company allocated ₱200.0 million in long-term time deposit that bears a higher interest rate. This placement will mature in June 2021.

Deferred tax assets composed mostly of unused tax losses of the Subsidiary remained flattish at ₱35.1 million.

Property and equipment went up 37.0% to ₱60.7 million. During 2016, COL and the market experienced extremely high trading levels and user utilization. To ensure that performance does not suffer, COL upgraded its existing hardware servers by purchasing an additional eleven (11) newer, more powerful and efficient variants for order and market data processing. The upgrade made to the existing hardware to newer variants increased COL's raw processing power without adding to the power and cooling loads of the data center. In line with the hardware upgrade, the Parent Company also purchased the latest versions of operating systems and database software licenses to further optimize the new servers. Collectively, these changes allowed COL to handle increased order and market data processing requirements. In addition, COL invested in the development of new systems to support its back office requirements and mutual fund distribution business.

As discussed earlier, trade payables, which account for more than 90% of total liabilities, jumped by 12.5% to ₱7.4 billion. The increase was driven by the continuous growth in COL's client base and their corresponding cash balances.

Other current liabilities increased by 54.0% to ₱90.9 million primarily due to the accrual of the Parent Company of a higher performance bonus and its corresponding withholding tax as a result of its improved performance in 2016 as compared to the prior year. This account also includes a higher amount of deposits received from the retail customers after the processing cut-off time which are due for posting on the next business day.

Stockholders' equity increased by 8.1% or ₱106.5 million to ₱1.4 billion due to the booking of ₱328.5 million net income in 2016, partly offset by the payment of ₱237.5 million worth of cash dividends to shareholders.

b. 2015 vs. 2014

The Group's consolidated 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. 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 receivable fell to ₱971.0 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 ₱1.6 million due to the sale of financial assets held by the Parent Company.

Deferred tax assets fell by 4.3% to ₱35.5 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.

Trade payables, which account for more than 90% of total liabilities, jumped by 32.3% 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.

3. Material Changes in the Results of Operations

a. 2016 vs. 2015

The Group’s consolidated revenues in 2016 increased by 13.1% to ₱833.7 million. Cost of services increased by a similar pace of 13.5% to ₱223.2 million while operating expenses fell by 3.1% to ₱172.8 million. Meanwhile, provision for income taxes rose by 10.2% to ₱109.2 million. As a result of the faster growth of revenues relative to operating expenses and taxes, net income jumped by 25.0% to ₱328.5 million.

The strong growth of commission revenues offset the drop in interest and other income. Commission revenues were up by 24.4% to ₱605.6 million, led by the 30.4% increase in commission revenues from Philippine operations to ₱595.5 million. The favorable impact of COL’s growing client base was able to offset the weaker overall trading volume in the PSE. Commission revenues increased despite the 12.9% drop in the PSE’s average daily value turnover as COL’s market share improved from 3.9% in 2015 to reach a new record high of 5.6% in 2016. Growth was led by self-directed clients which registered a 30.2% increase in commission revenues and now account for 69.2% of Philippine commission revenues. Meanwhile, commission revenues from HK dropped by 65.8% to ₱10.0 million due to weak market conditions in HK.

On the other hand, interest income fell by 5.5% to ₱220.4 million. Interest income fell as average margin utilization fell to ₱691.7 million in 2016 from ₱994.0 million in 2015 as volatile market conditions prompted clients to reduce their utilization of margin loans and as lending rates were reduced to make the rates more competitive. This decline was partly offset by the incidental income booked by the Parent Company as a result of its prudent management of available funds. Gross interest earned from the placement of these unused funds increased by 46.9% to ₱162.2 million as average available cash balance went up 45.6% to ₱7.7 billion.

In 2015, COL booked trading gains on the sale of unexercised stock rights amounting to ₱10.9 million, an opportunity that was not present in 2016.

Cost of services increased by 13.5% to ₱223.2 million as various trade-related expenses including commission costs, stock exchange dues and fees, and central depository fees, rose in line with the increase in clients’ trading activity in the PSE. Communication costs also went up by 19.1% to ₱30.1 million as COL continued to increase its bandwidth to ensure the delivery of uninterrupted service to its growing client base.

As discussed earlier, operating expenses fell by 3.1% to ₱172.8 million due to the absence of tax assessments booked in 2016. The Parent Company also initiated cost-cutting measures during the current year that led to the reduction in other expenses including bank charges and office supplies.

On the other hand, the Parent Company’s investment in new hardware and software technologies brought about the 8.0% increase in depreciation and amortization account which went up to ₱18.9 million. COL also engaged the services of more consultants to help the Parent Company expand its product and service offerings to existing and potential customers, which resulted to the 36.5% increase in professional fees to ₱37.4 million.

Due to COL’s higher revenues and the slower growth of expenses, operating profits went up by ₱75.9 million or 21.0% to ₱437.7 million. Net profits increased by an even faster pace of 25.0% to ₱328.5 million as provision for income taxes were up by only 10.2%.

b. 2015 vs. 2014

The Group'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.

Consolidated revenues increased by 1.9% as the drop in commission revenues was offset by the increase in interest and other income. Commission revenues fell 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 average cash position increased by 42.3% year-on-year driven by a 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 the Group'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.

4. *Other Matters*

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

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

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

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

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

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

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

C. <u>Prospects for the Future</u>

1. Near-Term Prospects

COL expects the activity in the Philippine stock market to remain subdued in 2017 given the numerous risks facing the domestic economy and equity market which include rising inflation and interest rates, and a weak peso. That said, COL will continue with its advocacy of educating and encouraging Filipinos to save and invest. COL is confident that this strategy will allow it to earn the trust and loyalty of its customers, putting COL in a strong positon to capitalize on the eventual recovery of the stock market.

Meanwhile, COL's HK operations will most likely remain a small contributor to total revenue in 2017 as the outlook for the Chinese stock market remains poor.

2. Medium to Long Term Prospects

The medium to long-term outlook of the Philippine market remains very attractive. The economy is expected to maintain its above average growth pace, driven by the country's favorable demographics, the significant size of our resilient OFW remittances, and the attractive growth prospects of our BPO sector. The Duterte administration's plan to implement a comprehensive tax reform program should also provide the government with enough funds to boost spending on education, health care and infrastructure, which in turn should help the Philippines attract more foreign investments, creating more jobs for Filipinos.

Interest rates will also most likely remain low owing to the structural improvement in the government's finances and the ample liquidity locally. Finally, the penetration rate of retail investors in the stock market remains very low at less than 1%, implying substantial room for growth. Coupled with the economy's favorable growth outlook, said factors should bode well for the performance of the Philippine stock market and for COL over the long term.

Item 7. Financial Statements

Please refer to the attached Consolidated Audited Financial Statements for the years ended December 31, 2016 and 2015.

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

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

Item 9. Audit and Audit-Related Fees

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

	2016	2015
Audit and Audit-Related Fees in connection with the annual review of the Group’s financial statements	₱1,420,000	₱1,300,000
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 was chaired by Mr. Manuel S. Estacion (up to September 2016) with Mr. Raymond C. Yu and Mr. Hernan G. Lim as members.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

<u>Board of Directors</u>

The Directors of COL as of December 31, 2016 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
Joel Litman	Member

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

Edward K. Lee, 63, Filipino, is a Bachelor of Science in Industrial Management Engineering graduate of De La Salle University. He is concurrently the Founder and Chairman of the Board of COL since 1999, COL Securities (HK) Limited since 2001, Citisecurities, Inc. (CSI) since 1986, and Caylum Trading Institute since 2013. Mr. Lee served as a nominee of CSI to the Manila Stock Exchange (MSE) and presently to the PSE. He was elected as one of the Governors of the PSE and was the Chairman of the Computerization committee of the MSE and PSE in 1994. He went on to become a member of the Board of Directors of A. Soriano Corporation 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 and in 2016, he was appointed as an official board member of JA Asia Pacific.

Alexander C. Yu, 62, Filipino, is a Bachelor of Science in Mechanical Engineering graduate of De La Salle University. He is the Vice Chairman of COL since 1999 and the Vice Chairman and Treasurer of CSI since 1986. He is also a Director of COL Securities (HK) Limited since 2001**,**

elected as Director of Caylum Trading Institute in 2013 and also of Winner Industrial Corp. for more than 10 years. In 1997, he served as a Director of A. Soriano Corporation.

Conrado F. Bate, 55, Filipino, is a Bachelor of Arts in Economics and Bachelor of Science in Marketing Management graduate of De La Salle University. He is currently the President and Chief Executive Officer of COL. He has extensive experience in the Philippine stock brokerage and fund management industry. Prior positions that he held include: Vice President of JP Morgan Philippines in 2002; President and CEO of Abacus Securities Corporation from 1995 to 1997; and Vice President of Fund Management Division of Philamlife Insurance Company from 1990 to 1995. Mr. Bate was a member of the Board of Directors of the PSE from 2005 to 2006 and served as Chairman of its Investor Education Committee and a 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, 65, 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 Cedarside Industries, Inc., Barrington Carpets, Inc., and Citimex, Inc. . 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, 59, Malaysian, is a Member of the Board of Directors of COL since March 2001. He finished his degree in Psychology and Political Science (summa cum laude) as a state scholar at the National University of Malaysia and earned his Master's degree in Development Management as Canadian International Development Agency (CIDA) Fellow from the Asian Institute of Management. Mr. Khoo has extensive experience in commodities trading, stock trading, advertising, marketing research and corporate managements and has held senior executive position in the Asean region. He currently runs his own management and consulting firm, Knowledge-Based Business Intelligence and Consulting (KBBIC) and sits on the Board of Directors of GTF Worldwide Philippines, Geka Property Holdings, Inc., and Bethel Home Holdings Inc.

Wellington C. Yu, 74, 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 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. In 2012, Xavier School San Juan awarded the "Exemplary Alumnus" title to Dean Yu. He is presently Vice-President and Dean of the College at Philippine Cultural College in Quezon City.

Raymond C. Yu, 63, Filipino, became a Member of the Board of Directors of COL in March 2005. Mr. Yu is a Bachelor of Science in Commerce graduate of De La Salle University and a Certified Public Accountant. He is currently the President of Winner Industrial Corporation, elected as a director of Caylum Trading Institute in 2013, and a director for more than 16 years of the following corporations: Citisecurities, Inc., Cedarside Development, Inc., Cedarside Industries, Inc., Barrington Carpets, Inc., Citimex, Inc., and CWC International, Inc.

Hernan G. Lim, 64, Filipino, was elected as Member of the Board of Directors of COL in March 2005. 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. Mr. Lim is currently the President of Hoc Po Feeds Corporation and HGL Development Corporation and is a Director of Caylum Trading Institute since 2013, and has also been a Director of Citimex, Inc., Citisecurities, Inc. and Barrington Carpets, Inc. for more than 10 years.

Paulwell Han, 58, 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, 47, 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. Previously, he held Director/Manager positions at Credit Suisse, Diamond Tech Partners (PwC), 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. Mr. Litman is a recognized expert in financial statement analysis and U.A.F.R.S. uniform accounting standards. He is also a Professor at Hult IBS and has lectured at Harvard and other top programs. His philanthropy is focused on education and job training 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.

