SEC Registration Number

A	1	9	9	9	1	0	0	6	5	

Company Name

COL FINANCIAL GROUP, INC.

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
33	**3/29**	**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, 2018**

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.
₱2,237,903,266 (122,692,065 @ ₱18.24 per share as of February 28, 2019)

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Company Overview

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

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

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

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

Business Model

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

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

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

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

Products and Services

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

A. Online Trading Platform

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

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

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

- **COL Fund Source**

  Aside from investing directly in stocks, COL customers can now invest in various Mutual Funds through COL Fund Source. A partnership made with six (6) of the country's largest Mutual Fund houses now allows COL to offer up to twenty-six (26) Mutual Funds of various types.

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

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

- **Margin facility**

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

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

- **Research support**

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

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

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

- **Easy Investment Program (EIP)**

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

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

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

- **Stock Charting Platform**

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

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

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

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

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

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

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

- **Other online services**

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

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

- **Projects in the Pipeline**

  a. Development for a research-centric mobile application that would give clients mobile access to the latest COL research materials, news and announcements has also been initialized. The application will allow users to act on the research and basic stock information given, through ordering functionalities. The application would ensure that COL customers are always up to date with the latest research information that they can use for their trading activities. This application is expected to be launched by the third quarter of 2019.

  b. A simplified online account opening process and system is also in the works, which aims to reduce the registration and on-boarding time of new clients.

  c. COL is also in the process of incorporating an asset management company and two mutual fund companies to expand the scope of homegrown services it can provide. Recognizing that individual stock-picking may be daunting for the retail investor, especially those with no background in finance, COL aims to provide more investment avenues that are easy, affordable, and convenient for all. COL's purpose and driving force is to always empower everyone to be able to invest, so they can achieve financial independence.

B. Professional Equity Advisory Services

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

- Private Clients Group (PCG)

  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)

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

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

C. Seminars and Briefings

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

- Investor education seminars

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

Simple Stock Investing Through Mutual Funds

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

Building Wealth Through Stock Market Investing

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

Introduction to Fundamental Analysis

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

A Primer into Technical Analysis

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

Online Trading Power with COL Financial

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

- Market updates and information-driven briefings

  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 who want to have a deeper 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 investments.

  In 2018, COL also successfully launched the first COL Trader Summit to cater to its growing base of active traders and to bring together these people who have the same passion for trading the market. The event was designed to help customers formulate short-term trading strategies, in addition to COL's usual long-term investment horizon.

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

- Financial literacy advocacy among young individuals

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

D. Customer Support

- Face-to-face services

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

- COL Premium

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

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

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

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

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

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

  COL Premium also developed online channels to convey guidance on current market updates through the use of social media and reformatted the research products into formats that are easier for customers to access. Premium customers are given access to two Facebook groups "COL Premium Wealth Builders" and

"COL Trading to Alpha," both of which give regular updates, alerts, and exclusive content to these customers.

- Helpdesk

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

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

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

- Digital channels

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

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

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

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

  COL's Facebook channel remains the most active online platform of communicating ongoing and future activities and developments within COL. It has also served as a new addition to the Parent Company's customer support system, accommodating inquiries from both clients and non-clients. COL's Facebook page has grown 51.4% from around 146,000 followers at the end of 2017 to 220,643 followers as of end-2018.

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

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

As a result of COL's concerted efforts to widen its reach and build communities online, the combined number of followers on its digital channels—namely Facebook, Twitter, Instagram, and YouTube—grew to over 307,000 as of end-2018 or an increase of around 50% from end-2017. COL believes that this strong rise in engagement and participation from the investing public confirms the importance and value of fostering communities for Filipino investors.

Competitor Analysis

There are around twenty seven (27) online stockbrokers in the Philippines, ranging from those that offer just the basic trading platform to those that offer a wide range of services. Presented below is the comparison of some of the features of COL against its three (3) nearest competitors:

Features	COL	Competitor 1	Competitor 2	Competitor 3
Online Trading Platform for Stocks and Mutual Funds	Yes	Yes	Stocks only	Stocks only
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	No	Yes
Margin Facility	Yes	Yes	No	Yes
Broker Assisted Service	Yes	Yes	No	Yes
Demo Accounts	Yes	Yes	No	Yes
Free Seminars	Yes	Yes	No	Yes

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

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

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

3. COL has around 300,000 clients, a testament to how many people trust in it and its products and services.

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

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

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

Business Strategy

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

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

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

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

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

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

Customers

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

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

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

	Mark	Date of Application	Status and Validity
1.	"COL"	September 22, 2006	Approved; Registration up to August 20, 2027
2.	"CitisecOnline"	April 13, 2012	Approved; Registration up to February 8, 2023
3.	"EIP"	September 22, 2014	Approved; Registration up to January 15, 2025
4.	"Richer Life"	September 24, 2014	Approved; Registration up to January 15, 2025
5.	"Fund Source"	March 19, 2015	Approved; Registration up to September 24, 2025
6.	"C" (COL Logo)	March 19, 2015	Approved; 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.

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

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

In order to minimize any conflict of interest and to ensure the fairness and reasonableness of any future material transaction involving COL and 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.

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

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

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

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

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

Employees

The actual number of full-time employees of COL and COLHK for 2018 and the projected number of employees for 2019 to complement the operational requirements of the Group are broken down as follows:

	2019	2018
Executives	2	2
Senior Officers	10	10
Junior Officers	54	53
Professional/Technical/Others	88	82
TOTAL	**154**	**147**

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

Risk Factors and Risk Management

Risks Associated with the Stock Brokerage and Mutual Fund Distribution Business

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

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

Risks Associated with an Early and Evolving Market

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

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

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

Risks Associated with Potential Local and Foreign-Based Competition

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

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

Client Risk

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

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

Technology Risk

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

In 2018, the Parent Company accomplished the following:

Facilities

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

- Started the construction of COL's off-site Data Center, which will function as the Business Continuity Center (BCC) in case of production site and offices failures due to natural or man-made disasters that would render operation on its primary sites not possible. It is designed to house the I.T. group and computer data center as well as the other business units of COL that are needed for continued services to clients such as Accounting, Operations, Customer Support, etc. in the event of disasters.

System

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

Privacy and Information Security Risk

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

COL has completed the implementation of the following initiatives:

1. Enterprise Architecture Review with Security Principles

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

2. Full Infrastructure Visibility with 24/7 Operations Monitoring

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

3. Manned Correlations and Security Analysis

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

4. Vulnerability Management

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

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

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

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

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

COL has also completed the following the initiatives:

1. Development of response protocols together with COL's security partner to ensure appropriate escalation and management in case of a major privacy incident or breach;
2. Provision of ongoing awareness through regular employee training and communications;
3. Review of privacy incidents, analyzing trends and incorporating insights to enhance processes and systems; and
4. Engagement of a third party with extensive security expertise and resources to supplement the security capabilities of COL.

Business Disruption Risk

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

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

Risk of Power Interruption / Power Failure

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

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

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

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

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

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

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

Risk of Client Having No Access to the Trading Website

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

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

Administrative and Operational Risks

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

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

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

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

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

Fiduciary Risk

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

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

Credit Risk

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

Prepaid accounts

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

Margin accounts

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

Postpaid accounts

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

Copyright Infringement Risks Associated with Using Social Media

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

COL's digital materials to imply a connection with it. Companies or persons may also plagiarize COL's content for their own benefit.

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

Risks of Infringement

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

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

Manpower Risk

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

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

Item 2. Properties

Leased Properties

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

Purpose	Location	Size (sq.m.)	Rental Rate/sq.m.
Corporate Center	Units 2401B, 2402A-C East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	559	₱600.86
Research Center	Unit 2402D East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	111	600.86
Private Clients Group	Unit 2403A East Tower PSE Centre, Exchange Road, Ortigas Center Pasig City	250	600.86
Business Center	Unit 2403B East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	188	600.86
Operations Department	Unit 2404C East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	110	525.00
Office Space	Unit 2703A East Tower PSE Centre, Exchange Road Ortigas Center, Pasig City	211	468.75

Purpose	Location	Size (sq.m.)	Rental Rate/sq.m.
HR/Legal and Compliance Department	Unit 2703C East Tower PSE Centre, Exchange Road Ortigas Center, Pasig City	111	500.00
Premium Business Group and Sales Department	Unit 2404B East Tower PSE Centre, Exchange Road Ortigas Center, Pasig City	110	550.00
Data Center	Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City	219.20	1,241.63
Data Center	Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City	163.73	1,470.00
Data Center	Barangay Duquit Mabalacat City, Pampanga	620.22	240.00
Investor Center - Makati	Ground Floor Citibank Tower Valero corner Villar St., Makati City	88.33	800.00
Investor Center - Davao	2045 Robinsons Cybergate, Davao	40.96	520.00
Investor Center - Cebu	B205 Axis Entertainment Avenue, Vibo Place, Cebu City	64.34	600.00
Investor Center - Ilocos	242 Robinsons Place, Ilocos	67.37	525.00
Storage space	Unit 2406 East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	49	303.88
Storage space	Unit 2805 East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	48	450.00
Storage space	7244 Langka St. Purok 7, Barangay Duquit Mabalacat City, Pampanga (Building 1)	210	120.00

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

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

Owned Properties

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

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

Limitations on Properties

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

Properties to be Acquired

The table below shows the planned capital expenditures for 2019:

Project	Target Completion Date	Estimated Cost (*in million*)
IFA office	1st quarter of 2019	₱4.0
Business Continuity Center (BCC)	4th quarter of 2019	21.4
Total		**₱25.4**

The BCC located outside of Metro Manila will serve as the primary back-up and disaster recovery site of the primary data center in Makati. It would ensure that computer and on-line trading operations will perform continuously even in the event of failure in the primary data center. It was designed to house not just the I.T.-related personnel and equipment, but also all business units that are required to ensure that all business-related processes of COL will continue even in cases of complete facility or accessibility failure at the primary offices and data center sites.

The IFA office, on the other hand, will be built to provide the growing number of independent advisors a dedicated place where sharing of ideas, market information, and plans to better service their clientele can be promoted.

Item 3. Legal Proceedings

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

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

None

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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, 2018 is 476,000,000 with a market capitalization of ₱7.73 billion as of the end of 2018, based on the closing price of ₱16.24 per share.

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

	2018		2017	
	High	**Low**	**High**	**Low**
1st Quarter	16.02	15.30	16.50	15.80
2nd Quarter	16.78	15.80	16.76	16.00
3rd Quarter	16.64	16.10	16.20	15.90
4th Quarter	16.24	15.10	16.10	15.00

The high and low prices of COL at the PSE on March 29, 2019 were ₱19.18 and ₱19.00, respectively.

Holders of Common Equity

As of February 28, 2019, there are thirty three (33) holders of common shares of COL. The top twenty (20) common shareholders of the Parent Company are as follows:

	Name	No. of Common Shares Total	Percentage of Total Shares Outstanding held by each
1	PCD Nominee Corporation	260,486,881	54.7241
2	PCD Nominee Corporation	125,860,204	26.4412
3	Lee, Edward K.	62,250,000	13.0777
4	Yu, Alexander C.	20,000,000	4.2017
5	Ang, Valentina L.	5,000,000	1.0504
6	Lee, Lydia C.	1,000,000	0.2101
7	Tan, Jessalynn L.	1,000,000	0.2101
8	Lim, Hernan G.	100,000	0.0210
9	Yu, Raymond C.	100,000	0.0210
10	Han, Paulwell	100,000	0.0210
11	Ong, Catherine L.	50,000	0.0105
12	Barretto, Serafin Jr. P.	12,000	0.0025
13	Estacion, Manuel S.	10,000	0.0021
14	Yu, Wellington C. or Yu, Victoria O.	10,000	0.0021
15	Filio, Sernando	5,000	0.0011
16	Gara, Rosario	5,000	0.0011
17	Villanueva, Myra P.	5,000	0.0011
18	Guerzon, Caesar A.	1,000	0.0002
19	Khoo Boo Boon	1,000	0.0002
20	Hapi Iloilo Corporation	1,000	0.0002
	TOTAL	**475,997,085**	**99.9994**

Dividends

Dividend Policy

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

The table below shows the cash dividends declared from COL's unappropriated retained earnings for the years 2018 and 2017:

Year	Amount / Share	Type	Ex-Date	Record Date	Payment Date
2018	₱0.15	Regular	April 24, 2018	April 27, 2018	May 10, 2018
	₱0.55	Special	April 24, 2018	April 27, 2018	May 10, 2018
2017	₱0.14	Regular	April 25, 2017	April 28, 2017	May 12, 2017
	₱0.46	Special	April 25, 2017	April 28, 2017	May 12, 2017

Recent Sales of Unregistered or Exempt Securities

There was no sale of unregistered or exempt securities as of December 31, 2018.

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

After a strong start fueled by excitement towards the successful passage of the tax reform program, the Philippine stock market succumbed to a major correction that began in February, bringing the Philippine Stock Exchange Index (PSEi) down by 12.8% for the year to 7,466.02 by the end of 2018.

The Philippine stock market's initial drop was triggered by the volatile performance of the U.S. stock market, which was in turn caused by the significant increase in the U.S. 10-year bond rate. However, the continuous increase in domestic inflation and the sell-off of emerging markets caused the further decline of the Philippine stock market. Recall that inflation increased consistently on a monthly basis since January to reach a high of 6.7% in October. In contrast, inflation was only 2.9% for the whole of 2017. Numerous factors were responsible for rising inflation including the passage of the tax reform program, higher oil, rice and food prices, the weak peso, and the strong economy. It did not help that the Bangko Sentral ng Pilipinas (BSP) only started raising rates in May to control inflation.