Management Team

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

Caesar A. Guerzon
Corporate Secretary

Caesar A. Guerzon, 66, Filipino, is concurrently a Director of COLHK and the Corporate Secretary of CSI, Cedarside Holdings, Inc., Cedarside Industries, Inc., Citimex, Inc. and Barrington Carpets, Inc.. He is also the Chairman of the Board of the Rural Bank of Sta. Maria, Ilocos Sur, Inc., serves as President of the Board of Trustees of COG – Makati, Inc. and Secretary to the Sangguniang Barangay of Bel-Air, Makati City. He was a member of the Governance Committee of the Philippine Stock Exchange and the Legislative Committee of the Philippine Association Securities Brokers & Dealers. Mr. Guerzon finished his Bachelor of Science in Foreign Service in 1972 and Bachelor of Laws in 1976 at the University of the Philippines and was admitted to the Philippine Bar in 1977. He is a licensed 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, 49, 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 100,000 people in the last seven 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, 47, Filipino, is the Chief Technology Officer of COL. He was 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, 46, 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. She is also a licensed Associated Person.

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

April Lynn C. Lee-Tan, 40, Filipino, heads the Research Team of COL from 2003 to present. She has been doing equities research since 1996 when she joined the research team of Citisecurities, Inc. Ms. Tan holds a Bachelor of Science Degree in Management Engineering from the Ateneo de Manila University. She is a Certified Securities Representative and in 2000, earned the right to use the Chartered Financial Analyst (CFA) designation. She was the President of the CFA Society of the Philippines from 2009 to 2016. Under her term as president, CFA Philippines won the “Global CFA Institute Research Challenge” twice and several Society Excellence Awards including the “Most Outstanding Society” for its size. The Society also became the country sponsor for the Global Investment Performance Standards (GIPS) together with the local “Fund Managers’ Association of the Philippines” and the “Trust Officers Association of the Philippines.”

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

Melissa O. Ng, 44, Chinese, graduated with a degree of Bachelor of Science Degree in Applied Economics and a Bachelor of Science Degree in Business Management from De La Salle University. She earned her MBA (Silver Medalist) from De La Salle University in 2000. She has been with COL since 2007 and has previous banking experience from Security Bank and Union Bank of the Philippines.

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

Sharon T. Lim, 36, Filipino, started with COL in 2011 as Compliance and Legal Officer and was appointed as AVP and Head of HR, Legal and Compliance Departments in 2016. She was previously a Senior Associate of Puyat, Jacinto and Santos Law Offices and an Associate of Picazo Buyco Tan Fider and Santos Law Offices. Ms. Lim graduated with a degree of Bachelor of Science in Management Engineering in 2002 at the Ateneo de Manila University and Bachelor of Laws in 2006 at the University of the Philippines. She was admitted to the Philippine Bar in 2007 and is a licensed Associated Person.

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, 2016

Mr. Manuel S. Estacion, who was elected as independent director of COL, passed away on September 12, 2016. Other than Mr. Estacion, no director has resigned or declined to stand for re-election to the Board of Directors since the last annual stockholders' meeting due to disagreement with the COL on any matter relating to its operations, policies, or practices.

Significant Employees

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

Family Relationships

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

SUMMARY COMPENSATION TABLE Annual Compensation						
(in ₱ Million)	Annual Salary 2017 (est)	Annual Salary 2016	Annual Salary 2015	Annual Salary 2014	Bonuses 2014 - 2016	Other Annual Compensation 2014 - 2016
a) Chief Executive Officer and the Four Most Compensated Executives: Conrado F. Bate President & CEO Catherine L. Ong SVP/Treasurer/Chief Finance Officer Juan Jaime G. Barredo VP/Head of Sales and Sales Support Services Lorena E. Velarde VP/Financial Controller April Lynn Lee-Tan VP/Head of Research						
All above-named Executives and Officers as a Group	₱14.6	₱14.4	₱13.4	₱12.6	₱70.2	-nil-
b) All other Executives and Officers as a Group named	₱4.7	₱4.4	₱4.1	₱3.7	₱17.6	-nil-

<u>Other Arrangements</u>

Stock Option Plan(SOP)

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 2016, 1,000,000 SOP shares were exercised. As of December 31, 2016, all SOP shares were fully 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
All above-named directors and officers as a group	41,700,000			

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

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

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

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

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

    a. Upon the participant ceasing to be an employee of COL or a qualified individual for any reason whatsoever; or

    b. Upon the bankruptcy of the participant or the happening of any other event which results in the participant being deprived of the legal or beneficial ownership of such Option; or

    c. In the event of any misconduct on the part of the participant as determined by the Committee in its discretion.

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

Owners of more than 5% of COL's voting securities as of December 31, 2016 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with the Issuer	Name of Beneficial Owners and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	**PCD Nominee Corp. – Filipino** G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	CSI COL Various Stockholders/ Clients	Filipino Filipino Filipino	80,848,000 87,414,935 9,333,252	16.98% 18.36% 1.96%
Common	**PCD Nominee Corp. – Foreign** G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	CSI Various Stockholders/ Clients	Foreign Foreign	30,232,708 8,402,200	6.35% 1.77%
Common	**Edward K. Lee** 1576 Mahogany cor. Cypress Sts., Dasmariñas Village, Makati City *Stockholder*	Edward K. Lee	Filipino	98,431,600	20.68%
Common	**Alexander C. Yu** 211 Ortega St., San Juan, Metro Manila *Stockholder*	Alexander C. Yu	Filipino	66,801,900	14.03%
Common	**Paulwell Han** 9E G/F Broom Road, Happy Valley, Hong Kong *Stockholder*	Paulwell Han	Chinese	37,133,500	7.80%
Common	**Raymond C. Yu** 117 4th St., New Manila, Quezon City *Stockholder*	Raymond C. Yu	Filipino	26,216,400	5.51%
Common	**Conrado F. Bate** 1207 Tamarind Road, Dasmariñas Village, Makati City *Stockholder*	Conrado F. Bate	Filipino	23,983,700	5.04%

**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, 2016

Title of Class	Name of Owner	Position	Citizenship	Total No. of Shares	Percent (%)
Common	Edward K. Lee	Chairman	Filipino	98,431,600	20.68%
Common	Alexander C. Yu	Vice-Chairman	Filipino	66,801,900	14.03%
Common	Conrado F. Bate	President	Filipino	23,983,700	5.04%
Common	Hernan G. Lim	Director	Filipino	21,044,300	4.42%
Common	Raymond C. Yu	Director	Filipino	26,216,400	5.51%
Common	Wellington C. Yu	Director	Filipino	256,900	0.05%
Common	Paulwell Han	Director	Chinese	37,133,500	7.80%
Common	Joel Litman	Director	American	34,000	0.01%
Common	Khoo Boo Boon	Independent Director	Malaysian	1,000	0.00%
Common	Catherine L. Ong	Director/SVP/CFO and Treasurer	Filipino	9,915,000	2.08%
Common	Caesar A. Guerzon	Corporate Secretary	Filipino	3,877,500	0.81%
Common	Juan G. Barredo	VP for Sales and Customer Support	Filipino	1,800,100	0.38%
Common	Nikos J. Bautista	VP/Chief Technology Officer	Filipino	1,160,200	0.24%
Common	Lorena E. Velarde	VP/Financial Controller	Filipino	950,000	0.20%
Common	April Lynn L. Tan	VP/Head of Research	Filipino	2,510,000	0.53%
Common	Melissa O. Ng	AVP/Head of Operations	Chinese	391,500	0.08%
Common	Sharon T. Lim	Asst. Corporate Secretary/AVP and Head of HR, Legal and Compliance Departments	Filipino	18,500	0.00%
Common	**Key Officers and Directors (as a group)**			**294,526,100**	**61.88%**

As of December 31, 2016, the Parent Company's public float is 38.12%.

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

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

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

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

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

PART V - EXHIBITS AND SCHEDULES

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

<u>Exhibits</u>

Please refer to the attached Index to Consolidated Financial Statements and Supplementary Schedules on page 41.

<u>Reports on SEC Form 17-C</u>

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	07/07/16	07/07/16	C03968-2016
2)	Change in Shareholdings of Directors and Principal Officers	07/07/16	07/07/16	C03969-2016
3)	Change in Shareholdings of Directors and Principal Officers	07/11/16	07/11/16	C04022-2016
4)	Change in Shareholdings of Directors and Principal Officers	07/11/16	07/11/16	C04023-2016
5)	Change in Shareholdings of Directors and Principal Officers	07/11/16	07/11/16	C04024-2016
6)	Change in Shareholdings of Directors and Principal Officers	07/15/16	07/15/16	C04136-2016
7)	Change in Shareholdings of Directors and Principal Officers	07/15/16	07/15/16	C04137-2016
8)	Change in Shareholdings of Directors and Principal Officers	07/22/16	07/22/16	C04266-2016
9)	Change in Shareholdings of Directors and Principal Officers	07/22/16	07/22/16	C04267-2016
10)	Change in Shareholdings of Directors and Principal Officers	07/22/16	07/22/16	C04268-2016
11)	Change in Shareholdings of Directors and Principal Officers	07/22/16	07/22/16	C04269-2016
12)	Change in Shareholdings of Directors and Principal Officers	07/28/16	07/28/16	C04395-2016
13)	Change in Shareholdings of Directors and Principal Officers	07/28/16	07/28/16	C04396-2016
14)	Change in Shareholdings of Directors and Principal Officers	07/28/16	07/28/16	C04397-2016
15)	Change in Shareholdings of Directors and Principal Officers	07/28/16	07/28/16	C04398-2016
16)	Change in Shareholdings of Directors and Principal Officers	07/28/16	07/28/16	C04399-2016
17)	Change in Shareholdings of Directors and Principal Officers	08/02/16	08/02/16	C04543-2016
18)	Change in Shareholdings of Directors and Principal Officers	08/02/16	08/02/16	C04544-2016
19)	Change in Shareholdings of Directors and Principal Officers	08/02/16	08/02/16	C04545-2016
20)	Change in Shareholdings of Directors and Principal Officers	08/02/16	08/02/16	C04546-2016

Items Reported		Date filed	Announcement Date	Circular No.
21)	Change in Shareholdings of Directors and Principal Officers	08/09/16	08/09/16	C04687-2016
22)	Change in Shareholdings of Directors and Principal Officers	08/09/16	08/09/16	C04696-2016
23)	Change in Shareholdings of Directors and Principal Officers	08/09/16	08/09/16	C04697-2016
24)	Change in Shareholdings of Directors and Principal Officers	08/12/16	08/12/16	C04832-2016
25)	Change in Shareholdings of Directors and Principal Officers	08/12/16	08/12/16	C04833-2016
26)	Change in Shareholdings of Directors and Principal Officers	08/12/16	08/12/16	C04834-2016
27)	Material Information/Transactions	08/15/16	08/15/16	C04845-2016
28)	Press Release	08/15/16	08/15/16	C04847-2016
29)	Change in Shareholdings of Directors and Principal Officers	08/24/16	08/24/16	C05011-2016
30)	Change in Shareholdings of Directors and Principal Officers	08/30/16	08/30/16	C05087-2016
31)	Change in Shareholdings of Directors and Principal Officers	08/30/16	08/30/16	C05088-2016
32)	Change in Shareholdings of Directors and Principal Officers	09/05/16	09/05/16	C05186-2016
33)	Change in Shareholdings of Directors and Principal Officers	09/05/16	09/05/16	C05187-2016
34)	Change in Shareholdings of Directors and Principal Officers	09/05/16	09/05/16	C05189-2016
35)	Change in Shareholdings of Directors and Principal Officers	09/09/16	09/09/16	C05278-2016
36)	Change in Shareholdings of Directors and Principal Officers	09/09/16	09/09/16	C05279-2016
37)	Change in Shareholdings of Directors and Principal Officers	09/09/16	09/09/16	C05280-2016
38)	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)	09/14/16	09/14/16	C05316-2016
39)	Change in Shareholdings of Directors and Principal Officers	09/16/16	09/16/16	C05380-2016
40)	Change in Shareholdings of Directors and Principal Officers	09/16/16	09/16/16	C05381-2016
41)	Change in Shareholdings of Directors and Principal Officers	09/22/16	09/22/16	C05473-2016
42)	Change in Shareholdings of Directors and Principal Officers	09/22/16	09/22/16	C05474-2016
43)	Change in Shareholdings of Directors and Principal Officers	09/28/16	09/28/16	C05548-2016
44)	Change in Shareholdings of Directors and Principal Officers	09/28/16	09/28/16	C05550-2016
45)	Change in Shareholdings of Directors and Principal Officers	09/28/16	09/28/16	C05551-2016
46)	Change in Shareholdings of Directors and Principal Officers	10/04/16	10/04/16	C05659-2016
47)	Change in Shareholdings of Directors and Principal Officers	10/04/16	10/04/16	C05660-2016
48)	Change in Shareholdings of Directors and Principal Officers	10/04/16	10/04/16	C05661-2016

Items Reported		Date filed	Announcement Date	Circular No.
49)	Change in Shareholdings of Directors and Principal Officers	10/10/16	10/10/16	C05742-2016
50)	Change in Shareholdings of Directors and Principal Officers	10/10/16	10/10/16	C05743-2016
51)	Change in Shareholdings of Directors and Principal Officers	10/10/16	10/10/16	C05744-2016
52)	Change in Shareholdings of Directors and Principal Officers	10/14/16	10/14/16	C05844-2016
53)	Change in Shareholdings of Directors and Principal Officers	10/14/16	10/14/16	C05845-2016
54)	Change in Shareholdings of Directors and Principal Officers	10/14/16	10/14/16	C05846-2016
55)	Change in Shareholdings of Directors and Principal Officers	10/14/16	10/14/16	C05847-2016
56)	Change in Shareholdings of Directors and Principal Officers	10/20/16	10/20/16	C05936-2016
57)	Change in Shareholdings of Directors and Principal Officers	10/20/16	10/20/16	C05938-2016
58)	Change in Shareholdings of Directors and Principal Officers	10/26/16	10/26/16	C06037-2016
59)	Change in Shareholdings of Directors and Principal Officers	11/03/16	11/03/16	C06153-2016
60)	Change in Shareholdings of Directors and Principal Officers	11/03/16	11/03/16	C06154-2016
61)	Change in Shareholdings of Directors and Principal Officers	11/03/16	11/03/16	C06155-2016
62)	Change in Shareholdings of Directors and Principal Officers	11/09/16	11/09/16	C06290-2016
63)	Material Information/Transactions	11/14/16	11/14/16	C06376-2016
64)	Press Release	11/14/16	11/14/16	C06377-2016
65)	Change in Shareholdings of Directors and Principal Officers	12/05/16	12/05/16	C06745-2016
66)	Change in Shareholdings of Directors and Principal Officers	12/05/16	12/05/16	C06746-2016
67)	Change in Shareholdings of Directors and Principal Officers	12/08/16	12/08/16	C06858-2016

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 11, 2017.

COL FINANCIAL GROUP, INC.
Issuer

By:

Conrado F. Bate
President and Chief Executive Officer

Caesar A. Guerzon
SVP, Corporate Secretary

Catherine L. Ong
SVP, Treasurer/Chief Financial Officer

Lorena E. Velarde
VP and Financial Controller

SUBSCRIBED AND SWORN to before me this 17th day of April 2017, at Pasig, affiants exhibiting to me their Passports/Driver's License, as follows:

NAMES	PASSPORT NO./DRIVER'S LICENSE	DATE OF ISSUE	PLACE OF ISSUE
Conrado F. Bate	PP # EC3662119	Mar. 13, 2015	DFA NCR East
Catherine L. Ong	PP # EC0356590	Feb. 20, 2014	DFA NCR East
Caesar A. Guerzon	PP # EC6883267	March 1, 2016	DFA NCR East
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. 1054074/12-16-16/RSM
PTR No. 2516893/01-06-17/Pasig
MCLE Compliance No. V-0010052/08-26-15/ Pasig

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COL FINANCIAL GROUP, INC.
SEC FORM 17-A

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

FINANCIAL STATEMENTS	Remarks/Attachments
Statement of Management's Responsibility for Financial Statements	✓
Report of Independent Auditors	✓
Consolidated Statements of Financial Position as of December 31, 2016 and 2015	✓
Consolidated Statements of Income for the Years Ended December 31, 2016, 2015 and 2014	
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2016, 2015 and 2014	✓
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2016, 2015 and 2014	✓
Consolidated Statements of Cash Flows for the Years Ended December 31, 2016, 2015 and 2014	✓
Notes to Consolidated Financial Statements	✓
SUPPLEMENTARY SCHEDULES	
Report of Independent Auditors on Supplementary Schedules	✓
Schedule I. Retained Earnings Available for Dividend Declaration Pursuant to SEC Memorandum Circular No. 11	✓
Schedule II. Schedule of Effective Standards and Interpretations under the PFRS Pursuant to SRC Rule 68, as Amended	✓
Schedule III. Supplementary Schedules under Annex 68-E Pursuant to SRC Rule 68, as Amended	✓
Schedule IV. A Map Showing the Relationship Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries, and Associates Pursuant to SRC Rule 68, as Amended	✓
Schedule V. Schedule Showing Financial Soundness Indicators Pursuant to SRC Rule 68, as Amended	✓

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant(CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for COL Financial Group, Inc. and Subsidiary for the period ending December 31, 2016.

In discharging this responsibility, I hereby declare that I am the Vice President, Financial Controller of COL Financial Group, Inc..

Furthermore, in my compilation services for the preparation of the Consolidated Financial Statements and Notes to the Consolidated Financial Statements, I was not assisted by or did not avail of the services of Sycip, Gorres, Velayo & Co., which is the external auditor that rendered the audit opinion for the said Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

I hereby declare, under penalties of perjury and violation of the Republic Act No. 9298, that my statements are true and correct.

Lorena C. Espino-Velarde

PROFESSIONAL IDENTIFICATION CARD NUMBER 0086947
VALID UNTIL: June 26, 2017

BOA ACCREDITATION NUMBER: 0211
VALID UNTIL: June 26, 2019

SUBSCRIBED AND SWORN to before me this 7th day of March 2017, at Pasig, affiant exhibited to me her Driver's license with details as follows:

Name	Driver's License No.	Date/Place Issued
Lorena C. Espino-Velarde	D16-97-165067	June 24, 2014/ Pasig City

NOTARY PUBLIC

ATTY. CAESAR A. GUERZON
Notary Public
Until Dec. 31, 2017
Roll of Atty. No. 27749
PTR No. 5998748/01-04-17/Manila
IBP No. 1009861/10-14-15/Manila
MCLE Compliance No. V-0011249/10-20-15/Pasig

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COL FINANCIAL
PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of COL Financial Group, Inc. and Subsidiary (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as of December 31, 2016 and 2015 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Edward K. Lee
Chairman of the Board

Conrado F. Bate
President and Chief Executive Officer

Catherine L. Ong
Senior Vice President and Chief Financial Officer

Signed this 1st day of March 2017.

Statement of Management's Responsibility
for Financial Statements

SUBSCRIBED AND SWORN to before me this 3rd day of March 2017, at Pasig, affiants exhibited to me their respective Passports, as follows:

Name	**Passport No.**	**Date/Place Issued**
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. CAESAR A. GUERZON
Notary Public
Until Dec. 31, 2017
Roll of Atty. No. 27749
PTR No. 5998748/01-04-17/Manila
IBP No. 1009861/10-14-15/Manila
MCLE Compliance No. V-0011249/10-20-15/Pasig

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C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	9	1	0	0	6	5	

C O M P A N Y   N A M E

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

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

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

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

C O M P A N Y   I N F O R M A T I O N

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
30	03/NA	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

COL FINANCIAL
PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of COL Financial Group, Inc. and Subsidiary (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as of December 31, 2016 and 2015 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Edward K. Lee
Chairman of the Board

Conrado F. Bate
President and Chief Executive Officer

Catherine L. Ong
Senior Vice President and Chief Financial Officer

Signed this 1st day of March 2017.

Statement of Management's Responsibility for Financial Statements

SUBSCRIBED AND SWORN to before me this 3rd day of March 2017, at Pasig, affiants exhibited to me their respective Passports, as follows:

Name	**Passport No.**	**Date/Place Issued**
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. CAESAR A. GUERZON
Notary Public
Until Dec. 31, 2017
Roll of Atty. No. 27749
PTR No. 5998748/01-04-17/Manila
IBP No. 1009861/10-14-15/Manila
MCLE Compliance No. V-0011249/10-20-15/Pasig

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of COL Financial Group, Inc. and Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, 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, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Exchange trading right of COL Securities (HK) Limited

As of December 31, 2016, the carrying value of the exchange trading right of COL Securities (HK) Limited, the subsidiary in Hong Kong (HK), is HK$3.19 million (₱20.48 million). Under PFRS, the exchange trading right is an intangible asset with an indefinite useful life, which the Group is required to test for impairment at least annually. The Group computed the value in use (VIU) of the exchange trading right in determining the recoverable amount. The annual impairment test was significant to our audit because significant judgment and estimates are involved in the determination of the cash-generating unit's (CGU's) VIU. The assumptions used in the calculation of the VIU are sensitive to estimates of future cash flows from the CGU, discount rate and growth rate of the revenue used to project the cash flows. The disclosures in relation to the exchange trading right are included in Notes 3 and 9 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodology and the assumptions used. These assumptions include discount rate and revenue growth rate. We compared the key assumptions used, such as revenue growth rate against the historical performance and plans of the CGU and other relevant external data. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of the exchange trading right.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-AR-1,
July 28, 2016, valid until July 28, 2019
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908738, January 3, 2017, Makati City