The sell-off of emerging markets also contributed to the drop in the Philippine stock market. Sentiment for emerging markets deteriorated as the U.S. dollar strengthened. Recall that the U.S. Fed raised interest rates four times in 2018. The strength of the U.S. economy coupled with the fact that the Fed was one of only a handful of central banks raising rates last year caused funds to flow out of emerging markets back to the U.S.

Aside from the higher yield of the U.S. dollar, sentiment for emerging market equities deteriorated due to the U.S.-initiated trade war against China. Note that the Chinese economy is vulnerable to a trade war with the U.S. given the size of its exports to the U.S. China also accounts for a big portion of the emerging market index. Numerous Asian countries that are part of the emerging market index are also vulnerable to the U.S.-China trade war, being large exporters to China.

As foreign investors exited emerging markets, net foreign selling in the Philippine Stock Exchange (PSE) reached ₱57.3 billion in 2018.

Average daily value turnover in the PSE also fell by 11.3% to ₱7.2 billion compared to 2017. The drop in value turnover would have been more significant if not for the heightened trading activity on possible candidates for the third telco player during the first quarter of the year. Foreigners continued to dominate trading in the PSE, accounting for 53% of the value turnover during the year.

Like the Philippine stock market, the HK stock market suffered from a correction beginning in February after rising strongly in January of 2018. HK stocks were also sold off due to the emerging market sell-off and heightened concerns of the U.S.-China trade war. The Hang Seng index (HSI), the Hang Seng China Enterprise Index (HSCEI), and the Hang Seng China Affiliate Corp. Index (HSCCI) were lower by 13.6%, 13.5% and 5.8% in 2018. Despite the poor performance of the HK market, average daily value turnover improved significantly, increasing by 22.3% to HKD107.1 billion in 2018 from HKD87.6 billion in 2017.

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:

	2018	2017
Number of Customer Accounts	293,371	248,470
Customers' Net Equity (in millions)	₱73,096.1	₱74,433.8
Revenues (in millions)	₱1,156.8	₱959.2
Return On Average Equity (ROE)	32.1%	25.9%
Risk Based Capital Adequacy Ratio*	678.0%	626.0%
Liquid Capital** (in millions)	HKD32.5	HKD37.4

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

Despite volatile market conditions, COL maintained its strong growth momentum, opening a total of almost 45,000 new accounts to end 2018 with 293,371 **customer accounts**, higher by 18.1% year-on-year. COL's client base continued to grow as the Parent Company remained active in educating and encouraging Filipinos to save and invest through its market forums and investor education seminars. It also continued to benefit from heightened interest among Filipinos to invest outside of traditional fixed income instruments as well as the greater convenience provided by online platforms in accessing the stock market. Moreover, aside from the purchase of individual stocks, COL now provides indirect access to the stock market through mutual funds, making it easier for inexperienced investors to also invest in the stock market. As of end 2018, there were 36,349 accounts that owned mutual funds, equivalent to around 12.4% of COL's client base during the said period. COL also benefited from its wider geographical reach with its five investor centers located in Ortigas, Makati, Cebu, Davao, and Ilocos, allowing it to address the needs of more clients.

Customers' net equity was down slightly by 1.8% year-on-year to ₱73.1 billion by the end of 2018, as the strong growth of COL's client base was unable to offset the negative impact of weak market conditions. On the positive side, COL still saw net new flows amounting to ₱7.48 billion in 2018, allowing customers' net equity to remain flattish despite the 12.8% drop of the benchmark index.

In 2018, the Group's **revenues** hit the one billion mark for the first time, after it posted a 20.6% increase in its consolidated revenues to ₱1.2 billion. This growth was primarily driven by the 47.4% year-on-year increase in the average assets under administration (AUA) balance and the favorable bank interest rates especially during the fourth quarter of 2018, which resulted to notable increases in trail fees and interest income which went up 39.8% and 68.6%, respectively.

Due to the strong growth of net income, **return on average equity** (ROE), computed as net income divided by average stockholders' equity, improved to 32.1% in 2018 from 25.9% in 2017.

In 2018, both COL and its HK subsidiary continued to meet the stringent rules of regulators in the Philippines and Hong Kong. As of end December 2018, the Parent Company's Risk Based Capital Adequacy Ratio (RBCA) reached 678%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD32.5 million of liquid capital. This is also well above the minimum requirement of HKD3.0 million or 5% of adjusted liabilities.

2. Other Financial Soundness Indicators

	2018	2017	Formula
Profitability ratios:			
Return on assets	4.6%	3.2%	Net income/Total assets
Net profit margin	44.3%	39%	Net income/Net sales
Solvency and liquidity ratios:			
Current ratio	1.12	1.10	Current assets/Current liabilities
Debt to equity ratio	5.89	7.09	Total liabilities/Stockholders' equity
Quick ratio	1.06	1.09	Liquid assets/Current liabilities

3. Material Changes in Financial Condition

a. 2018 vs 2017

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

Cash and cash equivalents composed mainly of cash in banks and short-term placements fell as COL's clients deployed a larger portion of their capital in the stock market. From 87.3% as of end 2017, clients increased their deployment to 87.9% of their capital as of end 2018. Moreover, COL increased the amount of cash placed in higher yielding short-term and long-term time deposits from ₱200 million as of end 2017 to ₱826.0 million as of end 2018.

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

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

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

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

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

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

Similar to total assets, total liabilities likewise fell by 9.2% to ₱9.4 billion as of end 2018. The drop was largely due to the 9.3% decline in trade payables, which accounted for 98.7% of total liabilities. As of end 2018, trade payables fell to ₱9.3 billion from ₱10.2 billion as of end 2017 as clients deployed a larger portion of their portfolio in the stock market, leading to a decline in their cash balances.

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

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

b. 2017 vs 2016

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

COL's assets continued to grow in 2017, increasing by 33.4% to ₱11.9 billion compared to its end 2016 level of ₱8.9 billion. The growth was largely funded by non-interest bearing liabilities as trade payables jumped by 38.7% to ₱10.2 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 38.6% to ₱10.0 billion as of end 2017, also largely due to COL's growing client base and the resulting increase in their cash balances. As discussed earlier, net new flows including cash amounted to ₱4.0 billion in 2017.

Cash in a segregated account booked by COL's HK Subsidiary decreased by 34.0% to ₱89.0 million, primarily due to withdrawals made by some of its customers who opted to repatriate their funds while waiting for the right opportunities to enter the local market.

Trade receivables decreased by 1.6% to ₱1.2 billion largely due to diminishing receivables from margin customers and post-paid clients, partly offset by higher receivables from clearing houses. As of end 2017, the value of margin loans fell to only ₱555.3 million from ₱691.7 million as of end 2016.

Financial assets at fair value through profit or loss decreased by 44.0% to ₱1.2 million due to the liquidation of some proprietary shares of the Parent Company.

Other receivables went up 81.3% to ₱27.5 million mainly due to higher amount of interest accrued on outstanding short-term and long-term placements owing to the significant increase in the average value of fixed income investments, coupled with the significant improvement in interest rates locked in by the Parent Company during the last quarter of 2017. The Parent Company also invested a portion of its excess funds in a retail treasury bond with a face value of ₱200.0 million at a coupon rate of 4.25% which will mature on April 11, 2020.

The ₱8.9 million tax refund previously booked as 'Other receivables' was reclassified to 'Other current assets' and the corresponding allowance for credit losses was reversed pending COL's receipt of the Tax Credit Certificate (TCC) from the Bureau of Internal Revenue (BIR). The final and executory decision of the Supreme Court in favor of the Parent Company came out in September 22, 2016 while COL's application for TCC was filed with the BIR on November 24, 2017.

Property and equipment significantly increased by 98.6% to ₱86.0 million as capital expenditures of the Parent Company reached ₱61.0 million. COL purchased an office space located at the PSE One Bonifacio in Taguig City worth ₱17.5 million. It also spent ₱39.3 million in the purchase of additional tower and rack servers and load balancers to upgrade its existing IT infrastructure and facilities to more powerful and efficient variants that are capable of handling big volumes of order and market data processing requirements. The planned upgrade is aimed at ensuring the optimum performance of COL's trading platform in spite of the increase in the number of new customers and the anticipated surge in the trading levels and user utilization. To complement the purchase of new hardware, the Parent Company also invested in new software and licenses in 2017 amounting to ₱3.0 million.

Trade payables, which account for 98.3% of total liabilities, jumped by 38.7% to ₱10.2 billion. The increase was driven by the continuous growth in COL's client base and their corresponding cash balances.

Other current liabilities increased by 26.7% to ₱115.2 million primarily attributable to the accrual of performance bonus of the Parent Company's employees as a result of exceeding the current year's targets and due to higher amount of deposits received from the retail customers beyond the cut-off period.

Income tax payable was up 79.20% to ₱18.2 million in line with the increase in the taxable income recorded by the Parent Company in 2017.

Retirement obligation, likewise, increased by 62.3% to ₱43.5 million due to the booking of retirement expense for the year and the net actuarial losses caused by the adjustments made in the basic salary of the senior officers and executives who have rendered between seven to sixteen years of service to the Parent Company.

Shareholders' equity increased by 5.7% to ₱1.5 billion due to the booking of ₱378.7 million in net income in 2017, partly offset by the payment of ₱285.6 million worth of cash dividends to shareholders.

4. Material Changes in the Results of Operations

a. 2018 vs 2017

COL's consolidated revenues in 2018 increased by 20.6% to ₱1.2 billion. Cost of services fell by 6.7% to ₱220.8 million and operating expenses fell by 0.8% to ₱209.3 million. Meanwhile, provision for income taxes jumped by 61.3% to ₱214.1 million. Given the growth of revenues compared to the decline of expenses, net income increased by 35.3% to ₱512.6 million.

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

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

Meanwhile, trail fees earned from the distribution of mutual funds grew strongly by 39.8% to ₱14.8 million as more clients invested in mutual funds. As of end 2018, 36,349 clients owned mutual funds, up from 27,375 as of end 2017 while average assets under administration increased by 47.4% year-on-year to ₱2.58 billion.

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

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

Operating expenses was flattish at ₱209.3 million largely due to the effect of the reversal of the allowance on impairment losses amounting to ₱13.7 million on the initial contribution to the CTGF and the recognition as other income of the monthly contributions previously charged to expenses amounting to ₱21.5 million. These bookings substantially offset the higher costs related to the Parent Company's larger manpower complement, rentals and cost of improvements in its IT infrastructure charged to operations.

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

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

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

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

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

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

a. 2017 vs 2016

COL's consolidated revenues in 2017 increased by 15.1% to ₱959.2 million. Cost of services increased by a much slower pace of 6.0% to ₱236.6 million while operating expenses rose by 22.1% to ₱211.1 million. Meanwhile, provision for income taxes jumped by 21.5% to ₱132.7 million. In spite of the faster growth in operating expenses and taxes relative to revenues, net income still increased by 15.3% to ₱378.7 million.

COL's consolidated revenues increased by 15.1% driven by the strong growth of commission revenues, interest income and other income. Commission revenues were up by 12.1% to ₱678.7 million, led by the 15.5% increase in commission revenues from self-directed clients trading the Philippine market.

Meanwhile, interest income increased by a faster pace of 13.7% to ₱250.5 million. Interest income from customers increased as COL benefited from the higher utilization of its margin lending facility. Average margin loans increased by 37.7% to ₱804.4 million in 2017 from ₱584.3 million during the previous year. As a result, the Parent Company generated a margin interest of ₱66.9 million in 2017 or a growth of 15.1% compared to the ₱58.2 million interest booked in 2016. Meanwhile, interest income on bank placements grew by 11.9% to ₱181.6 million as COL's average short-term placements increased by 5.3% year-on-year to ₱8.0 billion as of end 2017. COL likewise benefited from the placement of ₱403.0 million in long-term deposit instruments with higher interest rates. Yields on bank placements especially during the fourth quarter of 2017 also increased, helping boost interest income.

In 2017, COL generated ₱17.2 million worth of trading gains from the sale of unexercised stock rights. It also booked ₱10.6 million worth of trailer fees from its fund distribution business in 2017, up 85.0% from ₱5.7 million in 2016. As of end 2017, the size of COL's mutual fund assets under administration reached ₱2.3 billion, up from ₱1.3 billion as of end 2016.

Cost of services increased by only 6.0% to ₱236.6 million. The single digit growth in cost of sales was largely due to the 3.5% drop in commission expenses. In 2017, agent-led clients accounted for a smaller share of COL's value turnover at 28.0% vs 31.0% in 2016, which was largely responsible for the drop in commission expenses. However, operating expenses increased by a much faster pace of 22.1% to ₱211.1 million.

Personnel costs, management bonus, and professional fees account for close to half of the total operating expenses. Together, these expenses increased by 19.0% to ₱109.2 million. The increase in payroll-related expenses is in line with the continuous expansion in COL's client base resulting to increased manpower complement and the alignment of pay within the organization to reward and retain key personnel. Meanwhile, professional fees increased by ₱5.1 million primarily due to the additional fees paid to the regular IT consultants and the engagement of IT experts to provide the resources and services needed to enable COL to reach the best possible level of security for its infrastructure and processes.

Rentals which account for 8.1% of operating expenses significantly increased by 18.9% to ₱17.0 million due to the escalation clauses in the existing lease contracts entered into by the Parent Company. On the average, rent increased by 15.0% and 5.0% for office and parking spaces, respectively. Due to the growing operations and business of the Parent Company, it also rented additional office space for Davao during the last quarter of 2016 and for Cebu and Iloilo during the second quarter of 2017. These Investor Centers were opened to serve as touchpoints to customers and prospective clients in those key cities.

Security and messengerial services significantly increased by 40.1% to ₱6.7 million. During the year, the Parent Company changed the agency handling its messengerial and other manpower services. The new agency's rates were higher than that of last year resulting to an increase of 38.9% to ₱4.9 million. Security expenses also increased during the year by 43.6% to ₱1.7 million because of a change in its current salary scheme. The said revision in the salary scheme made the twelve-hour regular shift in 2016 to an eight-hour regular shift plus four hours of overtime in 2017.

Repairs and maintenance expenses also booked a substantial increase of 67.1% to ₱3.8 million as the Parent Company incurred additional maintenance costs of its systems, servers, and printers amounting to ₱1.1 million. Majority of the increase in maintenance expenses pertains to the corresponding maintenance expenses of additional servers purchased in 2017. The Parent Company also made optimizations on its accounting and operations utilities to further improve the scalability of its back-office support functions.

Depreciation and amortization also increased significantly by 16.7% to ₱22.1 million as capital expenditures reached ₱64.0 million during the year, also in line with efforts to beef up the Parent Company's trading infrastructure and to increase its reach by putting up Investor Centers in key cities outside of Metro Manila.

The HK Subsidiary, on the other hand, booked ₱20.6 million in provisions for impairment loss of its Exchange Trading Right based on the results of the annual impairment test it conducted. This was partly offset by the reduction of mandatory provisions for possible credit losses on margin receivables and the reversal of the allowance provided on the tax refund case filed against the BIR amounting to a total of ₱10.9 million. Excluding said amounts, total operating expenses increased by 16.5%. In 2017, total expenses increased by 10.9%, which is slightly less compared to the growth of revenues.

Due to the aforementioned factors, operating income went up by ₱73.8 million or 16.9% to ₱511.5 million. Net income increased by a slower pace of 15.3% to ₱378.7 million as provision for income tax were up by a much faster 21.5% to ₱132.7 million.

5. *Other Matters*

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

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

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

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

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

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

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

C. Prospects for the Future

1. Near-Term Prospects

After a challenging year in 2018, trading activity in the Philippine stock market is expected to improve in 2019. Domestically, inflation continues to head lower after hitting a peak of 6.7% in October 2018, reducing pressure for the central bank to continue raising rates. Foreign fund flows have also reversed, with foreign investors turning into net buyers of emerging market equities including Philippine stocks. The growing likelihood that the Fed may end its rate hike cycle earlier than expected this year is resulting to lower U.S. bond rates and a weaker U.S. dollar and this is acting as the main catalyst for the reversal of foreign fund flows. Coupled with more attractive valuations, the said factors should help the Philippine stock market perform better this year.

In light of the improving prospects of the Philippine stock market, Philippine business should do well as COL reaps the rewards of its consistent effort to improve its level of service and to educate and encourage Filipinos to save and invest through both good and bad times.

Meanwhile, COL's HK operations will most likely remain a small contributor to total revenue in 2019 as COL will focus its resources to its Philippine business.

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2. Medium to Long-Term Prospects

The medium to long-term outlook of the Philippine stock market remains very attractive as the economy is expected to maintain its above average growth pace. The country's favorable demographics, resilient OFW remittances, and BPO sector should ensure that consumer spending growth remains healthy. Meanwhile, the passage of the tax reform program should enable the government to increase spending on education, health care, and infrastructure. Finally, better infrastructure coupled should help the Philippines attract more foreign investments in the future. This virtuous cycle should help the Philippine economy remain strong, allowing listed companies to also deliver rapid earnings growth, benefiting the local stock market.

While currently on the rise, interest rates will most likely remain low relative to its historical average owing to the structural improvement in government's finances. Tax collection efficiency is improving as a result of the tax reform program. Moreover, although the government's deficit to GDP has gone up, the ratio to debt to GDP remains relatively stable.

The strong performance of the Philippine stock market should benefit COL Financial over the long term.

Item 7. Financial Statements

Please refer to the attached Consolidated Audited Financial Statements for the years ended December 31, 2018 and 2017.

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:

	2018	2017
Audit and Audit-Related Fees in connection with the annual review of the Group's financial statements	₱1.6 million	₱1.5 million
Tax Fees	None	None

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

<u>Board of Directors</u>

The Directors of COL as of December 31, 2018 are as follows:

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

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

Edward K. Lee, 64, Filipino, Founder and Chairman of the Board of COL since 1999. He 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 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, 63, Filipino, Vice Chairman of COL since 1999. He is a Bachelor of Science in Mechanical Engineering graduate of De La Salle University. He is 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, 56, Filipino, Director of COL since 2003 and currently the President and Chief Executive Officer of COL. He is a Bachelor of Arts in Economics and Bachelor of Science in Marketing Management graduate of De La Salle University. He has extensive experience in the Philippine stock brokerage and fund management industry. Prior positions 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, 67, Filipino, Director of COL from 1995 to 2005 and from 2007 to present and currently the Chief Financial Officer and Treasurer of COL. 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., which latter position she has held for more than 20 years. She has extensive experience in banking, having held various positions in Metropolitan Bank and Trust Company (Metrobank). She was an Assistant Vice President and Area Supervisor of Metrobank and served as a Director of Metrobank's subsidiary, Pan Philippines Life Insurance Corp. (now known as Philippine Axa Life). Ms. Ong graduated from the Philippine Women's University with a Bachelor of Science Degree in Business Administration, Major in Accounting.

Khoo Boo Boon, 60, Malaysian, Director of COL since March 2001. He has extensive experience in commodities trading, stock trading, advertising, marketing research, and corporate managements and has held senior executive position in the Asean region. He currently runs his own management and consulting firm, Knowledge-Based Business Intelligence and Consulting (KBBIC) and sits on the Board of Directors of Geka Property Holdings, Inc. and Bethel Home Holdings Inc. Mr. Khoo is an alumnus of the Asian Institute of Management where he earned a Master's degree in Development Management in 1990 as Canadian International Development Agency (CIDA) Fellow.

Wellington C. Yu, 75, Filipino, Director of COL since March 2001. He finished his BS Chemical Engineering at De La Salle University in 1965 and his MBA and MS Chemical Engineering from the University of Pittsburgh. He is Dean Emeritus of the College of Business of De La Salle University. He was the Senior Vice President of Tropical Rent-A-Car in Hawaii from 1986 to 1990 and 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, 65, Filipino, Director of COL since 2005. He is a Bachelor of Science in Commerce graduate of De La Salle University in 1974. He is currently the President of Winner Industrial Corporation, elected as a director of Caylum Trading Institute in 2013, and a director for more than 16 years of the following corporations: Citisecurities, Inc., Cedarside Development, Inc., Cedarside Industries, Inc., Barrington Carpets, Inc., and Citimex, Inc.

Hernan G. Lim, 66, Filipino, Director of COL since March 2005. He 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. He holds a Bachelor of Science degree in Electronics and Communications Engineering from the University of Santo Tomas. He also took the Basic Management Course at the Asian Institute of Management.

Paulwell Han, 59, Chinese, Director of COL since November 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: Etta Trading Company Limited, Yee Ting Tong Company Limited, Tecworld Investment Co., Ltd., Silver Jubilee Co., Ltd., and Sunning Restaurant.

Joel Litman, 48, American, Director of COL since August 2011. He is currently the President and CEO, and Chief Investment Strategist of Valens Securities, Inc. headquartered in Cambridge, Massachusetts. Previously, he held Director/Manager positions at Credit Suisse, Diamond Tech Partners (PwC), Deloitte Consulting, and American Express. He is co-author of *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, and received his B.S. Accountancy at DePaul University and his MBA/MM from the Kellogg Graduate School of Management at Northwestern University.

Hokushin Kido, 41, Japanese, was elected as director on May 15, 2017. He is currently the Head of Global Business Development Section in International Business Planning Department of Daiwa Securities Group Inc., where he promotes international alliance and investment strategy. He has extensive experience in the sales and trading business since he started his career in Daiwa Securities Group Inc. in 2002. He earned his BA in English at Kansai Gaidai University, and his MBA at the University of North Carolina Kenan-Flagler Business School.

Mr. **Khoo Boo Boon** and Mr. **Wellington C. Yu** are the Independent Directors of COL.

Management Team

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

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

Juan “Juanis” G. Barredo, 51, Filipino, Vice President of Sales & Customer Support for COL, manages the day-to-day operations of COL's Business Center, its Sales division as well as its Customer Support division. He also spearheads the COL Investor Seminar Series, the flagship investor education program of the Parent Company, geared to empower COL customers and the investing public to build their knowledge base through a series of progressive stock market training sessions so that they can confidently invest in the Philippine Stock Market. He has addressed an audience of over 130,000 people in the last eight years nationwide with topics ranging from the basics of stock market investing to introductory and advance technical analysis seminars. Mr. Barredo holds a Bachelor of Arts degree in Philosophy from De La Salle University in 1990 and is a Certified Securities Representative.

Nikos J. Bautista
Vice President and Chief Technology Officer

Nikos J. Bautista, 49, Filipino, is the Chief Technology Officer of COL. He was a consultant and a committee member for the New Trading System Project of the PSE which was launched successfully mid-2010 and for various projects of the PDEX. He was with the I.T. Department of the PSE as manager, in charge of all the I.T.-related activities of the Exchange from 1993-1997. In 1997, he joined Computershare, an Australian-based software development company specializing in trading systems wherein he took charge of all technical aspects of the business. In 2000, he put up a software development company, Finatechs, Inc., where he served as its President and Chief Executive Officer until 2003. Mr. Bautista is a graduate of De La Salle University, with a Bachelor of Computer Science Degree and Masteral Courses in Computer Science.

Lorena E. Velarde
Vice President and Financial Controller

Lorena E. Velarde, 48, Filipino, was appointed as Financial Controller of COL in 2010 after having served as the Parent Company's Head of Accounting from 2001 to 2009. She is concurrently the Associated Person of Citisecurities, Inc. She was previously the Accounting Department Head of Citisecurities, Inc. and Citisec Asset Management, Inc., the fund manager for Citisec Growth and Income Fund, Inc. Before that, she was a Senior Associate in-charge at SyCip Gorres Velayo & Co., which provided her extensive training in tax, accounting, and financial reporting. Ms. Velarde received her Degree in Commerce Major in Accounting, from the University of Santo Tomas. She is also a member of the Philippine Institute of Certified Public Accountants.

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

April Lynn C. Lee-Tan, 43, 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, 46, 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, 39, 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 appointed as Corporate Secretary in November 2018. Atty. Lim was previously a Senior Associate of Puyat, Jacinto and Santos Law Offices and an Associate of Picazo Buyco Tan Fider and Santos Law Offices. She graduated with a degree of Bachelor of Science in Management Engineering in 2002 at the Ateneo de Manila University and Bachelor of Laws in 2006 at the University of the Philippines and was admitted to the Philippine Bar in 2007. Atty. Lim is also a licensed Associated Person.

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

Edmund Daniel P. Martinez, 35, Filipino, was recently appointed as AVP – Head of Premium Business Group. He started with COL as a Business Development Consultant, and previously worked at Hong Kong Shanghai Banking Corporation as VP of Wealth Management and Product Development. He has also held positions at Citibank NA., Citibank Savings Inc., Citicorp Financial Services and Insurance Brokerage Philippines, Inc., and First Metro Investment Corporation. He was also an instructor and the Deputy Director of the Strategic Business Economics Program of the University of Asia and the Pacific. Mr. Martinez graduated with a Bachelor of Arts degree in Humanities from the University of Asia and the Pacific and attained his Master of Science degree in Industrial Economics from the same University. He has also completed the Certified Financial Consultant Program of the Institute of Financial Consultants of Canada, holds a diploma in PHP MYSQL Development from the University of the Philippines, is a Registered Financial Planner, and a CFA Investment Foundations Certificate Holder.

Joyce G. Chan
Assistant Vice President **-** *Customer Support*

Joyce G. Chan, 34, Filipino graduated with a Bachelor of Arts degree in Communications from Ateneo De Manila University. She started as a Management Associate with the Philam Group of Companies before becoming a Corporate Trainer and Development Officer. She joined COL Financial Group, Inc. in 2010 as a Sales Manager and has since then handled the Sales and Customer Support teams in COL Financial. She is a Certified Securities Representative, Certified Investment Solicitor, and a Fellow in the Life Management Institute with Honors.

Gabriel Jose E. Mendiola
Assistant Vice President - Software Development

Gabriel Jose E. Mendiola, 37, Filipino is the AVP – Software Development of COL Financial Group, Inc. He started working at the Company in 2007 as the I.T. Manager, and is currently in charge of the design, development, and evaluation of computer software or systems used by the Company. He is also involved in dictating technical standard, tools, and platforms. Before joining the Company, he worked at Unisys Philippines, Ltd. and at GXS Philippines, Inc. as Senior Software Engineer. Mr. Mendiola is a Computer Science – Information Technology graduate of De LaSalle University.

<u>Term of Office</u>

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.

<u>Resignation/Retirement of Directors and Executive Officers as of December 31, 2018</u>

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

<u>Significant Employees</u>

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.

<u>Family Relationships</u>

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.

<u>Involvement in Certain Legal Proceedings</u>

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

<u>Standard Arrangements</u>

Directors

Each director is entitled to a reasonable per diem, which amount shall, according to Article III, Section 8 of the Parent Company's By-laws, not exceed ten percent (10%) of the net income before income tax of the Parent Company during the previous year. Aside from this, directors do not receive any other form of remuneration in their capacity as such directors.