March 1, 2017

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31					
	2016			2015		
		Security Valuation			Security Valuation	
	Money Balance	**Long**	**Short**	Money Balance	Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	**₱7,225,603,984**			₱6,493,600,095		
Cash in a segregated account (Note 5)	**134,918,294**			255,596,013		
Financial assets at fair value through profit or loss (Note 6)	**2,102,563**	**₱2,102,563**		1,673,427	₱1,673,427	
Trade receivables (Notes 7 and 18)	**1,188,644,329**	**6,261,145,183**		1,075,809,699	3,700,094,576	
Other receivables (Notes 7 and 18)	**15,160,682**			8,425,177		
Prepayments	**2,189,572**			2,097,787		
Total Current Assets	**8,568,619,424**			7,837,202,198		
Noncurrent Assets						
Long-term time deposit (Note 4)	**200,000,000**			–		
Property and equipment (Note 8)	**60,667,539**			44,268,412		
Intangibles (Note 9)	**25,483,628**			24,413,383		
Deferred tax assets (Note 17)	**35,146,805**			35,558,643		
Other noncurrent assets (Note 10)	**14,824,086**			11,388,382		
Total Noncurrent Assets	**336,122,058**			115,628,820		
TOTAL ASSETS	**₱8,904,741,482**			₱7,952,831,018		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			**₱54,516,942,193**			₱43,011,188,066

(Forward)

	December 31					
	2016			2015		
		Security Valuation			Security Valuation	
	Money Balance	**Long**	**Short**	Money Balance	Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Notes 11 and 18)	**₱7,353,292,239**	**₱48,253,694,447**		₱6,539,148,312	₱39,309,420,063	
Other current liabilities (Note 12)	**90,926,071**			59,026,457		
Income tax payable	**10,181,427**			11,387,517		
Total Current Liabilities	**7,454,399,737**			6,609,562,286		
Noncurrent Liability						
Retirement obligation (Note 16)	**26,826,298**			26,277,714		
Total Liabilities	**7,481,226,035**			6,635,840,000		
Equity						
Capital stock (Note 13)	**476,000,000**			475,000,000		
Capital in excess of par value	**53,219,024**			53,219,024		
Cost of share-based payment (Note 16)	**–**			4,031,571		
Accumulated translation adjustment	**9,375,669**			(5,241,859)		
Loss on remeasurement of retirement obligation (Note 16)	**(880,074)**			(4,836,196)		
Retained earnings:						
Appropriated (Note 13)	**198,811,471**			169,021,759		
Unappropriated	**686,989,357**			625,796,719		
Total Equity	**1,423,515,447**			1,316,991,018		
TOTAL LIABILITIES AND EQUITY	**₱8,904,741,482**	**₱54,516,942,193**	**₱54,516,942,193**	₱7,952,831,018	₱43,011,188,066	₱43,011,188,066

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2016	2015	2014
REVENUES			
Commissions (Note 18)	**₱605,558,128**	₱486,883,432	₱503,390,041
Others:			
Interest income (Notes 4, 5, 7, 14, and 18)	**220,387,183**	233,164,409	215,385,753
Trading gains (losses) - net (Note 6)	**(72,168)**	10,852,242	3,407,634
Others (Notes 6, 7 and 8)	**7,846,425**	6,137,509	1,587,660
	833,719,568	737,037,592	723,771,088
COST OF SERVICES			
Commission expense (Note 18)	**92,234,435**	83,929,514	85,323,813
Personnel costs - operations (Notes 15 and 18)	**74,166,258**	64,928,766	63,239,706
Stock exchange dues and fees	**14,921,084**	11,959,433	12,010,298
Central depository fees	**9,409,779**	8,385,836	7,702,432
Research	**2,163,005**	2,031,795	1,513,288
Others:			
Communications	**30,101,631**	25,263,922	23,913,982
Depreciation and amortization (Note 8)	**201,009**	154,548	184,511
	223,197,201	196,653,814	193,888,030
GROSS PROFIT	**610,522,367**	540,383,778	529,883,058
OPERATING EXPENSES			
Administrative expenses:			
Professional fees (Note 18)	**37,365,258**	27,370,666	23,495,950
Personnel costs (Notes 15 and 18)	**36,984,384**	32,158,605	30,216,124
Management bonus (Note 18)	**17,418,101**	13,759,639	13,586,282
Rentals (Note 19)	**14,326,932**	13,610,309	11,597,494
Advertising and marketing	**9,693,034**	9,506,605	9,748,647
Security and messengerial services	**4,753,033**	4,480,432	3,870,683
Taxes and licenses (Note 17)	**4,555,798**	28,373,917	4,910,260
Power, light and water	**4,009,964**	4,162,488	4,134,836
Insurance and bonds	**3,350,540**	2,837,168	2,500,221
Representation and entertainment	**3,184,166**	2,565,237	3,359,742
Office supplies	**2,666,969**	3,311,590	2,880,838
Condominium dues and utilities	**2,490,021**	2,260,213	1,864,854
Repairs and maintenance	**2,300,629**	1,886,711	1,815,976
Transportation and travel	**1,117,783**	1,269,358	1,093,392
Trainings, seminars and meetings	**1,085,302**	723,052	1,253,369
Communications	**982,316**	941,225	698,485
Directors' fees (Note 18)	**890,000**	890,000	740,000
Membership fees and dues	**821,925**	786,203	991,889
Bank charges	**385,157**	5,147,896	3,585,008
Fringe benefit tax	**–**	–	30,437,647
Stock option expense (Notes 16 and 18)	**–**	–	1,430,000
Donations and contributions	**–**	–	1,000,000
Others	**2,294,958**	2,826,612	3,352,877
	150,676,270	158,867,926	158,564,574
Depreciation and amortization (Note 8)	**18,925,355**	17,528,714	15,046,813
Provision for credit losses (Note 7)	**1,885,688**	–	1,184,279
Interest expense (Note 16)	**1,313,885**	1,296,864	1,574,391
Miscellaneous expense	**34,110**	878,247	273,409
	172,835,308	178,571,751	176,643,466
INCOME BEFORE INCOME TAX	**437,687,059**	361,812,027	353,239,592
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)			
Current			
Regular corporate income tax	**86,813,521**	82,823,973	84,630,826
Final income tax	**32,442,461**	22,086,975	12,255,530
Deferred	**(10,051,273)**	(5,792,263)	(5,913,824)
	109,204,709	99,118,685	90,972,532
NET INCOME	**₱328,482,350**	₱262,693,342	₱262,267,060
Earnings Per Share (Note 23)			
Basic	**₱0.69**	₱0.55	₱0.56
Diluted	**₱0.69**	₱0.55	₱0.55

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
NET INCOME	**₱328,482,350**	₱262,693,342	₱262,267,060
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Item that will not be reclassified to consolidated statements of income:			
Gain (loss) on remeasurement of retirement obligation - net of tax (Note 16)	**3,956,122**	(435,413)	3,842,860
Item that may be reclassified subsequently to consolidated statements of income:			
Translation adjustments - net of tax	**14,617,528**	16,573,088	1,161,553
	18,573,650	16,137,675	5,004,413
TOTAL COMPREHENSIVE INCOME	**₱347,056,000**	₱278,831,017	₱267,271,473

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, 2016, 2015, and 2014

	Capital Stock (Note 13)	Capital In Excess of Par Value	Cost of Share-Based Payment (Note 16)	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation (Note 16)	Retained Earnings Appropriated (Note 13)	Retained Earnings Unappropriated	Total
Balances at January 1, 2016	**₱475,000,000**	**₱53,219,024**	**₱4,031,571**	**(₱5,241,859)**	**(₱4,836,196)**	**₱169,021,759**	**₱625,796,719**	**₱1,316,991,018**
Total comprehensive income	–	–	–	**14,617,528**	**3,956,122**	–	**328,482,350**	**347,056,000**
Appropriation of retained earnings (Note 13)	–	–	–	–	–	**29,789,712**	**(29,789,712)**	–
Issuance of shares upon exercise of stock options (Note 16)	**1,000,000**	–	–	–	–	–	–	**1,000,000**
Cost of share-based payment (Note 16)	–	–	**(4,031,571)**	–	–	–	–	**(4,031,571)**
Declaration of cash dividend (Note 13)	–	–	–	–	–	–	**(237,500,000)**	**(237,500,000)**
Balances at December 31, 2016	**₱476,000,000**	**₱53,219,024**	**₱–**	**₱9,375,669**	**(₱880,074)**	**₱198,811,471**	**₱686,989,357**	**₱1,423,515,447**
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
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 (Note 16)	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)
Balances at December 31, 2015	₱475,000,000	₱53,219,024	₱4,031,571	(₱5,241,859)	(₱4,836,196)	₱169,021,759	₱625,796,719	₱1,316,991,018

(Forward)

	Capital Stock (Note 13)	Capital In Excess of Par Value	Cost of Share-Based Payment (Note 16)	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation (Note 16)	Retained Earnings		Total
						Appropriated (Note 13)	Unappropriated	
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
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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱437,687,059**	₱361,812,027	₱353,239,592
Adjustments for:			
Interest income (Notes 4, 5, 14 and 18)	**(220,387,183)**	(233,164,409)	(215,385,753)
Depreciation and amortization (Note 8)	**19,126,364**	17,683,262	15,231,324
Retirement costs under 'Personnel costs' (Notes 15 and 16)	**4,886,302**	4,356,919	4,487,206
Provision for credit losses (Note 7)	**1,885,688**	–	1,184,279
Interest expense (Note 16)	**1,313,885**	1,296,864	1,574,391
Unrealized trading loss (gain) - net (Note 6)	**(139,356)**	1,233,669	(1,028,340)
Dividend income (Note 6)	**(28,710)**	(20,932)	(29,651)
Loss (gain) on disposal of property and equipment (Note 8)	**(4,365)**	(1,069)	56,898
Contribution to the retirement fund (Note 16)	**–**	(8,190,778)	–
Recovery from credit losses under 'Others' (Note 7)	**–**	(2,135,877)	–
Stock option expense (Notes 16 and 18)	**–**	–	1,430,000
Operating income before working capital changes	**244,339,684**	142,869,676	160,759,946
Decrease (increase) in:			
Cash in a segregated account	**120,677,719**	(101,466,988)	(41,535,600)
Financial assets at fair value through profit or loss	**(289,780)**	6,468,468	(1,110,610)
Trade receivables	**(78,192,367)**	398,920,470	(85,359,331)
Other receivables	**30,004,700**	22,896,265	12,611,535
Prepayments	**(84,131)**	212,819	(97,289)
Other noncurrent assets	**(12,037,740)**	(11,272,707)	(9,570,913)
Increase (decrease) in:			
Trade payables	**799,799,469**	1,589,010,275	1,541,543,509
Fringe benefit tax payable	**–**	(30,437,647)	30,437,647
Other current liabilities	**28,853,335**	(15,660,966)	6,996,831
Net cash generated from operations	**1,133,070,889**	2,001,539,665	1,614,675,725
Interest received	**182,539,191**	213,253,357	197,417,827
Income taxes paid	**(111,638,182)**	(98,464,491)	(88,088,143)
Dividends received	**28,710**	20,932	29,651
Net cash flows from operating activities	**1,204,000,608**	2,116,349,463	1,724,035,060
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in long-term time deposit (Note 4)	**(200,000,000)**	–	–
Acquisitions of property and equipment (Note 8)	**(35,503,862)**	(26,113,336)	(12,109,102)
Proceeds from disposal of property and equipment (Note 8)	**7,143**	1,076	62,730
Net cash flows used in investing activities	**(235,496,719)**	(26,112,260)	(12,046,372)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends declared and paid (Note 13)	**(237,500,000)**	(237,275,000)	(281,190,000)
Issuance of additional shares (Notes 13 and 16)	**1,000,000**	450,000	5,900,000
Net cash flows used in financing activities	**(236,500,000)**	(236,825,000)	(275,290,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**732,003,889**	1,853,412,203	1,436,698,688
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,493,600,095**	4,640,187,892	3,203,489,204
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱7,225,603,984**	₱6,493,600,095	₱4,640,187,892

See accompanying Notes to Consolidated Financial Statements.

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, HK.

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

On August 15, 2006, the Board of Directors (BOD) of the Parent Company approved the acquisition of the exchange trading right of Mark Securities Corporation for the purpose of making the Parent Company a PSE Trading Participant. On December 13, 2006, the BOD of PSE approved the application of the Parent Company as a Corporate Trading Participant in PSE through the transfer of the exchange trading right registered in the name of Mark Securities Corporation and the designation of Mr. Conrado F. Bate as its Nominee Trading Participant (Note 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. The CTGF is a risk management tool of the SCCP, whose primary purpose is to protect the settlement system for any default by a clearing member.

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.

On various dates in 2016, 2015 and 2014, the Parent Company was registered and authorized by the SEC to distribute various kinds of mutual funds of the top six (6) fund providers in the Philippines.

The accompanying consolidated financial statements of the Group as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issue in accordance with a resolution by the BOD on March 1, 2017.

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance.

- Amendments to PFRS 10, PFRS 12 and Philippine Accounting Standard (PAS) 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

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

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in OCI, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments*

  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.

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation International Financial Reporting Interpretations Committee 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 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 standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 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 adopting this standard.

Deferred effectivity

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

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

Summary of Significant Accounting Policies

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

On consolidation, the assets and liabilities of the consolidated foreign subsidiary are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statements of income 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 and liabilities are classified as non-current assets.

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

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, 2016 and 2015, the Group has no HTM investments and AFS financial assets.

Financial liabilities are classified as at FVPL or other financial liabilities. The Group's financial liabilities as at December 31, 2016 and 2015 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 Instruments at FVPL
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities that are held for trading purposes.

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 (losses) - net' in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other revenues according to the terms of the contract, or when the right of the payment has been established.

As at December 31, 2016 and 2015, 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', 'Long-term time deposit', 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 by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

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

Trade Receivables and Payables

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

Derecognition of Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

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

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

Impairment of Financial Assets

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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Prepayments and Other 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 value-added tax (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:

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

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

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

Intangibles

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

Software Costs
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.

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.

Intangibles with indefinite useful lives are tested for impairment annually at statement of financial position date either individually or at the cash generating unit level, as appropriate.

Intangibles with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Leases
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 Paid-in Excess of Par Value

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

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

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

Retained Earnings

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

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

Unappropriated retained earnings represent the accumulated profits and gains realized out of the normal and continuous operations of the Group after deducting therefrom distributions to stockholders and transfers to capital stocks or other accounts, and which is:

- Not appropriated by its BOD for corporate expansion projects or programs;
- Not covered by a restriction for dividend declaration under a loan agreement;
- Not required under special circumstances obtaining in the Group such as when there is a need for a special reserve for probable contingencies.

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

Revenue Recognition

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.

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

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

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

The dilutive effect of outstanding SOP shares is reflected as additional share dilution in the computation of diluted earnings per share (EPS) (Note 23).

Retirement Costs

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

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

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

Defined benefit costs comprise the following:

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

Service costs which include current service cost, past service costs and gains or losses on non-routine settlements are recognized as 'Retirement costs' under 'Personnel costs' 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 are retained in OCI which are presented as ‘Gain (loss) on remeasurement of retirement obligation’ under equity.

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

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

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

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

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

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

Taxes

Current Income Tax

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

Deferred Income Tax

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

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

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

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

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

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

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

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

Contingencies

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the 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 24. The Group operates in one business segment, being stockbrokerage services; therefore, business segment information is no longer presented.

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

The key assumptions used to determine the recoverable amount of the Group's exchange trading rights are further explained in Note 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, 2016 and 2015, 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, 2016 and 2015, are disclosed in Note 17.

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.

4. Cash and Cash Equivalents and Long-term Time Deposit

Cash and Cash Equivalents

	2016	2015
Cash on hand and in banks	**₱703,440,138**	₱466,769,391
Short-term cash investments	**6,522,163,846**	6,026,830,704
	₱7,225,603,984	₱6,493,600,095

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 0.94% to 2.73% per annum in 2016 and from 0.69% to 3.00% per annum in 2015 and 2014. The Parent Company has United States dollar (US$)-denominated cash in banks amounting to US$15,974 and US$16,144 as at December 31, 2016 and 2015, respectively, while COLHK has US$-denominated cash in banks amounting to US$262,068 and US$39,260 as at December 31, 2016 and 2015, 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 ₱6,951,037,917 and ₱6,194,973,419 as at December 31, 2016 and 2015, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at December 31, 2016 and 2015, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

Long-term Time Deposit
This account pertains to the Group's investment in time deposit with interest at 4.00% per annum in 2016 and maturing on June 24, 2021.

Interest income of the Group from cash and cash equivalents, cash in segregated account and long-term time deposit amounted to ₱162,216,441, ₱110,436,251 and ₱61,280,263 in 2016, 2015 and 2014, respectively (Note 14).

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 (Note 11). The Group is not allowed to use the clients' monies to settle its own obligations.

As at December 31, 2016 and 2015, cash in a segregated account for COLHK amounted to ₱134,918,294 and ₱255,596,013, respectively.

6. Financial Assets at FVPL

Financial assets at FVPL pertain to investments in mutual funds and shares of stock of companies listed in the PSE. As at December 31, 2016 and 2015, financial assets at FVPL amounted to ₱2,102,563 and ₱1,673,427, respectively.

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

	2016	2015	2014
Trading gain (loss) from sale	**(₱211,524)**	₱12,085,911	₱2,379,294
Unrealized trading gain (loss)	**139,356**	(1,233,669)	1,028,340
	(₱72,168)	₱10,852,242	₱3,407,634

Dividend income included under 'Other revenues' amounted to ₱28,710, ₱20,932 and ₱29,651 in 2016, 2015 and 2014, respectively.

7. Trade Receivables and Other Receivables

Trade Receivables

	2016	2015
Customers (Note 18)	**₱908,222,913**	₱846,028,233
Clearing house	**190,079,112**	96,016,120
Other brokers	**92,827,821**	134,806,639
Trail fee receivables	**674,528**	233,064
	1,191,804,374	1,077,084,056
Less allowance for credit losses on trade receivables from customers	**3,160,045**	1,274,357
	₱1,188,644,329	₱1,075,809,699

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

	2016		2015	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
Fully secured accounts:				
More than 250%	**₱610,583,117**	**₱5,779,311,438**	₱341,152,360	₱2,908,670,462
Between 200% and 250%	**104,818,123**	**247,666,968**	70,434,578	157,862,011
Between 150% and 200%	**47,052,658**	**90,090,020**	243,478,049	437,812,936
Between 100% to 150%	**82,904,042**	**96,073,905**	106,850,738	115,301,775
Less than 100%	**48,038,401**	**48,002,852**	84,112,493	80,447,392
Unsecured accounts (Note 18)	**14,826,572**	**–**	15	–
	908,222,913	**6,261,145,183**	846,028,233	3,700,094,576
Less allowance for credit losses on trade receivables from customers	**3,160,045**	**–**	1,274,357	–
	₱905,062,868	**₱6,261,145,183**	₱844,753,876	₱3,700,094,576

As at December 31, 2016 and 2015, the Parent Company offered a credit line facility amounting to ₱5,106,458,000 and ₱5,118,001,000, 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 until April 2016 and from 0.67% to 0.83% per month beginning May 2016.

Interest income from customers amounted to ₱58,170,742, ₱122,711,829 and ₱154,105,490 in 2016, 2015 and 2014, respectively (Note 14).

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, 2016 and 2015, ₱845,357,940 and ₱761,915,725, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at December 31, 2016 and 2015, were fully collected subsequently in January 2017 and 2016, 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 its retail customers to trade in other foreign markets.

Other Receivables

	2016	2015
Accrued interest	**₱12,280,288**	₱6,874,758
Advances to officers and employees (Note 18)	**511,326**	372,055
Others	**11,329,313**	10,138,609
	24,120,927	17,385,422
Less allowance for credit losses on other receivables	**8,960,245**	8,960,245
	₱15,160,682	₱8,425,177

Allowance for Credit Losses

	2016			2015		
	Customers	**Others**	**Total**	Customers	Others	Total
Balances at beginning of year	**₱1,274,357**	**₱8,960,245**	**₱10,234,602**	₱3,410,234	₱8,960,245	₱12,370,479
Provision for (recovery from) credit losses	**1,885,688**	**–**	**1,885,688**	(2,135,877)	–	(2,135,877)
Balances at end of year	**₱3,160,045**	**₱8,960,245**	**₱12,120,290**	₱1,274,357	₱8,960,245	₱10,234,602

Recovery from credit losses is lodged under 'Other revenues' account in the consolidated statements of income.

8. Property and Equipment

	2016			
	Online Trading Equipment and Facilities	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost				
At beginning of year	**₱110,941,161**	**₱30,122,088**	**₱28,009,979**	**₱169,073,228**
Additions	**33,481,684**	**1,020,831**	**1,001,347**	**35,503,862**
Disposals	**(46,085)**	**(7,317,714)**	**–**	**(7,363,799)**
Translation adjustments	**402,278**	**536,889**	**48,018**	**987,185**
At end of year	**144,779,038**	**24,362,094**	**29,059,344**	**198,200,476**
Accumulated depreciation and amortization				
At beginning of year	**74,541,138**	**25,457,626**	**24,806,052**	**124,804,816**
Depreciation and amortization	**14,977,020**	**2,349,483**	**1,799,861**	**19,126,364**
Disposals	**(43,889)**	**(6,968,599)**	**–**	**(7,012,488)**
Translation adjustments	**400,082**	**166,145**	**48,018**	**614,245**
At end of year	**89,874,351**	**21,004,655**	**26,653,931**	**137,532,937**
Net book value	**₱54,904,687**	**₱3,357,439**	**₱2,405,413**	**₱60,667,539**

	2015			
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
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
Accumulated depreciation and amortization				
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
Net book value	₱36,400,023	₱4,664,462	₱3,203,927	₱44,268,412

As of December 31, 2016 and 2015, the cost of the Group's fully depreciated property and equipment still in use amounted to ₱90,284,688 and ₱68,041,934, respectively. Disposal of property and equipment resulted in gain (loss) amounting to ₱4,365, ₱1,069 and (₱56,898) in 2016, 2015 and 2014, respectively, included in 'Other revenues'.