Executives and Senior Officers

SUMMARY COMPENSATION TABLE Annual Compensation						
(in ₱ Million)	**Annual Salary 2019 (est)**	**Annual Salary 2018**	**Annual Salary 2017**	**Annual Salary 2016**	**Bonuses 2016 - 2018**	**Other Annual Compensation 2016 - 2018**
a) Chief Executive Officer (CEO) and Four (4) most compensated executives and officers	₱19.8	₱19.3	₱17.1	₱14.4	₱90.1	-nil-
b) All other executives and officers as a group unnamed	₱10.7	₱13.5	₱10.6	₱4.4	₱32.4	-nil-

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

Other Arrangements

Stock Option Plan (SOP)

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			

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. As of December 31, 2016, all SOP shares were fully exercised.

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, 2018 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with the Issuer	Name of Beneficial Owners and Relationship with Record Owner	Citizenship	No. of Shares Held		Percent (%)
				Direct	Under PCD	
Common	**PCD Nominee Corp.** G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati	Various	Filipino	-	179,267,156	37.66
			Non-Filipino	-	88,141,429	18.52
	Daiwa Securities Group, Inc. Gran Tokyo North Tower, 9-1, Marunouchi 1-Chrome		Japanese	-	70,924,000	14.90
	Lee, Edward K. 1576 Mahogany cor. Cypress Streets, Dasmariñas Village,	Lee, Edward K.	Filipino	62,250,000	29,952,900	21.11
	Lee, Lydia C. 1576 Mahogany cor. Cypress Streets, Dasmariñas Village,			1,000,000	4,025,600	
	Lee, Edmund C. 1576 Mahogany cor. Cypress Streets, Dasmariñas Village,			-	2,040,000	
	ELLEE & Co., Inc. 2701C East Tower, PSE Centre, Exchange Rd, Ortigas Center, Pasig			-	1,193,500	
	Yu, Alexander C. 211 Ortega St., San Juan	Yu, Alexander C.	Filipino	20,000,000	35,260,725	13.49
	Yu, Adrian Alexander N. 211 Ortega St., San Juan			-	3,040,100	
	Yu, Michelle N. 211 Ortega St., San Juan			-	2,925,700	
	Yu, Tiffany N. 211 Ortega St., San Juan			-	3,000,000	
	Han, Paulwell 9E G/F Broom Road, Happy Valley, Hong Kong	Han, Paulwell	Chinese	100,000	37,499,975	7.90

**No other single individual owns more than 5% of the total outstanding shares of COL as of December 31, 2018.*

Security Ownership of Management as of December 31, 2018

Title of Class	Name of Owner	Position	Citizenship	Total No. of Shares	Percent (%)
Common	Edward K. Lee	Chairman	Filipino	100,462,000	21.11
Common	Alexander C. Yu	Vice-Chairman	Filipino	64,226,525	13.49
Common	Conrado F. Bate	Director/President/CEO	Filipino	19,895,959	4.18
Common	Hernan G. Lim	Director	Filipino	17,469,785	3.67
Common	Raymond C. Yu	Director	Filipino	22,323,940	4.69
Common	Wellington C. Yu	Independent Director	Filipino	10,000	0.00
Common	Kido Hokushin	Director	Japanese	1	0.00
Common	Khoo Boo Boon	Independent Director	Malaysian	3,000	0.00
Common	Paulwell Han	Director	Chinese	37,599,975	7.90
Common	Joel Litman	Director	American	34,000	0.01
Common	Catherine L. Ong	Director/SVP/Treasurer	Filipino	8,442,800	1.77
Common	Juan G. Barredo	VP/Head of Sales and Customer Support	Filipino	1,100,050	0.23
Common	Nikos J. Bautista	VP/Chief Technology Officer	Filipino	1,160,200	0.24
Common	Lorena E. Velarde	VP/Financial Controller	Filipino	475,000	0.10
Common	April Lynn L. Tan	VP/Head of Research	Filipino	1,520,000	0.32
Common	Melissa O. Ng	AVP/Head of Operations	Chinese	195,750	0.04
Common	Sharon T. Lim	AVP/Head of HR, Legal and Compliance Departments	Filipino	9,250	0.00
Common	Edmund Daniel P. Martinez	AVP/Head of Premium Business Group	Filipino	3,000	0.00
Common	Gabriel Jose E. Mendiola	AVP - Software Development	Filipino	4,332,500	0.91
Common	Joyce C. Chan	AVP - Customer Support	Filipino	402,500	0.08
	Key Officers and Directors (as a group)			279,666,235	58.74

As of December 31, 2018, the Parent Company’s public float is 26.35%.

Item 13. Certain Relationships and Related Transactions

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

PART IV – CORPORATE GOVERNANCE

Item 14. Corporate Governance

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

PART V - EXHIBITS AND SCHEDULES

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

Exhibits

Please refer to the attached Index to Consolidated Financial Statements and Supplementary Schedules on page 45.

Reports on SEC Form 17-C

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

Items Reported	Date filed	Announcement Date	Circular No.
1. Change in Shareholdings of Directors and Principal Officers	07/02/2018	07/02/2018	C04536-2018
2. Change in Shareholdings of Directors and Principal Officers	07/02/2018	07/02/2018	C04537-2018
3. Change in Shareholdings of Directors and Principal Officers	07/06/2018	07/06/2018	C04649-2018
4. Change in Shareholdings of Directors and Principal Officers	07/30/2018	07/30/2018	C05155-2018
5. Material Information/Transactions	08/10/2018	08/13/2018	C05508-2018
6. Press Release	08/20/2018	08/20/2018	C05697-2018
7. Change in Shareholdings of Directors and Principal Officers	09/05/2018	09/05/2018	C05961-2018
8. Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)	09/25/2018	09/25/2018	C06368-2018
9. Change in Shareholdings of Directors and Principal Officers	09/27/2018	09/27/2018	C06434-2018
10. Change in Shareholdings of Directors and Principal Officers	10/03/2018	10/03/2018	C06597-2018
11. Change in Shareholdings of Directors and Principal Officers	10/19/2018	10/19/2018	C07002-2018
12. Change in Shareholdings of Directors and Principal Officers	10/25/2018	10/25/2018	C07116-2018
13. Change in Shareholdings of Directors and Principal Officers	10/31/2018	10/31/2018	C07279-2018
14. Material Information/Transactions	11/09/2018	11/12/2018	C07536-2018
15. Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)	11/09/2018	11/12/2018	C07537-2018
16. Press Release	11/20/2018	11/20/2018	C07792-2018
17. Change in Shareholdings of Directors and Principal Officers	12/04/2018	12/04/2018	C08084-2018
18. Change in Shareholdings of Directors and Principal Officers	12/10/2018	12/10/2018	C08236-2018
19. Change in Shareholdings of Directors and Principal Officers	12/10/2018	12/10/2018	C08237-2018
20. Change in Shareholdings of Directors and Principal Officers	12/17/2018	12/17/2018	C08419-2018
21. Change in Shareholdings of Directors and Principal Officers	12/17/2018	12/17/2018	C08420-2018
22. Change in Shareholdings of Directors and Principal Officers	12/21/2018	12/21/2018	C08532-2018
23. Change in Shareholdings of Directors and Principal Officers	12/27/2018	12/27/2018	C08578-2018
24. Change in Shareholdings of Directors and Principal Officers	12/27/2018	12/27/2018	C08579-2018

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 March 29, 2019.

COL FINANCIAL GROUP, INC.
Issuer

By:

Conrado F. Bate
President and Chief Executive Officer

Catherine L. Ong
SVP, Treasurer/Chief Financial Officer

Lorena E. Velarde
VP and Financial Controller

Sharon T. Lim
AVP, Corporate Secretary

SUBSCRIBED AND SWORN to before me this 12th day of April 2019, at Pasig, affiants exhibiting to me their Passports, as follows:

NAMES	PASSPORT NO./DRIVER'S LICENSE	DATE OF ISSUE	PLACE OF ISSUE
Conrado F. Bate	PP # P8211336A	August 3, 2018	DFA Manila
Catherine L. Ong	PP # P7000517A	May 2, 2018	DFA NCR East
Lorena E. Velarde	PP # P7302444A	May 24, 2018	DFA NCR East
Sharon T. Lim	PP # P1784587A	January 27,2017	DFA NCR East

Notary Public

ATTY. STEPHANIE FAYE B. REYES
For the Cities of Pasig, San Juan
and Municipality of Pateros
Expiring on 31 December 2020
Appointment No. 61 (2019-2020) Pasig City
Roll No. 64239
PTR No. 5226847/01.04.19/Pasig City
IBP LRN 13768/RSM
MCLE Compliance No. VI-0014740/11.13.18
2703C East Tower PSE Centre, Exchange Rd.,
Ortigas Center, Pasig City

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Book No.: II
Series of 2019

COL FINANCIAL GROUP, INC.
SEC FORM 17-A

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FINANCIAL STATEMENTS	Remarks/Attachments
Statement of Management's Responsibility for Financial Statements	✓
Independent Auditors Report	✓
Consolidated Statements of Financial Position as of December 31, 2018 and 2017	✓
Consolidated Statements of Income for the Years Ended December 31, 2018, 2017 and 2016	
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2018, 2017 and 2016	✓
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2018, 2017 and 2016	✓
Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016	✓
Notes to Consolidated Financial Statements	✓
SUPPLEMENTARY SCHEDULES	
Report of Independent Auditors on Supplementary Schedules	✓
Schedule I. Reconciliation of Retained Earnings Available for Dividend Declaration Pursuant to SRC Rule 68, as Amended and SEC Memorandum Circular No. 11	✓
Schedule II. Schedule of Effective Standards and Interpretations under PFRS Pursuant to SRC Rule 68, as Amended	✓
Schedule III. Supplementary Schedules under Annex 68-E Pursuant to SRC Rule 68, as Amended	✓
Schedule IV. Map of the Relationships of the Companies within the Group Pursuant to SRC Rule 68, as Amended	✓
Schedule V. Schedule Showing Financial Soundness Indicators Pursuant to SRC Rule 68, as Amended	✓

**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, 2018 and 2017, 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 2019.

Statement of Management's Responsibility
for Financial Statements

SUBSCRIBED AND SWORN to before me this 1st day of March 2019, 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 # P8211336A	Aug. 3, 2018/DFA Manila
Catherine L. Ong	PP # P7000517A	May 2, 2018/ DFA NCR East

NOTARY PUBLIC

ATTY. SHARON T. LIM
Notary Public for the Cities of Pasig,
San Juan and Municipality of Pateros
Until 12-31-19/Appt. No. 81 (2018-2019)
2703C East Tower, Phil. Stock Exchange Centre,
Exchange Rd., Ortigas Center, Pasig City 1605
Roll No. 53601/IBP No. 057570/12-20-18/RSM
PTR No. 5226846/01-04-19/Pasig
MCLE Compliance No. VI-0010529/07-03-18/Pasig

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of COL Financial Group, Inc. (the Parent Company) and Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Information Technology Environment Supporting the Stockbrokerage Business

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

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, 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, 2018 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 (Group A),
July 28, 2016, valid until July 28, 2019
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332590, January 3, 2019, Makati City

March 1, 2019

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

	December 31					
	2018			2017		
		Security Valuation			Security Valuation	
	Money Balance	Long	Short	Money Balance	Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	**₱8,897,583,382**			₱10,015,930,327		
Cash in a segregated account (Note 5)	**133,788,336**			88,993,088		
Short-term time deposits (Note 4)	**626,000,000**			–		
Financial assets at fair value through profit or loss (Note 6)	**3,225,163**	**₱3,225,163**		1,176,978	₱1,176,978	
Trade receivables (Notes 7 and 20)	**811,048,151**	**3,472,639,844**		1,169,674,141	3,920,498,461	
Other receivables (Notes 7 and 20)	**52,041,067**			27,481,904		
Prepayments	**7,186,335**			3,746,142		
Other current assets (Note 12)	**–**			8,960,245		
Total Current Assets	**10,530,872,434**			11,315,962,825		
Noncurrent Assets						
Long-term time deposit (Note 4)	**200,000,000**			200,000,000		
Investment securities at amortized cost (Note 8)	**201,564,744**			–		
Held-to-maturity investments (Note 8)	**–**			202,738,147		
Property and equipment (Note 9)	**76,030,681**			85,996,168		
Investment property (Note 10)	**16,634,249**			–		
Intangibles (Note 11)	**20,090,176**			21,405,689		
Deferred tax assets (Note 19)	**–**			36,716,806		
Other noncurrent assets (Note 12)	**73,418,798**			18,017,713		
Total Noncurrent Assets	**587,738,648**			564,874,523		
TOTAL ASSETS	**₱11,118,611,082**			₱11,880,837,348		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			**₱64,836,014,077**			₱64,846,561,022

(Forward)

	December 31					
	2018			2017		
		Security Valuation			Security Valuation	
	Money Balance	**Long**	**Short**	Money Balance	Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Notes 13 and 20)	**₱9,254,855,350**	**₱61,360,149,070**		₱10,199,215,189	₱60,924,885,583	
Other current liabilities (Note 14)	**107,152,667**			115,203,033		
Income tax payable	**18,775,269**			18,245,494		
Total Current Liabilities	**9,380,783,286**			10,332,663,716		
Noncurrent Liabilities						
Retirement obligation (Notes 18 and 20)	**42,945,228**			43,549,010		
Deferred tax liabilities (Note 19)	**1,312,743**			–		
Total Noncurrent Liabilities	**44,257,971**			43,549,010		
Total Liabilities	**9,425,041,257**			10,376,212,726		
Equity						
Capital stock (Note 15)	**476,000,000**			476,000,000		
Capital in excess of par value	**53,219,024**			53,219,024		
Accumulated translation adjustment	**21,881,155**			8,225,186		
Loss on remeasurement of retirement obligation (Note 18)	**(15,806,586)**			(11,741,631)		
Retained earnings:						
Appropriated	**276,503,775**			235,590,918		
Unappropriated (Note 15)	**881,772,457**			743,331,125		
Total Equity	**1,693,569,825**			1,504,624,622		
TOTAL LIABILITIES AND EQUITY	**₱11,118,611,082**	**₱64,836,014,077**	**₱64,836,014,077**	₱11,880,837,348	₱64,846,561,022	₱64,846,561,022