The depreciation and amortization were distributed as follows:

	2016	2015	2014
Cost of services	**₱201,009**	₱154,548	₱184,511
Operating expenses	**18,925,355**	17,528,714	15,046,813
	₱19,126,364	₱17,683,262	₱15,231,324

9. Intangibles

Philippine Operations
On August 15, 2006, the Parent Company purchased the exchange 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, 2016 and 2015, the fair value less costs to sell of the said exchange trading right amounted to ₱8,500,000, representing the transacted price of the exchange trading right of the most recent sale approved by the PSE on December 14, 2011.

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, 2016 and 2015, the carrying value of COLHK exchange trading right in Philippine peso amounted to ₱20,483,628 and ₱19,413,383, respectively.

The Group performed its annual impairment test in December 2016 and 2015. The Group considers each location as a separate cash-generating unit (CGU) and the historical experience of each CGU, among other factors, when reviewing for indicators of impairment.

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

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

The VIU calculation for the COLHK CGU is most sensitive to the following assumptions:
- Discount rate (2016: 1.73%; 2015: 1.40%) – This is based on the specific circumstances of the CGU and is derived from its weighted average cost of capital (WACC), taking into consideration the time value of money and individual risks of the underlying assets. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the bond market index in HK. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated based on publicly available market data on similar stockbrokers in HK.
- Revenue growth rate (2.00% in 2016 and 2015) – This is based on average revenue in the three years preceding the financial year and the plans of COLHK.

Management believes that any reasonably possible change in the key assumptions on which the exchange trading right's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

As a result of this analysis, management has determined that there was no impairment loss in 2016, 2015 and 2014 since the VIU exceeds the carrying value of the exchange trading right.

Movements in exchange trading rights follow:

	2016	2015
At beginning of year	**₱24,413,383**	₱23,338,991
Translation adjustment	**1,070,245**	1,074,392
At end of year	**₱25,483,628**	₱24,413,383

10. **Other Noncurrent Assets**

	2016	2015
Deposit to CTGF	**₱13,724,200**	₱13,724,200
Refundable deposits:		
Rental and utility deposits	**5,100,348**	4,142,089
Other refundable deposits	**3,334,697**	2,976,766
	8,435,045	7,118,855
Input VAT	**6,389,041**	4,269,527
	28,548,286	25,112,582
Less allowance for impairment losses on other noncurrent assets	**13,724,200**	13,724,200
	₱14,824,086	₱11,388,382

As mentioned in Note 1, on October 20, 2008, the Parent Company made an initial contribution of ₱8,200,000 to the CTGF of the SCCP as a prerequisite to the Parent Company's accreditation as a clearing member of SCCP. On August 20, 2009, the Parent Company made an additional contribution amounting to ₱5,524,200 to top-up the deficiency in the initial contribution.

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

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**

	2016	2015
Customers (Note 18)	**₱7,307,047,860**	₱6,479,279,657
Clearing house	**46,244,379**	59,868,655
	₱7,353,292,239	₱6,539,148,312

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

	2016		2015	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	**₱7,307,047,860**	**₱46,490,317,991**	₱6,479,279,657	₱38,259,806,585
No money balances	**–**	**1,763,376,456**	–	1,049,613,478
	₱7,307,047,860	**₱48,253,694,447**	₱6,479,279,657	₱39,309,420,063

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

Payable to customers with money balances amounting to ₱156,161,596 and ₱254,248,734 as at December 31, 2016 and 2015, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of conduct of regulated activities. These balances are payable on demand.

Trade payables to clearing house as at December 31, 2016 and 2015 were subsequently paid in January 2017 and 2016, 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**

	2016	2015
Accrued expenses	**₱28,426,679**	₱19,124,581
Due to BIR	**23,957,778**	16,085,261
Accrued management bonus	**21,126,958**	14,514,857
Trading fees	**2,136,692**	1,653,463
Others	**15,277,964**	7,648,295
	₱90,926,071	₱59,026,457

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

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

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 and amounts of shares in thousands) follow:

	2016		2015		2014	
	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	**475,000**	**475,000**	474,550	474,550	468,650	468,650
Issuance of common shares upon exercise of stock options (Note 16)	**1,000**	**1,000**	450	450	5,900	5,900
Balances at end of year	**476,000**	**₱476,000**	475,000	₱475,000	474,550	₱474,550

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2016 and 2015, there are 30 and 32 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱16.10 and ₱15.00 per share, respectively. The history of share issuance during the last five years follows:

Year	Issuance	Listing Date	Number of Shares issued
2016	Stock options exercise	July 4, 2016	1,000,000
2015	Stock options exercise	July 16, 2015	250,000
2015	Stock options exercise	April 14, 2015	200,000
2014	Stock options exercise	November 25, 2014	200,000
2014	Stock options exercise	November 24, 2014	5,500,000
2014	Stock options exercise	May 22, 2014	200,000
2013	Stock options exercise	February 21, 2013	200,000
2013	Stock options exercise	January 24, 2013	200,000
2013	Stock options exercise	January 13, 2013	440,000
2012	Stock options exercise	October 30, 2012	100,000
2012	Stock options exercise	May 4, 2012	460,000
2012	Stock options exercise	April 27, 2012	200,000
2012	Stock options exercise	April 11, 2012	200,000
2012	Stock options exercise	March 26, 2012	2,200,000
2012	Stock options exercise	February 16, 2012	6,100,000

Retained Earnings

In compliance with SRC Rule 49.1 B, *Reserve Fund*, the Parent Company appropriates annually ten percent (10%) of its audited net income and transfers the same to appropriated retained earnings account.

On March 31, 2016, the BOD declared a regular and a special dividend amounting to ₱0.11 per share held or ₱52,250,000 (475,000,000 shares multiplied by ₱0.11 cash dividend per share) and ₱0.39 per share held or ₱185,250,000 (475,000,000 shares multiplied by ₱0.39 cash dividend per share), respectively, to stockholders as of record date of April 15, 2016. These dividends were paid on April 22, 2016.

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.

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.

As of December 31, 2016 and 2015, the consolidated retained earnings includes the retained earnings of COLHK amounting to ₱245,665,894 and ₱285,012,598, respectively, which are not available for dividend declaration.

14. **Interest Income**

	2016	2015	2014
Customers (Note 7)	**₱58,170,742**	₱122,711,829	₱154,105,490
Banks (Note 4)	**162,216,441**	110,436,251	61,280,263
Others	–	16,329	–
	₱220,387,183	₱233,164,409	₱215,385,753

15. **Personnel Costs**

	2016	2015	2014
Salaries and wages	**₱98,257,234**	₱85,526,022	₱82,432,482
Retirement costs (Note 16)	**4,886,302**	4,356,919	4,487,206
Other benefits (Note 16)	**8,007,106**	7,204,430	6,536,142
	₱111,150,642	₱97,087,371	₱93,455,830

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

The above accounts were distributed as follows:

	2016	2015	2014
Cost of services	**₱74,166,258**	₱64,928,766	₱63,239,706
Operating expenses	**36,984,384**	32,158,605	30,216,124
	₱111,150,642	₱97,087,371	₱93,455,830

16. **Employee Benefits**

SOP

On July 12, 2000 (1st tranche) and July 3, 2006 (2nd tranche), the Group granted 27,250,000 and 18,750,000 SOP shares respectively, in favor of directors, senior managers and officers of the Group as well as other qualified individuals determined by the committee constituted by the BOD to administer the SOP.

The agreement provides for an exercise price of ₱1.00 per share. These SOP shares will be settled in equity once exercised. All SOP shares 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 were no new SOP shares granted in 2016, 2015 and 2014. There were no cancellations or modifications to the SOP in 2016, 2015 and 2014.

The following tables illustrate the number of and movements in SOP shares under the 1st tranche:

	2016	2015	2014
Outstanding at beginning of year	**1,000,000**	1,450,000	1,850,000
Exercised during the year (Note 13)	**(1,000,000)**	(450,000)	(400,000)
Outstanding at end of year	–	1,000,000	1,450,000

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.

All remaining 5,500,000 SOP shares in the 2nd tranche were exercised in 2014. These SOP shares were recognized and accounted for in accordance with PFRS 2, *Share-Based Payment*.

The weighted average remaining contractual life of outstanding SOP shares as at December 31, 2014 is 2.5 years.

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 SOP shares were granted. The fair value of the SOP shares granted on July 3, 2006 amounted to ₱1.04 per share.

The assumptions used to determine the fair value of the 18,750,000 SOP shares granted on July 3, 2006 were:

- share price of ₱1.36 as the latest valuation of stock price at the time of the initial public offering;
- exercise price of ₱1.00;
- expected volatility of 24.00%;
- option life of ten (10) years; and
- 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:

	2016	2015	2014
Balances at beginning of year	**₱4,031,571**	₱5,499,602	₱29,767,551
Movement on deferred tax asset on intrinsic value of outstanding options	**(4,031,571)**	(1,468,031)	(19,977,949)
Cost of share-based payment recognized as capital in excess of par value	–	–	(5,720,000)
Stock option expense (Note 18)	–	–	1,430,000
Movements during the year	**(4,031,571)**	(1,468,031)	(24,267,949)
Balances at end of year	**₱–**	₱4,031,571	₱5,499,602

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, 2016, 2015 and 2014.

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:

	2016	2015	2014
Current service cost (Note 15)	**₱4,886,302**	₱4,356,919	₱4,487,206
Net interest expense	**1,313,885**	1,296,864	1,574,391
	₱6,200,187	₱5,653,783	₱6,061,597

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:

	2016	2015
Retirement obligation at beginning of year	**₱26,277,714**	₱28,192,690
Retirement costs	**6,200,187**	5,653,783
Contributions	–	(8,190,778)
Net actuarial (gains) losses	**(5,651,603)**	622,019
	₱26,826,298	₱26,277,714

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

	2016	2015
Present value of defined benefit obligation	**₱35,737,721**	₱40,298,424
Fair value of plan assets	**(8,911,423)**	(14,020,710)
	₱26,826,298	₱26,277,714

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

	2016	2015
Opening present value of defined benefit obligation	**₱40,298,424**	₱34,875,040
Current service cost	**4,886,302**	4,356,919
Interest cost	**2,014,921**	1,604,252
Remeasurement losses (gains) on:		
Financial assumptions	**(2,231,088)**	(1,810,843)
Experience adjustments	**(3,887,495)**	2,209,909
Benefits paid	**(5,343,343)**	(936,853)
	₱35,737,721	₱40,298,424

Changes in the fair value of plan assets follow:

	2016	2015
Balances at beginning of year	**₱14,020,710**	₱6,682,350
Expected interest income	**701,036**	307,388
Contributions	**–**	8,190,778
Benefits paid	**(5,343,343)**	(936,853)
Remeasurement loss on plan assets	**(466,980)**	(222,953)
	₱8,911,423	₱14,020,710

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

	2016	2015
Investment in unit investment trust funds (UITF)	**99.98%**	99.98%
Cash in bank	**0.02%**	0.02%
	100.00%	100.00%

The plan assets are 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 are shown below:

	2016	2015
Discount rate	**5.00%**	4.60%
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 rate used to discount the defined benefit obligation as of December 31, 2016 is 5.50%.