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
REVENUES (Note 16)			
Commissions (Note 20)	**₱702,931,280**	₱678,725,716	₱605,558,128
Others:			
Interest income (Notes 4, 5, 7, 8, 16, and 20)	**422,227,848**	250,460,547	220,387,183
Trading gains (losses) - net (Note 6)	**14,107,532**	17,202,792	(72,168)
Foreign exchange gains (losses) – net	**129,256**	717,580	(34,110)
Others (Notes 6 and 9)	**17,396,193**	12,066,231	7,846,425
	1,156,792,109	959,172,866	833,685,458
COST OF SERVICES			
Commission expense (Note 20)	**60,620,567**	88,976,207	92,234,435
Personnel costs - operations (Notes 17, 18 and 20)	**98,870,861**	85,287,973	74,166,258
Stock exchange dues and fees (Note 12)	**16,505,261**	20,760,645	14,921,084
Central depository fees	**6,782,983**	6,836,230	9,409,779
Research	**3,374,658**	2,311,047	2,163,005
Others:			
Communications	**34,536,487**	32,318,019	30,101,631
Depreciation (Note 9)	**134,635**	159,299	201,009
	220,825,452	236,649,420	223,197,201
GROSS PROFIT	**935,966,657**	722,523,446	610,488,257
OPERATING EXPENSES (OTHER INCOME)			
Administrative expenses:			
Personnel costs (Notes 17, 18 and 20)	**59,329,902**	43,320,968	36,984,384
Professional fees (Note 20)	**50,711,036**	42,478,126	37,365,258
Management bonus (Note 20)	**24,701,098**	23,376,289	17,418,101
Rentals (Note 21)	**22,494,380**	17,034,409	14,326,932
Advertising and marketing	**11,592,176**	9,719,249	9,693,034
Security and messengerial services	**6,482,716**	6,657,462	4,753,033
Taxes and licenses	**5,853,764**	4,891,861	4,555,798
Power, light and water	**5,791,410**	4,571,689	4,009,964
Repairs and maintenance	**5,215,864**	3,844,478	2,300,629
Insurance and bonds	**4,078,614**	3,479,704	3,350,540
Representation and entertainment	**3,755,314**	3,671,632	3,184,166
Condominium dues and utilities	**3,570,573**	2,737,636	2,490,021
Office supplies	**3,226,088**	3,293,621	2,666,969
Directors' fees (Note 20)	**1,682,500**	870,000	890,000
Trainings, seminars and meetings	**1,510,387**	1,460,946	1,085,302
Membership fees and dues	**1,388,886**	845,622	821,925
Transportation and travel	**1,383,603**	1,541,938	1,117,783
Communications	**1,165,109**	1,526,085	982,316
Bank charges	**294,007**	122,625	385,157
Others	**1,717,097**	2,366,132	2,294,958
	215,944,524	177,810,472	150,676,270
Depreciation and amortization (Notes 9, 10 and 11)	**25,812,755**	22,083,858	18,925,355
Other income (Note 12)	**(21,510,020)**	–	–
Provision for (Recovery from) impairment losses (Notes 11 and 12)	**(13,724,200)**	20,636,226	–
Interest expense (Note 18)	**2,482,293**	1,475,447	1,313,885
Provision for (Recovery from) credit losses (Note 7)	**296,943**	(10,938,998)	1,885,688
	209,302,295	211,067,005	172,801,198
INCOME BEFORE INCOME TAX	**726,664,362**	511,456,441	437,687,059
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)			
Current			
Regular corporate income tax	**104,471,111**	97,225,712	86,813,521
Final income tax	**75,807,941**	36,764,607	32,442,461
Deferred	**33,831,121**	(1,255,093)	(10,051,273)
	214,110,173	132,735,226	109,204,709
NET INCOME	**₱512,554,189**	₱378,721,215	₱328,482,350
Earnings Per Share (Note 25)			
Basic and diluted	**₱1.08**	₱0.80	₱0.69

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
NET INCOME	**₱512,554,189**	₱378,721,215	₱328,482,350
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 18)	**(4,064,955)**	(10,861,557)	3,956,122
Item that may be reclassified subsequently to consolidated statements of income:			
Translation adjustments - net of tax	**13,655,969**	(1,150,483)	14,617,528
	9,591,014	(12,012,040)	18,573,650
TOTAL COMPREHENSIVE INCOME	**₱522,145,203**	₱366,709,175	₱347,056,000

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, 2018, 2017, and 2016

	Capital Stock (Note 15)	Capital In Excess of Par Value	Cost of Share-Based Payment (Note 18)	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation (Note 18)	Retained Earnings Appropriated (Note 15)	Retained Earnings Unappropriated	Total
Balances at January 1, 2018	**₱476,000,000**	**₱53,219,024**	**₱–**	**₱8,225,186**	**(₱11,741,631)**	**₱235,590,918**	**₱743,331,125**	**₱1,504,624,622**
Total comprehensive income (loss)	**–**	**–**	**–**	**13,655,969**	**(4,064,955)**	**–**	**512,554,189**	**522,145,203**
Appropriation of retained earnings (Note 15)	**–**	**–**	**–**	**–**	**–**	**40,912,857**	**(40,912,857)**	**–**
Declaration of cash dividend (Note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**(333,200,000)**	**(333,200,000)**
Balances at December 31, 2018	**₱476,000,000**	**₱53,219,024**	**₱–**	**₱21,881,155**	**(₱15,806,586)**	**₱276,503,775**	**₱881,772,457**	**₱1,693,569,825**
Balances at January 1, 2017	₱476,000,000	₱53,219,024	₱–	₱9,375,669	(₱880,074)	₱198,811,471	₱686,989,357	₱1,423,515,447
Total comprehensive income (loss)	–	–	–	(1,150,483)	(10,861,557)	–	378,721,215	366,709,175
Appropriation of retained earnings (Note 15)	–	–	–	–	–	36,779,447	(36,779,447)	–
Declaration of cash dividend (Note 15)	–	–	–	–	–	–	(285,600,000)	(285,600,000)
Balances at December 31, 2017	₱476,000,000	₱53,219,024	₱–	₱8,225,186	(₱11,741,631)	₱235,590,918	₱743,331,125	₱1,504,624,622
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 15)	–	–	–	–	–	29,789,712	(29,789,712)	–
Issuance of shares upon exercise of stock options (Note 18)	1,000,000	–	–	–	–	–	–	1,000,000
Cost of share-based payment (Note 18)	–	–	(4,031,571)	–	–	–	–	(4,031,571)
Declaration of cash dividend (Note 15)	–	–	–	–	–	–	(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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱726,664,362**	₱511,456,441	₱437,687,059
Adjustments for:			
Interest income (Notes 4, 5, 7, 8, 16, and 20)	**(422,227,848)**	(250,460,547)	(220,387,183)
Depreciation and amortization (Notes 9, 10 and 11)	**25,947,390**	22,243,157	19,126,364
Other income (Note 12)	**(21,510,020)**	–	–
Provision for (Recovery from) impairment losses (Notes 11 and 12)	**(13,724,200)**	20,636,226	–
Contribution to the retirement fund (Note 18)	**(12,719,737)**	–	–
Retirement costs under 'Personnel costs' (Notes 17 and 18)	**5,568,707**	4,385,708	4,886,302
Interest expense (Note 18)	**2,482,293**	1,475,447	1,313,885
Unrealized trading losses (gains) - net (Note 6)	**(1,961,296)**	103,792	(139,356)
Provision for (Recovery from) credit losses (Note 7)	**296,943**	(10,938,998)	1,885,688
Dividend income (Note 6)	**(258,706)**	(230,474)	(28,710)
Gain on disposal of property and equipment	–	–	(4,365)
Operating income before working capital changes	**288,557,888**	298,670,752	244,339,684
Decrease (increase) in:			
Cash in a segregated account	**(44,795,248)**	45,925,206	120,677,719
Short-term time deposits	**(626,000,000)**	–	–
Financial assets at fair value through profit or loss	**(86,889)**	821,793	(289,780)
Trade receivables	**381,942,484**	17,928,442	(78,192,367)
Other receivables	**108,137,009**	44,351,585	30,004,700
Prepayments	**(3,434,068)**	(1,557,124)	(84,131)
Other assets	**(54,417,288)**	(21,239,391)	(12,037,740)
Increase (decrease) in:			
Trade payables	**(950,153,080)**	2,846,725,500	799,799,469
Other current liabilities	**(8,272,865)**	24,901,180	28,853,335
Net cash generated from (used in) operations	**(908,522,057)**	3,256,527,943	1,133,070,889
Interest received	**325,973,632**	203,047,922	182,539,191
Income taxes paid	**(171,572,932)**	(116,860,333)	(111,638,182)
Dividends received	**258,706**	230,474	28,710
Net cash flows provided by (used in) operating activities	**(753,862,651)**	3,342,946,006	1,204,000,608
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Notes 9)	**(29,561,263)**	(60,966,559)	(28,028,411)
Acquisitions of software and licenses (Note 11)	**(1,723,031)**	(3,011,218)	(7,475,451)
Acquisition of held-to-maturity investments (Note 8)	**–**	(203,041,886)	–
Investment in long-term time deposit (Note 4)	–	–	(200,000,000)
Proceeds from disposal of property and equipment	**–**	–	7,143
Net cash flows used in investing activities	**(31,284,294)**	(267,019,663)	(235,496,719)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends declared and paid (Note 15)	**(333,200,000)**	(285,600,000)	(237,500,000)
Issuance of additional shares (Notes 15 and 18)	–	–	1,000,000
Net cash flows used in financing activities	**(333,200,000)**	(285,600,000)	(236,500,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,118,346,945)**	2,790,326,343	732,003,889
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**10,015,930,327**	7,225,603,984	6,493,600,095
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱8,897,583,382**	₱10,015,930,327	₱7,225,603,984

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, with a corporate term of 50 years, primarily to engage in the business of broker of securities and to provide stockbrokerage services through innovative internet technology. COL Securities (HK) Limited (COLHK or 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 11).

The Parent Company became a clearing member of the Securities Clearing Corporation of the Philippines (SCCP) and started operating its own seat in the PSE on February 16, 2009.

In 2015, the Parent Company was registered and authorized by the SEC to distribute various mutual funds issued by the top six (6) fund providers in the Philippines.

The accompanying consolidated financial statements of the Group as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were authorized for issue in accordance with a resolution by the BOD on March 1, 2019.

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, 2018. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance, unless otherwise indicated.

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

- PFRS 9, *Financial Instruments*

  Effective January 1, 2018, PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 also supersedes all earlier versions of the standard, thereby bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

  PFRS 9 is required to be applied on a retrospective basis, with certain exceptions. As permitted, the Group did not restate prior period comparative consolidated financial statements when the Group adopted the requirements of the new standard. Restatements and differences in the carrying amounts of financial instruments arising from the adoption of PFRS 9 have been recognized in the 2018 opening balances of surplus and other comprehensive income (OCI) as if the Group had always applied PFRS 9.

  The Group adopted the classification and measurement, impairment and hedge accounting requirements of the standard as follows:

  Classification and Measurement
  Financial assets are measured at FVPL unless these are measured at fair value through OCI (FVOCI) or at amortized cost. The classification and measurement provisions of PFRS 9 require that all debt financial assets that do not meet the "solely payment of principal and interest" (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as financial assets at FVPL. The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity linked pay-outs, are measured as financial assets at FVPL. Subsequent measurement of instruments classified as financial assets at FVPL under PFRS 9 operates in a similar manner to financial instruments held for trading under PAS 39.

  For debt financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "hold to collect and for sale" basis will be classified as financial assets at FVOCI for debt. Debt instruments that are managed on a "hold to collect" basis will be classified as financial assets at amortized cost. Subsequent measurement of instruments classified as financial assets at FVOCI and at amortized cost classifications under PFRS 9 operate in a similar manner to AFS financial assets for debt financial assets and loans and receivables, respectively, under existing PAS 39, except for the impairment provisions which are discussed below.

  For those debt financial assets that would otherwise be classified as financial assets at FVOCI or at amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument as financial asset at FVPL under the fair value option (FVO) if doing so eliminates or significantly reduces an accounting mismatch.

All equity financial assets are required to be classified at initial recognition as at FVPL unless an irrevocable designation is made to classify the instrument, which is not held for trading, as financial asset at FVOCI for equities. Unlike AFS for equity securities under PAS 39, the FVOCI for equities category results in all realized and unrealized gains and losses being recognized in OCI with no recycling to profit and loss. Only dividends will continue to be recognized in profit and loss.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. PFRS 9 has not resulted in changes in the carrying amount of the Group's financial instruments due to changes in measurement categories. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. All financial assets that were classified as loans and receivables and measured at amortized cost under PAS 39 continue to be carried at amortized cost. Quoted debt instruments previously classified as held-to-maturity (HTM) Investments are now classified and measured as investment securities at amortized cost. The Group's quoted debt instruments are government investments that passed the SPPI test.

The classification and measurement of financial liabilities remain essentially unchanged from the current PAS 39 requirements, except that changes in fair value of FVO liabilities attributable to changes in own credit risk are to be presented in OCI, rather than profit and loss.

Impairment
The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost and FVOCI. In addition, the ECL model applies to loan commitments and financial guarantees that are not measured at FVPL.

Incurred Loss versus Expected Credit Loss Methodology
The application of ECL significantly changed the Group's credit loss methodology and models. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition or when there is objective evidence of impairment. This compares to the present incurred loss model that incorporates a single best estimate, the time value of money and information about past events and current conditions and which recognizes lifetime credit losses when there is objective evidence of impairment and also allowances for incurred but not identified credit losses.

Measurement of ECL
The Group uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the financial sector, the historical default rates will be adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of its customer's actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in Note 7.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 supersedes PAS 11, *Construction Contracts*, IAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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. In addition, guidance on interest and dividend income have been moved from PAS 18 to PFRS 9 without significant changes to the requirements. The adoption of PFRS 15 has no significant impact to the Group.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

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

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately;
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
  - How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

    - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Summary of Significant Accounting Policies

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

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

Current versus Non-current Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as non-current.

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

The Group classifies all other liabilities as non-current.

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

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

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

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

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

Financial Instruments at FVPL
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.

Policies applicable beginning January 1, 2018
Initial Recognition and Classification of Financial Instruments
Financial assets are measured at FVPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

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

Investment securities at FVOCI
Investment securities at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the consolidated statement of comprehensive income as 'Change in net unrealized loss on investment securities at FVOCI'.

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

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

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

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

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

<u>*Policies applicable prior to January 1, 2018*</u>
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, 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, HTM investment and loans and receivables. The Group had no AFS investments.

Financial liabilities are classified as at FVPL or other financial liabilities. The Group's financial liabilities as at December 31, 2017 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.

HTM Investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. These investments are carried at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The EIR amortization is included in 'Interest income' in the consolidated statement of income.

Gains and losses are recognized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the consolidated statements of income under ‘Provision for impairment and credit losses’.

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’, ‘Short-term time deposits’, ‘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 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 24.

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

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

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

Impairment of Financial Assets

Policies applicable beginning January 1, 2018

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

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

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

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A broad range of forward-looking factors are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and PSEi statistical indicators.

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

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

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

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

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

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

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

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

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

Property and Equipment
Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any accumulated impairment losses, if any. Such cost includes the cost of replacing part of such property and equipment, if the recognition criteria are met.

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

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

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

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

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

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

Investment Property

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

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

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

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

Intangibles

Exchange Trading Rights

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

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

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

Intangibles with indefinite useful lives are tested for impairment annually at end of the reporting period either individually or at the cash generating unit level, as appropriate.

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

Leases
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

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

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is the principal in all of its revenue arrangements except for its brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized:

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

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

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

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

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

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

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

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

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

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 18 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 18). 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 25).

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>Earnings per Share (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.

<u>Taxes</u>
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 26. 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 11. The Parent Company does not intend to sell its exchange trading right in the near future. COLHK's right is nontransferable with an indefinite useful life. As at December 31, 2018 and 2017, the carrying values of intangibles are disclosed in Note 11.

Estimating Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets as at December 31, 2018 and 2017 are disclosed in Note 19.

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

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

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

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

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

Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	**₱422,340,408**	₱477,130,278
Short-term cash investments	**8,475,242,974**	9,538,800,049
	₱8,897,583,382	₱10,015,930,327

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 1.70% to 6.90% per annum in 2018, from 2.00% to 3.65% per annum in 2017 and from 0.94% to 2.73% per annum in 2016. The Parent Company has United States dollar (US$)-denominated cash in banks amounting to US$1,061 and US$5,585 as at December 31, 2018 and 2017, respectively, while COLHK has US$-denominated cash in banks amounting to US$209,575 and US$223,837 as at December 31, 2018 and 2017, 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 ₱8,541,305,763 and ₱9,645,732,629 as at December 31, 2018 and 2017, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at December 31, 2018 and 2017, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

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

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

Interest income of the Group from cash and cash equivalents, cash in segregated account, short-term time deposits and long-term time deposit amounted to ₱370,543,382, ₱181,575,770 and ₱162,216,441 in 2018, 2017 and 2016, respectively (Note 16).

5. Cash in a Segregated Account

COLHK receives and holds money deposited by clients in the conduct of the regulated activities of its ordinary business. These clients' monies are maintained with a licensed bank.

The Group has classified the clients' monies under current assets in the consolidated statements of financial position and recognized a corresponding payable to customers on grounds that it is liable for any loss or misappropriation of clients' monies (Note 13). The Group is not allowed to use the clients' monies to settle its own obligations.

Interest income from cash in segregated account is included under 'Interest income – banks' (Notes 4 and 16).

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, 2018 and 2017, financial assets at FVPL amounted to ₱3,225,163 and ₱1,176,978, respectively.

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

	2018	2017	2016
Trading gains (losses) from sale	**₱12,146,236**	₱17,306,584	(₱211,524)
Unrealized trading gains (losses)	**1,961,296**	(103,792)	139,356
	₱14,107,532	₱17,202,792	(₱72,168)

Dividend income included under 'Other revenues' amounted to ₱258,706, ₱230,474 and ₱28,710 in 2018, 2017 and 2016, respectively.

7. Trade Receivables and Other Receivables

Trade Receivables

	2018	2017
Customers (Note 20)	**₱725,741,713**	₱610,749,598
Other brokers	**85,396,559**	53,278,333
Trail fee receivables	**1,388,114**	1,168,848
Clearing house	**–**	505,658,654
	812,526,386	1,170,855,433
Less allowance for credit losses on trade receivables from customers	**1,478,235**	1,181,292
	₱811,048,151	₱1,169,674,141

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

	2018		2017	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
Fully secured accounts:				
More than 250%	**₱363,647,312**	**₱2,927,387,828**	₱367,509,536	₱3,451,234,034
Between 200% and 250%	**144,838,172**	**310,736,355**	163,263,492	356,101,746
Between 150% and 200%	**17,374,905**	**32,383,907**	33,677,610	62,630,000
Between 100% to 150%	**99,524,027**	**104,578,764**	17,743,037	22,161,102
Less than 100%	**100,357,086**	**97,552,990**	28,555,878	28,371,579
Unsecured accounts (Note 20)	**211**	**–**	45	–
	725,741,713	**3,472,639,844**	610,749,598	3,920,498,461
Less allowance for credit losses on trade receivables from customers	**1,478,235**	**–**	1,181,292	–
	₱724,263,478	**₱3,472,639,844**	₱609,568,306	₱3,920,498,461

As at December 31, 2018 and 2017, the Parent Company offered a credit line facility amounting to ₱5,381,368,000 and ₱5,410,061,000, respectively, to its customers who qualified for margin account.

Interest income from customers amounted to ₱44,357,869, ₱66,939,815 and ₱58,170,742 in 2018, 2017 and 2016, respectively (Note 16).

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls below this level, customers may either deposit additional collateral or sell stock to cover the deficiency in their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at December 31, 2018 and 2017, ₱625,384,416 and ₱582,193,675, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at December 31, 2017, were fully collected in January 2018. These are noninterest-bearing and are collected on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

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

Trail fee receivables pertain to the amount due from the mutual fund managers representing the trail fee earned by the Parent Company for selling mutual funds to its customers. The fee is computed daily and collected on a monthly basis.

Other Receivables

	2018	2017
Accrued interest	**₱44,547,984**	₱22,928,306
Advances to officers and employees (Note 20)	**918,030**	442,355
Others (Note 12)	**6,575,053**	4,111,243
	₱52,041,067	₱27,481,904

Allowance for Credit Losses

	2018	2017		
	Customers	Customers	Others	Total
Balances at beginning of year	**₱1,181,292**	₱3,160,045	₱8,960,245	₱12,120,290
Provision for (recovery from) credit losses	**296,943**	(1,978,753)	(8,960,245)	(10,938,998)
Balances at end of year	**₱1,478,235**	₱1,181,292	₱–	₱1,181,292

8. Held-to-maturity Investments and Investment Securities at Amortized Cost

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

As at December 31, 2017, the investment amounting to ₱202,738,147 was classified under 'Held-to-maturity investments'.

In 2018, the investment in government security was re-classified under ‘Investment securities at amortized cost’, in accordance with PFRS 9. As at December 31, 2018, the carrying amount of the investment amounted to ₱201,564,744.

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

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

9. Property and Equipment

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

	2017				
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Condominium Unit	Total
Cost					
At beginning of year	₱101,567,631	₱24,362,094	₱29,059,344	₱–	₱154,989,069
Additions	39,340,982	1,183,805	2,932,036	17,509,736	60,966,559
Translation adjustments	(39,331)	(15,633)	(4,723)	–	(59,687)
At end of year	140,869,282	25,530,266	31,986,657	17,509,736	215,895,941
Accumulated depreciation					
At beginning of year	64,035,146	21,004,655	26,653,931	–	111,693,732
Depreciation	15,954,872	1,434,506	876,048	–	18,265,426
Translation adjustments	(39,331)	(15,331)	(4,723)	–	(59,385)
At end of year	79,950,687	22,423,830	27,525,256	–	129,899,773
Net book value	₱60,918,595	₱3,106,436	₱4,461,401	₱17,509,736	₱85,996,168

As of December 31, 2018 and 2017, the cost of the Group’s fully depreciated property and equipment still in use amounted to ₱98,532,588 and ₱91,216,333, respectively. Disposal of property and equipment, included in ‘Other revenues’, resulted in gains amounting ₱4,365 in 2016. No disposals were made in 2018 and 2017.

The depreciation and amortization was distributed as follows:

	2018	2017	2016
Cost of services	**₱134,635**	₱159,299	₱201,009
Operating expenses	**21,898,727**	18,106,127	15,324,149
	₱22,033,362	₱18,265,426	₱15,525,158

10. **Investment Property**

This account pertains to an office space purchased by the Parent Company with an initial cost of ₱17,509,736 and previously classified as property and equipment. Accumulated depreciation expense as at December 31, 2018 amounted to ₱875,487.

The office space is held for capital appreciation. As at December 31, 2018, the fair value of investment property amounted to ₱35,610,300.

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

11. **Intangibles**

Stock Exchange Trading Rights
Philippine Operations
As at December 31, 2018 and 2017, the fair value less costs to sell of the exchange trading right amounted to ₱8,500,000, representing the transacted price of the exchange trading right of the most recent sale approved by the PSE on December 14, 2011.

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

The Group performed its annual impairment test in December 2018 and 2017. The Group considers each location as a separate cash-generating unit (CGU) and the historical experience of each CGU, among other factors, when reviewing for indicators of impairment.

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

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

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

As a result of this analysis, management has determined that there was an impairment loss amounting to ₱20,636,226 in 2018 and 2017 representing the full amount of the carrying value of the trading right, while no impairment loss was recognized in 2016 since the VIU exceeds the carrying value of the exchange trading right.

Movements in the exchange trading rights follow:

	2018	2017
At beginning of year	**₱5,000,000**	₱25,483,628
Impairment loss	–	(20,636,226)
Translation adjustment	–	152,598
At end of year	**₱5,000,000**	₱5,000,000

Software Costs and Licenses
Movement in the software costs and licenses account follow:

	2018	2017
Cost		
At beginning of year	**₱46,222,625**	₱43,211,407
Additions	**1,723,031**	3,011,218
Write-off	**(2,575,906)**	–
At end of year	**45,369,750**	46,222,625
Accumulated amortization		
At beginning of year	**29,816,936**	25,839,205
Amortization	**3,038,541**	3,977,731
Write-off	**(2,575,903)**	–
At end of year	**30,279,574**	29,816,936
Net book value	**₱15,090,176**	₱16,405,689

The amortization of software costs and licenses recorded in 'Depreciation and amortization' in the consolidated statements of income amounted to ₱3,038,541, ₱3,977,731, and ₱3,601,206 in 2018, 2017, and 2016, respectively.

As of December 31, 2018 and 2017, the costs of the Group's fully amortized software still in use amounted to ₱19,833,325 and ₱20,715,367, respectively.

12. **Other Assets**

Other Current Assets
As of December 31, 2017, other current assets includes input VAT and payment to the Bureau of Internal Revenue (BIR) of additional income tax for the taxable year 2009. In prior years, the Parent Company recognized the payment to the BIR of additional income tax for the taxable year 2009 as other receivables and provided 100% allowance. On April 6, 2016, the Supreme Court issued a decision to deny the BIR's petition for review on certiorari, effectively affirming the decision of the Court of Tax Appeals and ordering the BIR to issue a tax credit certificate in favor of the Parent Company. Said decision became final and executory on September 22, 2016. On November 24, 2017, the Parent Company applied for the issuance of a tax credit certificate (TCC) to the BIR. Accordingly, the Parent Company reversed the related allowance for credit losses amounting to ₱8,960,245 included in 'Other revenues' and reclassified the balance from 'Other receivable' to 'Other current assets' in 2017. In 2018, the Parent Company reclassified the balance to 'Other noncurrent assets' since there is a high probability that the amount will not be collected in the

subsequent year.

Other Noncurrent Assets

	2018	2017
Deposit and refundable contributions to CTGF	**₱38,791,026**	₱13,724,200
Refundable deposits:		
Rental and utility deposits	**7,226,513**	5,860,499
Other refundable deposits	**3,649,101**	2,933,661
	10,875,614	8,794,160
Accounts receivable - BIR	**8,960,245**	–
Deferred input VAT	**8,623,546**	8,305,186
Intangible assets under development	**6,168,367**	918,367
	73,418,798	31,741,913
Less allowance for impairment losses on other noncurrent assets	–	13,724,200
	₱73,418,798	₱18,017,713

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. As of December 31, 2017, pending the approval of the SEC on such amendment, the Parent Company provided a full allowance for impairment losses on the deposit to CTGF.

In addition, the Parent Company, as a clearing member, is required to pay monthly contributions to the CTGF maintained by the SCCP for an amount of 1/500 of 1% applied to the Clearing Member's total monthly turnover value less block sales and cross transactions of the same flag. In 2017 and 2016, the Parent Company recognized the contributions as expenses included in 'Stock exchange dues and fees'.