The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2016 and 2015 assuming all other assumptions were held constant.

	2016	
	Increase (decrease) in significant assumptions	**Increase (decrease) in defined benefit obligation**
Discount rates	**+0.50%**	**(₱2,044,888)**
	-0.50%	**2,231,088**
Future salary increases	**+0.50%**	**2,114,732**
	-0.50%	**(1,958,437)**
Mortality rate	**+1 year**	**(209,186)**
	-1 year	**222,955**

	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

The Parent Company does not perform any asset-liability matching strategy. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trust bank, in accordance with the requirements of the Bangko Sentral ng Pilipinas. It does not, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan. The retirement plan assets consist of 99.98% investment in UITF and 0.02% regular savings account as at December 31, 2016 and 2015.

The Parent Company has no funding policies. As at March 1, 2017, the Parent Company has not yet reasonably determined the amount of the 2017 contributions to the retirement plan.

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

	2016	2015
Zero (0) to five (5) years	**₱8,559,070**	₱13,043,528
Six (6) to ten (10) years	**25,141,321**	24,321,660
Beyond ten (10) years	**271,647,850**	243,802,333
	₱305,348,241	₱281,167,521

The weighted average duration of the defined benefit obligation is 14 years in 2016, 2015 and 2014.

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 ₱292,108, ₱315,685 and ₱315,341 in 2016, 2015 and 2014, respectively.

17. **Income Taxes**

Deferred Income Taxes

	2016	2015
Unused tax losses of COLHK	**₱29,971,201**	₱20,697,886
Retirement obligation	**8,047,889**	7,883,314
Accumulated translation adjustment	**(4,018,144)**	2,246,511
Allowance for credit losses on trade receivables from customers	**948,014**	382,307
Unamortized past service cost	**180,729**	265,531
Unrealized trading loss	**18,783**	60,590
Unrealized foreign exchange gain	**(1,667)**	(9,067)
Cost of share-based payment	–	4,031,571
	₱35,146,805	₱35,558,643

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.

In 2016, 2015 and 2014, the Parent Company availed of the optional standard deduction (OSD) method in claiming its deductions.

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

	2016	2015	2014
Income tax at statutory income tax rate	**₱131,306,118**	₱108,543,608	₱105,971,878
Additions to (reductions in) income tax resulting from:			
Interest income subjected to final tax	**(16,222,002)**	(11,043,878)	(6,128,178)
40% OSD	**(12,243,125)**	(4,087,864)	(6,725,669)
Effect of lower income tax rate in HK	**6,336,377**	5,666,522	4,016,476
Tax-exempt income	**(8,613)**	(6,279)	(8,736)
Exercise of stock options	–	–	(5,821,200)
Others	**35,954**	46,576	(332,039)
Provision for income tax	**₱109,204,709**	₱99,118,685	₱90,972,532

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	Directors' fees	Trade receivables	Trade payables
Key management personnel							
2016	**₱1,107,956**	**₱526,258**	**₱–**	**₱–**	**₱–**	**₱7,740,894**	**₱63,175,974**
2015	1,824,079	728,588	–	–	–	9,706,066	76,796,152
2014	2,095,582	492,225	–	–	–	45,389,054	15,617,120
Companies with common officers, directors and stockholders							
2016	**₱2,836,898**	**₱1,863,564**	**₱1,422**	**₱4,439,026**	**₱–**	**₱67,255,659**	**₱3,077,633**
2015	6,173,808	1,605,200	3,050	4,259,406	–	8,811,356	28,674,794
2014	22,470,606	3,834,492	9,440	4,155,700	–	36,772,900	1,909,816
Directors, officers and employees							
2016	**₱7,863,509**	**₱371,647**	**₱–**	**₱–**	**₱890,000**	**₱10,993,195**	**₱30,538,410**
2015	19,731,125	361,183	–	–	890,000	372,055	65,739,659
2014	16,491,004	8,534	–	–	740,000	280,583	107,035,196

Trade receivables from and payables to related parties are due to be settled in three trading days in the Philippines and two trading days in HK. Trade receivables from related parties are interest-bearing, not guaranteed, and secured by shares of stocks (except for trade receivables amounting to ₱14,826,572, which were unsecured as of December 31, 2016). There was also no impairment on the trade receivables from related parties.

b. As of December 31, 2016 and 2015, the Group also has unsecured noninterest-bearing advances to its officers and employees amounting to ₱511,326 and ₱372,055 with terms ranging from six months to one year, which are included under 'Other receivables'.

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

	2016	2015	2014
Short-term employee benefits	**₱56,278,360**	₱51,298,330	₱54,159,433
Retirement costs (Note 16)	**2,305,110**	2,160,229	2,007,247
Stock options (Note 16)	**–**	–	1,430,000
	₱58,583,470	₱53,458,559	₱57,596,680

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

As at December 31, 2016 and 2015, the carrying amount of the retirement obligation amounted to ₱26,826,298 and ₱26,277,714, respectively, and the fair value of the retirement plan assets amounted to ₱8,911,423 and ₱14,020,710, respectively (Note 16). The retirement plan assets are composed mostly of investments in UITF (Note 16).

In 2016 and 2014, the Parent Company made no contribution to the retirement fund. In 2015, the Parent Company made a contribution to the retirement fund amounting to ₱8,190,778.

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 ₱14,326,932, ₱13,610,309 and ₱11,597,494 in 2016, 2015 and 2014, respectively.

The future minimum lease payments are as follows:

	2016	2015
Within one (1) year	**₱14,606,358**	₱10,727,828
After one (1) year but not more than five (5) years	**17,519,383**	4,239,631
	₱32,125,741	₱14,967,459

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, 2016, 2015 and 2014.

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, 2016 and 2015, 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, 2016 and 2015 are as follows:

	2016	2015
Equity eligible for NLC	**₱1,160,280,925**	₱1,029,597,528
Less ineligible assets	**224,083,771**	197,401,134
NLC	**₱936,197,154**	₱832,196,394
Position risk	**₱1,301,878**	₱956,579
Operational risk	**145,843,377**	139,461,571
Counterparty risk	**1,536**	15
Total Risk Capital Requirement (TRCR)	**₱147,146,791**	₱140,418,165
AI	**₱7,173,174,849**	₱6,178,490,687
5.00% of AI	**₱358,658,742**	₱308,924,534
Required NLC	**₱358,658,742**	308,924,534
Net Risk-Based Capital Excess	**₱577,538,412**	₱523,271,860
Ratio of AI to NLC	**766.00%**	742.00%
RBCA ratio (NLC/TRCR)	**636.00%**	593.00%

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 ₱20.00 million effective December 31, 2009, and ₱30.00 million effective December 31, 2011 and onwards. In 2016 and 2015, the Parent Company is compliant with this capital requirement.

The Parent Company's regulated operations have complied with all externally-imposed capital requirements as at December 31, 2016 and 2015.

COLHK monitors capital using liquid capital as provided for under HK's Securities and Futures Ordinance (Cap. 571) and Securities and Futures (Financial Resources) Rules (Cap. 571N). COLHK's policy is to keep liquid capital at the higher of the floor requirement of HK$3.00 million and computed variable required capital. As at December 31, 2016 and 2015, COLHK is compliant with the said requirement.

21. Financial Risk Management Objectives and Policies

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

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

The BOD reviews and agrees on the policies for managing each of these risks 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, 2016 and 2015 are summarized in the following tables (gross of allowance for credit losses):

	2016					
		Past due but not impaired				
	Neither past due nor impaired	**4-14 days**	**15-31 days**	**More than 31 days**	**Impaired**	**Total**
Cash and cash equivalents*	**₱7,225,559,720**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,225,559,720**
Cash in segregated account	**134,918,294**	**–**	**–**	**–**	**–**	**134,918,294**
Loans and receivables:						
Trade receivables	**404,004,758**	**158,002,260**	**124,835,327**	**504,962,029**	**–**	**1,191,804,374**
Other receivables	**15,160,682**	**–**	**–**	**–**	**–**	**15,160,682**
Long-term time deposit	**200,000,000**	**–**	**–**	**–**	**–**	**200,000,000**
Refundable deposits	**8,435,045**	**–**	**–**	**–**	**–**	**8,435,045**
Financial assets at FVPL	**2,102,563**	**–**	**–**	**–**	**–**	**2,102,563**
	₱7,990,181,062	**₱158,002,260**	**₱124,835,327**	**₱504,962,029**	**₱–**	**₱8,777,980,678**

**Excluding cash on hand*

	2015					
		Past due but not impaired				
	Neither past due nor impaired	4-14 days	15-31 days	More than 31 days	Impaired	Total
Cash and cash equivalents*	₱6,493,556,838	₱–	₱–	₱–	₱–	₱6,493,556,838
Cash in segregated account	255,596,013	–	–	–	–	255,596,013
Loans and receivables:						
Trade receivables	281,162,220	63,717,839	60,878,758	671,325,239	–	1,077,084,056
Other receivables	8,425,177	–	–	–	–	8,425,177
Refundable deposits	7,118,855	–	–	–	–	7,118,855
Financial assets at FVPL	1,673,427	–	–	–	–	1,673,427
	₱7,047,532,530	₱63,717,839	₱60,878,758	₱671,325,239	₱–	₱7,843,454,366

**Excluding cash on hand*

Past due accounts pertain to margin accounts of the Parent Company earning interest ranging from 8% to 10% from May 2016 and 12% to 18% in 2015 to April 2016. 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:

	2016			
	Neither Past Due nor Specifically Impaired			
	High Grade	**Standard Grade**	**Past due but not impaired**	**Total**
Cash and cash equivalents*	**₱7,225,559,720**	**₱–**	**₱–**	**₱7,225,559,720**
Cash in a segregated account	**134,918,294**	**–**	**–**	**134,918,294**
Loans and receivables:				
Trade receivables	**404,004,758**	**–**	**787,799,616**	**1,191,804,374**
Other receivables	**–**	**15,160,682**	**–**	**15,160,682**
Long-term time deposit	**200,000,000**	**–**	**–**	**200,000,000**
Refundable deposits	**8,435,045**	**–**	**–**	**8,435,045**
	7,972,917,817	**15,160,682**	**787,799,616**	**8,775,878,115**
Financial assets at FVPL	**2,102,563**	**–**	**–**	**2,102,563**
	₱7,975,020,380	**₱15,160,682**	**₱787,799,616**	**₱8,777,980,678**