On March 13, 2018, the SEC resolved to approve SCCP's proposed amendments to SCCP Rule 5.2, making the Clearing Members' contributions to the CTGF refundable upon cessation of their business and/or termination of their membership with SCCP, provided that all liabilities owing to SCCP at the time of termination, whether actual or contingent, shall have been satisfied or paid in full. Accordingly, the Parent Company recognized the total refundable contributions as of December 31, 2018 as 'Other noncurrent assets' amounting to ₱38,791,026. In 2018, the Parent Company's 'Recovery from impairment losses' and 'Other income' accounts pertain to the reversal of the related allowance for credit losses amounting to ₱13,724,200 and the contributions in prior years amounting to ₱21,510,020, respectively.

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

13. Trade Payables

	2018	2017
Customers (Note 20)	**₱8,989,453,360**	₱10,199,144,174
Clearing house	**265,379,830**	–
Dividends Payable	**22,160**	71,015
	₱9,254,855,350	₱10,199,215,189

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

	2018		2017	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	**₱8,989,453,360**	**₱60,448,272,436**	₱10,199,144,174	₱59,024,878,875
No money balances	**–**	**911,876,634**	–	1,900,006,708
	₱8,989,453,360	**₱61,360,149,070**	₱10,199,144,174	₱60,924,885,583

Generally, trade payables to customers are noninterest-bearing and have no specific credit terms. Payable to customers with money balances amounting to ₱133,701,018 and ₱106,827,836 as at December 31, 2018 and 2017, 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, 2018 were subsequently paid in January 2019. These are noninterest-bearing and are settled on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

14. Other Current Liabilities

	2018	2017
Accrued expenses	**₱36,643,298**	₱37,810,618
Due to BIR	**28,273,890**	29,475,240
Accrued management bonus	**25,626,821**	20,381,052
Trading fees	**2,655,018**	3,217,800
Others	**13,953,640**	24,318,323
	₱107,152,667	₱115,203,033

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 consists 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.

15. **Equity**

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

	2018		2017		2016	
	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	**476,000**	**476,000**	476,000	476,000	475,000	475,000
Issuance of common shares upon exercise of stock options (Note 18)	**–**	**–**	–	–	1,000	1,000
Balances at end of year	**476,000**	**₱476,000**	476,000	₱476,000	476,000	₱476,000

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2018 and 2017, there were 33 and 31 holders, respectively, of the listed shares of the Parent Company, with its share price closing at ₱16.24 and ₱15.50 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

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

In 2018 and 2017, the BOD approved the appropriation of retained earnings amounting to ₱40.9 million and ₱36.8 million, respectively, in compliance with such requirement.

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

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

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.

As of December 31, 2018 and 2017, the consolidated retained earnings includes the retained earnings of COLHK amounting to ₱167,658,454 and ₱215,137,820, respectively, which are not available for dividend declaration until such amounts are declared to the Parent Company.

16. Revenues

	2018	2017	2016
Revenue from contracts with customers			
Commissions	**₱702,931,280**	₱678,725,716	₱605,558,128
Others	**17,137,487**	11,835,757	7,817,715
	720,068,767	690,561,473	613,375,843
Other revenue			
Interest income	**422,227,848**	250,460,547	220,387,183
Trading gains (losses) - net	**14,107,532**	17,202,792	(72,168)
Foreign exchange gains (losses) - net	**129,256**	717,580	(34,110)
Others	**258,706**	230,474	28,710
	436,723,342	268,611,393	220,309,615
	₱1,156,792,109	₱959,172,866	₱833,685,458

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

		2018	
	Commissions	**Other income**	**Total**
Primary geographical markets			
Philippines	**₱687,358,256**	**₱16,001,598**	**₱703,359,854**
Hong Kong	**15,573,024**	**1,135,889**	**16,708,913**
	₱702,931,280	**₱17,137,487**	**₱720,068,767**

		2017	
	Commissions	Other income	Total
Primary geographical markets			
Philippines	₱661,967,789	₱11,309,550	₱673,277,339
Hong Kong	16,757,927	526,207	17,284,134
	₱678,725,716	₱11,835,757	₱690,561,473

	2016		
	Commissions	Other income	Total
Primary geographical markets			
Philippines	₱595,534,589	₱7,263,894	₱602,798,483
Hong Kong	10,023,539	553,821	10,577,360
	₱605,558,128	₱7,817,715	₱613,375,843

Interest income

	2018	2017	2016
Banks (Notes 4 and 5)	**₱370,543,382**	₱181,575,770	₱162,216,441
Customers (Note 7)	**44,357,869**	66,939,815	58,170,742
Government securities (Note 8)	**7,326,597**	1,944,962	–
	₱422,227,848	₱250,460,547	₱220,387,183

17. **Personnel Costs**

	2018	2017	2016
Salaries and wages	**₱138,606,342**	₱115,729,188	₱98,257,234
Retirement costs (Note 18)	**5,568,707**	4,385,708	4,886,302
Other benefits (Note 18)	**14,025,714**	8,494,045	8,007,106
	₱158,200,763	₱128,608,941	₱111,150,642

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

The above accounts were distributed as follows:

	2018	2017	2016
Cost of services	**₱98,870,861**	₱85,287,973	₱74,166,258
Operating expenses	**59,329,902**	43,320,968	36,984,384
	₱158,200,763	₱128,608,941	₱111,150,642

18. **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 2018, 2017 and 2016. There were no cancellations or modifications to the SOP in 2018, 2017 and 2016.

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

	2016
Outstanding at beginning of year	1,000,000
Exercised during the year (Note 15)	(1,000,000)
Outstanding at end of year	–

All the 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 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
Balances at beginning of year	₱4,031,571
Movement of deferred tax asset on intrinsic value of outstanding options	(4,031,571)
Movements during the year	(4,031,571)
Balances at end of year	₱–

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, 2018, 2017 and 2016.

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:

	2018	2017	2016
Current service cost (Note 17)	**₱5,568,707**	₱4,385,708	₱4,886,302
Net interest expense	**2,482,293**	1,475,447	1,313,885
	₱8,051,000	₱5,861,155	₱6,200,187

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:

	2018	2017
Retirement obligation at beginning of year	**₱43,549,010**	₱26,826,298
Retirement costs	**8,051,000**	5,861,155
Net actuarial losses	**4,064,955**	10,861,557
Contributions	**(12,719,737)**	–
Retirement obligation at end of year	**₱42,945,228**	₱43,549,010

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

	2018	2017
Present value of defined benefit obligation	**₱54,555,066**	₱51,371,744
Fair value of plan assets	**(11,609,838)**	(7,822,734)
	₱42,945,228	₱43,549,010

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

	2018	2017
Opening present value of defined benefit obligation	**₱51,371,744**	₱35,737,721
Current service cost	**5,568,707**	4,385,708
Interest cost	**2,928,189**	1,965,575
Remeasurement losses (gains) on:		
Financial assumptions	**(11,531,490)**	(1,185,614)
Experience adjustments	**15,139,714**	11,674,977
Benefits paid	**(8,921,798)**	(1,206,623)
Closing present value of defined benefit obligation	**₱54,555,066**	₱51,371,744

Changes in the fair value of plan assets follow:

	2018	2017
Balances at beginning of year	**₱7,822,734**	₱8,911,423
Expected interest income	**445,896**	490,128
Contributions	**12,719,737**	–
Benefits paid	**(8,921,798)**	(1,206,623)
Remeasurement loss on plan assets	**(456,731)**	(372,194)
Balances at end of year	**₱11,609,838**	₱7,822,734

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

	2018	2017
Investment in unit investment trust funds (UITF)	**16.85%**	99.85%
Cash in bank	**83.05%**	0.19%
Other receivables	**0.20%**	–
	100.10%	100.04%
Accrued trust fees payable	**(0.10%)**	(0.04%)
	100.00%	100.00%

In 2017, the plan assets are exposed to concentration risk since 99.85% 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:

	2018	2017
Discount rate	**7.60%**	5.70%
Future salary increases	**5.00%**	5.00%
Mortality rates		
Male	**0.08%-0.74%**	0.06%-0.74%
Female	**0.06%-0.61%**	0.05%-0.61%

The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2018 and 2017 assuming all other assumptions were held constant.

	2018	
	Increase (decrease) in significant assumptions	**Increase (decrease) in defined benefit obligation**
Discount rates	**+0.50%**	**(₱2,500,632)**
	-0.50%	**2,701,963**
Future salary increases	**+0.50%**	**2,579,810**
	-0.50%	**(2,407,665)**
Mortality rate	**+1 year**	**(740,347)**
	-1 year	**821,056**

	2017	
	Increase (decrease) in significant assumptions	Increase (decrease) in defined benefit obligation
Discount rates	+0.50%	(₱2,794,454)
	-0.50%	3,042,077
Future salary increases	+0.50%	2,883,641
	-0.50%	(2,675,922)
Mortality rate	+1 year	(353,820)
	-1 year	(158,504)

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 16.85% investment in UITF, 83.05% regular savings account and 0.20% other receivables as at December 31, 2018 and 99.85% investment in UITF and 0.19% regular savings account as at December 31, 2017.

The Parent Company has no funding policies. As at March 1, 2019, the Parent Company has not yet reasonably determined the amount of the 2019 contributions to the retirement plan.

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

	2018	2017
Zero (0) to five (5) years	**₱32,689,681**	₱29,265,385
Six (6) to ten (10) years	**35,295,372**	30,095,250
Eleven (11) to fifteen (15) years	**56,262,278**	49,854,713
Beyond fifteen (15) years	**371,332,958**	298,398,853
	₱495,580,289	₱407,614,201

The weighted average duration of the defined benefit obligation is 14 years in 2018, 2017 and 2016.

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 ₱326,654, ₱318,277 and ₱292,108 in 2018, 2017 and 2016, respectively.

19. **Income Taxes**

Deferred Income Taxes

Components of net deferred tax asset (liability) of the Group follows:

	2018	2017
Accumulated translation adjustment	**(₱9,377,638)**	(₱3,525,080)
Retirement obligation	**8,047,889**	8,047,889
Unrealized trading gains	**(538,456)**	(67,776)
Allowance for credit losses on trade receivables from customers	**354,388**	354,388
Unamortized past service cost	**180,729**	180,729
Unused tax losses	**20,345**	31,723,955
Unrealized foreign exchange losses	–	2,701
	(₱1,312,743)	₱36,716,806

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

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

	2018	2017
Unused tax losses	**₱33,357,738**	₱–
Retirement obligation	**4,654,951**	4,386,085
Allowance for credit losses on trade receivables from customers	**89,083**	–
Unrealized foreign exchange losses	**640**	–
	₱38,102,412	₱4,386,085

In 2018, 2017 and 2016, 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:

	2018	2017	2016
Income tax at statutory income tax rate	**₱217,999,309**	₱153,436,932	₱131,306,118
Additions to (reductions in) income tax resulting from:			
Unrecognized DTA	**33,716,327**	4,386,085	–
Interest income subjected to final tax	**(37,551,395)**	(18,291,479)	(16,222,002)
40% OSD	**23,753**	(8,307,006)	(12,207,383)
Tax-exempt income	**(77,821)**	(69,142)	(8,613)
Effect of lower income tax rate in HK	–	1,579,836	6,336,589
Provision for income tax	**₱214,110,173**	₱132,735,226	₱109,204,709

20. **Related Party Disclosures**

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

Category	Commission income	Interest income	Commission expense	Professional fees	Directors' fees	Trade receivables	Trade payables
Key management personnel							
2018	**₱2,052,658**	**₱454,128**	**₱–**	**₱–**	**₱–**	**₱15,483,080**	**₱96,330,087**
2017	2,525,811	235,279	–	–	–	2,818,657	90,885,505
2016	1,107,956	526,258	–	–	–	7,740,894	63,175,974
Companies with common officers, directors and stockholders							
2018	**₱10,158,475**	**₱2,232,315**	**₱–**	**₱4,878,978**	**₱–**	**₱40,827,421**	**₱18,458,230**
2017	8,973,675	1,620,428	–	4,695,874	–	13,698,083	29,633,390
2016	2,836,898	1,863,564	1,422	4,439,026	–	67,255,659	3,077,633
Directors, officers and employees							
2018	**₱7,563,968**	**₱610,563**	**₱–**	**₱–**	**₱1,682,500**	**₱–**	**₱129,806,076**
2017	8,255,999	485,492	–	–	870,000	13,916,822	29,932,978
2016	7,863,509	371,647	–	–	890,000	10,993,195	30,538,410

Trade receivables from and payables to related parties are due to be settled in three (3) trading days in the Philippines and two (2) trading days in HK, except for trade receivables under margin accounts. Trade receivables from related parties under margin accounts are interest-bearing, not guaranteed, and secured by shares of stocks (except for trade receivables amounting to ₱211 and ₱45, which were unsecured as of December 31, 2018 and 2017, respectively (Note 7). The trade receivables from related parties are not impaired.

b. As of December 31, 2018 and 2017, the Group also has unsecured noninterest-bearing advances to its officers and employees amounting to ₱918,030 and ₱442,355 with terms ranging from six months to one year, which are included under 'Other receivables' (Note 7).

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

	2018	2017	2016
Short-term employee benefits	**₱85,353,650**	₱67,820,730	₱56,278,360
Retirement costs (Note 18)	**2,222,877**	2,665,901	2,305,110
	₱87,576,527	₱70,486,631	₱58,583,470

Short-term employee benefits include management bonus.