**Excluding cash on hand*

	2015			
	Neither Past Due nor Specifically Impaired			
	High Grade	Standard Grade	Past due but not impaired	Total
Cash and cash equivalents*	₱6,493,556,838	₱–	₱–	₱6,493,556,838
Cash in a segregated account	255,596,013	–	–	255,596,013
Loans and receivables:				
Trade receivables	281,162,220	–	795,921,836	1,077,084,056
Other receivables	–	8,425,177	–	8,425,177
Refundable deposits	7,118,855	–	–	7,118,855
	7,037,433,926	8,425,177	795,921,836	7,841,780,939
Financial assets at FVPL	1,673,427	–	–	1,673,427
	₱7,039,107,353	₱8,425,177	₱795,921,836	₱7,843,454,366

**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, cash in a segregated account, and long-term time deposit 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, 2016 and 2015, ₱893,396,340 and ₱846,028,218 of the total receivables from customers is secured by collateral comprising of cash and equity securities of listed companies with a total market value of ₱6,261,145,183 and ₱3,700,094,576, 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, 2016 and 2015, 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:

	2016	2015
Cash and cash equivalents (Note 4)*	**₱7,225,559,720**	₱6,493,556,838
Cash in a segregated account (Note 5)	**134,918,294**	255,596,013
Financial assets at FVPL (Note 6)	**2,102,563**	1,673,427
Trade receivables (Note 7)	**14,862,121**	3,665,116
Other receivables (Note 7)	**15,160,682**	8,425,177
Long-term time deposit (Note 4)	**200,000,000**	–
Refundable deposits (Note 10)	**8,435,045**	7,118,855
	7,601,038,425	6,770,035,426
Unutilized margin trading facility	**4,414,796,195**	4,478,456,061
	₱12,015,834,620	₱11,248,491,487

**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, 2016 and 2015, 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, 2016 and 2015 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 2016 and 2015 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$278,042 and US$55,404 as at December 31, 2016 and 2015, 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 2016 and 2015 is not significant.

Offsetting of Financial Assets and Liabilities

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

2016

Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Consolidated Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]
Financial Assets						
Receivable from customers	**₱908,222,912**	**₱–**	**₱908,222,912**	**₱31,734,077**	**₱–**	**₱876,488,835**
Receivable from clearing house	**190,079,112**	**–**	**190,079,112**	**46,244,379**	**–**	**143,834,733**
	₱1,098,302,024	**₱–**	**₱1,098,302,024**	**₱77,978,456**	**₱–**	**₱1,020,323,568**
Financial Liabilities						
Payable to customers	**₱7,307,047,860**	**₱–**	**₱7,307,047,860**	**₱31,734,077**	**₱–**	**₱7,275,313,783**
Payable to clearing house	**46,244,379**	**–**	**46,244,379**	**46,244,379**	**–**	**–**
	₱7,353,292,239	**₱–**	**₱7,353,292,239**	**₱77,978,456**	**₱–**	**₱7,275,313,783**

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 Consolidated Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]
Financial Assets						
Receivable from customers	₱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
	₱942,044,353	₱–	₱942,044,353	₱68,907,725	₱–	₱873,136,628
Financial Liabilities						
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
	₱6,539,148,312	₱–	₱6,539,148,312	₱68,907,725	₱–	₱6,470,240,587

22. Fair Value Measurement

The following table shows the carrying value and fair value of the Group's refundable deposits, whose carrying value does not approximate its fair value as at December 31, 2016 and 2015:

	Carrying Values		Fair Values	
	2016	2015	**2016**	2015
Refundable deposits	**₱8,435,044**	₱7,118,855	**₱6,958,345**	₱6,200,755

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.

The carrying value of long-term time deposit approximates its fair value since the placement earns interest at prevailing market rates.

Financial Assets at FVPL
The Group's financial assets at FVPL are carried at their fair values as at December 31, 2016 and 2015. Fair value of equity securities is based on the closing quoted prices of stock investments published by the PSE. Fair value of mutual funds is based on net asset values computed and published by the mutual fund providers.

Refundable Deposits
The fair value of the refundable deposits is based on the present value of the future cash flows discounted using credit adjusted risk-free rates for a similar type of instrument using 2.80% as at December 31, 2016 and 2015. There are no changes in the valuation techniques in 2016 and 2015.

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:

	2016		
	Level 1	**Level 2**	**Level 3**
Asset measured at fair value:			
Financial assets at FVPL	**₱1,329,760**	**₱772,803**	**₱–**
Asset for which fair values are disclosed:			
Refundable deposits	**–**	**–**	**6,958,345**

	2015		
	Level 1	Level 2	Level 3
Asset measured at fair value:			
Financial assets at FVPL	₱1,196,562	₱476,865	₱–
Asset for which fair values are disclosed:			
Refundable deposits	–	–	6,200,755

During the years ended December 31, 2016 and 2015, there were no transfers among levels 1, 2 and 3 of fair value measurements.

23. EPS Computation

	2016	2015	2014
Net income	**₱328,482,350**	₱262,693,342	₱262,267,060
Weighted average number of shares for basic earnings per share	**475,500,000**	474,712,500	468,750,000
Dilutive shares arising from stock options	**467,252**	1,204,904	6,799,241
Adjusted weighted average number of common shares for diluted earnings per share	**475,967,252**	475,917,404	475,549,241
Basic EPS	**₱0.69**	₱0.55	₱0.56
Diluted EPS	**₱0.69**	₱0.55	₱0.55

24. 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:

	2016			
	Philippines	**Hong Kong**	**Elimination**	**Total**
Revenue from external customers:				
Commissions	**₱595,534,589**	**₱10,023,539**	**₱–**	**₱605,558,128**
Interest	**220,385,620**	**1,563**	**–**	**220,387,183**
Others	**7,220,436**	**553,821**	**–**	**7,774,257**
Inter-segment revenue	**29,473,688**	**–**	**(29,473,688)**	**–**
Segment revenue	**852,614,333**	**10,578,923**	**(29,473,688)**	**833,719,568**
Cost of services	**(208,175,796)**	**(15,021,405)**	**–**	**(223,197,201)**
Operating expenses	**(140,795,699)**	**(42,467,227)**	**29,352,973**	**(153,909,953)**
Depreciation and amortization	**(18,898,938)**	**(26,417)**	**–**	**(18,925,355)**
Income (loss) before income tax	**484,743,900**	**(46,936,126)**	**(120,715)**	**437,687,059**
Benefit from (provision for) income tax	**(116,949,430)**	**7,744,721**	**–**	**(109,204,709)**
Net income (loss)	**₱367,794,470**	**(₱39,191,405)**	**(₱120,715)**	**₱328,482,350**
Segment assets	**₱8,492,075,405**	**₱550,070,769**	**(₱137,404,692)**	**₱8,904,741,482**
Segment liabilities	**7,323,480,806**	**160,313,706**	**(2,568,477)**	**7,481,226,035**
Capital expenditures:				
Fixed assets	**35,469,907**	**33,955**	**–**	**35,503,862**
Cash flows arising from:				
Operating activities	**1,177,985,576**	**26,015,032**	**–**	**1,204,000,608**
Investing activities	**(235,462,764)**	**(33,955)**	**–**	**(235,496,719)**
Financing activities	**(236,500,000)**	**–**	**–**	**(236,500,000)**

	2015			
	Philippines	Hong Kong	Elimination	Total
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	403,941,563	(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)	₱297,897,115	(₱35,048,473)	(₱155,300)	₱262,693,342
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:				
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:				
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)

25. Events After the Reporting Period

On February 15, 2017, the Parent Company acquired an additional office space for a total purchase price of ₱16,596,906.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of COL Financial Group, Inc. and Subsidiary (the Group) as at December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated March 1, 2017. 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

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-A (Group A),
July 28, 2016, valid until July 28, 2019
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908738, January 3, 2017, Makati City

March 1, 2017

COL FINANCIAL GROUP, INC. AND SUBSIDIARY
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2016

SUPPLEMENTARY SCHEDULES

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, 2016

Unappropriated Retained Earnings, beginning		**₱305,798,624**
Adjustments		**–**
Unappropriated Retained Earnings, as adjusted, beginning		**305,798,624**
Net income during the period closed to retained earnings (Parent)*	**367,794,470**	
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	**(2,306,552)**	
Subtotal	**365,487,918**	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Stock option expense for the period	–	
Accretion of retirement obligation for the period	–	
Unrealized actuarial loss	–	
Subtotal	–	
Net Income Actual/Realized	**365,487,918**	**365,487,918**
Add (Less):		
Dividend declarations during the period	**(237,500,000)**	
Appropriations of retained earnings based on 10% of December 31, 2016 audited net income**	**(36,779,447)**	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal	**(274,279,447)**	**(274,279,447)**
Unappropriated Retained Earnings, as adjusted, ending		**₱397,007,095**

** Consolidated net income of ₱328,482,350 net of ₱39,191,405 COLHK net loss and ₱120,715 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, 2016

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2016:

PFRS		Adopted	Not adopted/ Not early adopted	Not applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment	✓		
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contacts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories			✓

PFRS		Adopted	Not adopted/ Not early adopted	Not applicable
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓

PFRS		Adopted	Not adopted/ Not early adopted	Not applicable
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓

PFRS		Adopted	Not adopted/ Not early adopted	Not applicable
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2016 onwards.

SCHEDULE III
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

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	3,955,697	29,473,688	30,860,907	–	–	–	2,568,478

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	19,413,383	–	–	1,070,245	–	20,483,628
	24,413,383	–	–	1,070,245	–	25,483,628

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

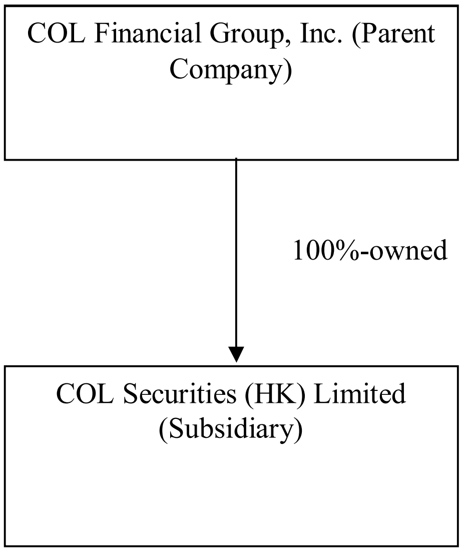
Schedule G. Guarantees of Securities of Other Issuers

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)

				No of shares held by		
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	Affiliates	Directors and Officers	Others
Common shares	1,000,000	476,000	–	–	294,528	181,472

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, 2016



SCHEDULE V
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

	2016	2015
Profitability ratios:		
Return on assets	4%	3%
Return on equity	24%	20%
Net profit margin	39%	36%
Solvency and liquidity ratios:		
Current ratio	1.15:1	1.19:1
Debt to equity ratio	5.46:1	5.11:1
Quick ratio	1.15:1	1.19:1
Asset to equity ratio	6.50:1	6.13:1
Other relevant ratios:		
RBCA ratio	636%	593%
Ratio of AI to NLC	766%	742%