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

As at December 31, 2018 and 2017, the carrying amount of the retirement obligation amounted to ₱42,945,228 and ₱43,549,010, respectively, and the fair value of the retirement plan assets amounted to ₱11,609,838 and ₱7,822,734, respectively (Note 18). The retirement plan assets are composed mostly of investments in UITF (Note 18).

In 2018, the Parent Company made a contribution to the retirement fund amounting to ₱12,719,737. In 2017 and 2016, the Parent Company did not make any contribution to the retirement fund.

21. Leases

The Group leases its office premises under separate operating lease agreements expiring on various dates and whose lease terms are negotiated every one (1) to three (3) years. Rental costs charged to operations amounted to ₱22,494,380, ₱17,034,409 and ₱14,326,932 in 2018, 2017 and 2016, respectively.

The future minimum lease payments are as follows:

	2018	2017
Within one (1) year	**₱19,170,762**	₱18,058,581
After one (1) year but not more than five (5) years	**8,813,000**	10,534,458
	₱27,983,762	₱28,593,039

22. Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2018, 2017 and 2016.

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, 2018 and 2017, 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, 2018 and 2017 are as follows:

	2018	2017
Equity eligible for NLC	**₱1,511,792,250**	₱1,284,485,316
Less ineligible assets	**335,040,045**	284,559,814
NLC	**₱1,176,752,205**	₱999,925,502
Position risk	**₱9,102,431**	₱8,449,290
Operational risk	**164,470,546**	151,250,612
Counterparty risk	**–**	–
Total Risk Capital Requirement (TRCR)	**₱173,572,977**	₱159,699,902
AI	**₱9,064,514,225**	₱10,147,078,830
5.00% of AI	**₱453,225,711**	₱507,353,942
Required NLC	**₱453,225,711**	₱507,353,942
Net Risk-Based Capital Excess	**₱723,526,494**	₱492,571,560
Ratio of AI to NLC	**770%**	1,015%
RBCA ratio (NLC/TRCR)	**678%**	626%

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 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017, COLHK is compliant with the said requirement.

23. Financial Risk Management Objectives and Policies

The main purpose of the Group's financial instruments is to fund its operations. The Group's principal financial instruments consist of cash and cash equivalents, cash in a segregated account, short-term time deposits, financial assets at 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, 2018 and 2017 are summarized in the following tables (gross of allowance for credit losses):

	2018					
		Days past due				**Total**
	Neither past due nor impaired	**4-14 days**	**15-31 days**	**More than 31 days**	**Specifically impaired**	
Cash and cash equivalents*	**₱8,897,533,179**	**₱–**	**₱–**	**₱–**	**₱–**	**₱8,897,533,179**
Cash in segregated account	**133,788,336**	–	–	–	–	**133,788,336**
Short-term time deposits	**626,000,000**	–	–	–	–	**626,000,000**
Loans and receivables:		–				
Trade receivables	**243,665,774**	**73,901,199**	**100,219,240**	**394,740,173**	–	**812,526,386**
Other receivables	**52,041,067**	–	–	–	–	**52,041,067**
Long-term time deposit	**200,000,000**	–	–	–	–	**200,000,000**
Refundable deposits	**10,875,614**	–	–	–	–	**10,875,614**
Deposit and refundable contributions to CTGF	**38,791,026**	–	–	–	–	**38,791,026**
Financial assets at FVPL	**3,225,163**	–	–	–	–	**3,225,163**
Investment securities at amortized cost	**201,564,744**	–	–	–	–	**201,564,744**
	₱10,407,484,903	**₱73,901,199**	**₱100,219,240**	**₱394,740,173**	**₱–**	**₱10,976,345,515**

**Excluding cash on hand*

	2017					
		Days past due				Total
	Neither past due nor impaired	4-14 days	15-31 days	More than 31 days	Specifically impaired	
Cash and cash equivalents*	₱10,015,881,162	₱–	₱–	₱–	₱–	₱10,015,881,162
Cash in segregated account	88,993,088	–	–	–	–	88,993,088
Loans and receivables:						
Trade receivables	579,956,775	59,062,345	67,253,728	464,582,585	–	1,170,855,433
Other receivables	27,481,904	–	–	–	–	27,481,904
Long-term time deposit	200,000,000	–	–	–	–	200,000,000
Refundable deposits	8,794,160	–	–	–	–	8,794,160
Financial assets at FVPL	1,176,978	–	–	–	–	1,176,978
Held-to-maturity investment	202,738,147	–	–	–	–	202,738,147
	₱11,125,022,214	₱59,062,345	₱67,253,728	₱464,582,585	₱–	₱11,715,920,872

**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 onwards and 12% to 18% in 2015 to April 2016. A margin account has no due date and becomes demandable only when the 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:

	2018			
	Neither Past Due nor Specifically Impaired			
	High Grade	**Standard Grade**	**Past due but not impaired**	**Total**
Cash and cash equivalents*	**₱8,897,533,179**	**₱–**	**₱–**	**₱8,897,533,179**
Cash in a segregated account	**133,788,336**	–	–	**133,788,336**
Short-term time deposits	**626,000,000**			**626,000,000**
Loans and receivables:				
Trade receivables	**243,665,774**	–	**568,860,612**	**812,526,386**
Other receivables	**–**	**52,041,067**	**–**	**52,041,067**
Long-term time deposit	**200,000,000**	**–**	**–**	**200,000,000**
Refundable deposits	**10,875,614**	–	–	**10,875,614**
Deposit and refundable contributions to CTGF	**38,791,026**	–	–	**38,791,026**
	10,150,653,929	**52,041,067**	**568,860,612**	**10,771,555,608**
Financial assets at FVPL	**3,225,163**	–	–	**3,225,163**
Investment securities at amortized cost	**201,564,744**	–	–	**201,564,744**
	₱10,355,443,836	**₱52,041,067**	**₱568,860,612**	**₱10,976,345,515**

**Excluding cash on hand*

	2017			
	Neither Past Due nor Specifically Impaired			
	High Grade	Standard Grade	Past due but not impaired	Total
Cash and cash equivalents*	₱10,015,881,162	₱–	₱–	₱10,015,881,162
Cash in a segregated account	88,993,088	–	–	88,993,088
Loans and receivables:				
Trade receivables	579,956,775	–	590,898,658	1,170,855,433
Other receivables	–	27,481,904	–	27,481,904
Long-term time deposit	200,000,000	–	–	200,000,000
Refundable deposits	8,794,160	–	–	8,794,160
	10,893,625,185	27,481,904	590,898,658	11,512,005,747
Financial assets at FVPL	1,176,978	–	–	1,176,978
Held-to-maturity investment	202,738,147	–	–	202,738,147
	₱11,097,540,310	₱27,481,904	₱590,898,658	₱11,715,920,872

**Excluding cash on hand*

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

<u>High grade</u>

Financial assets at amortized cost

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

Cash and cash equivalents, cash in a segregated account, short-term time deposits and long-term time deposit are considered high grade 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, 2018 and 2017, ₱725,741,502 and ₱610,749,553 of the total receivables from customers is secured by collateral comprising of cash and equity securities of listed companies with a total market value of ₱3,472,639,844 and ₱3,920,498,461, respectively (Note 7).

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

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.

Financial Assets at FVPL
Companies that are consistently profitable, have strong fundamentals and pays out dividends.
As at December 31, 2018 and 2017, the Group's financial assets at FVPL are classified as high grade since these are with entities of good reputation.

HTM Investment and Investment Securities at Amortized Cost
The investment is classified as high grade since this is a retail treasury bond issued by the Philippine government and there is a high probability of collecting the principal and coupon payments.

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

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

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

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

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

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

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

	2018	2017
Cash and cash equivalents (Note 4)*	**₱8,897,533,179**	₱10,015,881,162
Cash in a segregated account (Note 5)	**133,788,336**	88,993,088
Short-term time deposits (Note 4)	**626,000,000**	–
Financial assets at FVPL (Note 6)	**3,225,163**	1,176,978
Trade receivables (Note 7)	**2,804,307**	184,344
Other receivables (Note 7)	**52,041,067**	27,481,904
Long-term time deposit (Note 4)	**200,000,000**	200,000,000
Refundable deposits (Note 12)	**10,875,614**	8,794,160
Deposit and refundable contributions to CTGF (Note 12)	**38,791,026**	–
Investment securities at amortized cost (Note 8)	**201,564,744**	–
Held-to-maturity investment (Note 8)	–	202,738,147
	10,166,623,436	10,545,249,783
Unutilized margin trading facility	**4,869,567,470**	4,854,797,720
	₱15,036,190,906	₱15,400,047,503

**Excluding cash on hand*

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

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

As at December 31, 2018 and 2017, 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, 2018 and 2017 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 2018 and 2017 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$210,636 and US$229,422 as at December 31, 2018 and 2017, 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 2018 and 2017 is not significant.

<u>Offsetting of Financial Assets and Liabilities</u>
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.

2018						
				Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		
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**	**Financial Instruments**	**Fair Value of Financial Collateral**	**Net Exposure**
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]
Financial Assets						
Receivable from customers	**₱725,741,713**	**₱–**	**₱725,741,713**	**₱4,475,220**	**₱–**	**₱721,266,493**
	₱725,741,713	**₱–**	**₱725,741,713**	**₱4,475,220**	**₱–**	**₱721,266,493**
Financial Liabilities						
Payable to customers	**₱8,989,453,360**	**₱–**	**₱8,989,453,360**	**₱4,475,220**	**₱–**	**₱8,984,978,140**
	₱8,989,453,360	**₱–**	**₱8,989,453,360**	**₱4,475,220**	**₱–**	**₱8,984,978,140**

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: Financial Instruments	Fair Value of Financial Collateral	Net Exposure
	2017					
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]
Financial Assets						
Receivable from customers	₱610,749,598	₱–	₱610,749,598	₱5,747,698	₱–	₱605,001,900
	₱610,749,598	₱–	₱610,749,598	₱5,747,698	₱–	₱605,001,900
Financial Liabilities						
Payable to customers	₱10,199,144,174	₱–	₱10,199,144,174	₱5,747,698	₱–	₱10,193,396,476
	₱10,199,144,174	₱–	₱10,199,144,174	₱5,747,698	₱–	₱10,193,396,476

24. Fair Value Measurement

The following table shows the carrying value and fair value of the Group's refundable deposits, investment securities at amortized cost and held-to-maturity investment, whose carrying value does not approximate its fair value as at December 31, 2018 and 2017:

	Carrying Values		**Fair Values**	
	2018	2017	**2018**	2017
Refundable deposits	**₱10,875,614**	₱8,794,160	**₱9,473,015**	₱7,660,000
Investment securities at amortized cost	**201,564,744**	–	**194,860,902**	–
Held-to-maturity investment	**–**	202,738,147	**–**	200,642,000
Investment property	**16,634,249**	–	**35,610,300**	–

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

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

Financial Assets at FVPL
The Group's financial assets at FVPL are carried at their fair values as at December 31, 2018 and 2017. 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, 2018 and 2017. There are no changes in the valuation techniques in 2018 and 2017.

HTM Investment and Investment securities at amortized cost
The fair value of the investment is based on the quoted market price in an active market as at December 31, 2018 and 2017.

Investment Property
The fair value of the investment property has been based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

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

	2018		
	Level 1	**Level 2**	**Level 3**
Asset measured at fair value:			
Financial assets at FVPL	**₱3,018,331**	**₱206,832**	**₱–**
Asset for which fair values are disclosed:			
Refundable deposits	**–**	**–**	**9,473,015**
Investment securities at amortized cost	**194,860,902**	**–**	**–**
Investment property	**–**	**–**	**35,610,300**

	2017		
	Level 1	Level 2	Level 3
Asset measured at fair value:			
Financial assets at FVPL	₱1,009,926	₱167,052	₱–
Asset for which fair values are disclosed:			
Refundable deposits	–	–	7,660,000
Held-to-maturity investment	200,642,000	–	–

During the years ended December 31, 2018 and 2017, there were no transfers among levels 1, 2 and 3 of fair value measurements.

25. EPS Computation

	2018	2017	2016
Net income	**₱512,554,189**	₱378,721,215	₱328,482,350
Weighted average number of shares for basic earnings per share	**476,000,000**	476,000,000	475,500,000
Dilutive shares arising from stock options	**–**	–	467,252
Adjusted weighted average number of common shares for diluted earnings per share	**476,000,000**	476,000,000	475,967,252
Basic EPS	**₱1.08**	₱0.80	₱0.69
Diluted EPS	**₱1.08**	₱0.80	₱0.69

26. **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:

	2018			
	Philippines	**Hong Kong**	**Elimination**	**Total**
Revenue from external customers:				
Commissions	**₱687,358,256**	**₱15,573,024**	**₱–**	**₱702,931,280**
Interest	**422,222,322**	**5,526**	**–**	**422,227,848**
Others	**30,367,598**	**1,265,383**	**–**	**31,632,981**
Segment revenue	**1,139,948,176**	**16,843,933**	**–**	**1,156,792,109**
Cost of services	**(200,980,119)**	**(19,845,333)**	**–**	**(220,825,452)**
Operating expenses, net of other income	**(172,369,312)**	**(11,120,228)**	**–**	**(183,489,540)**
Depreciation and amortization	**(25,812,755)**	**–**	**–**	**(25,812,755)**
Income (loss) before income tax	**740,785,990**	**(14,121,628)**	**–**	**726,664,362**
Provision for income tax	**(180,752,435)**	**(33,357,738)**	**–**	**(214,110,173)**
Net income (loss)	**₱560,033,555**	**(₱47,479,366)**	**₱–**	**₱512,554,189**
Segment assets	**₱10,792,266,848**	**₱459,831,491**	**(₱133,487,257)**	**₱11,118,611,082**
Segment liabilities	**9,288,236,632**	**135,491,882**	**1,312,743**	**9,425,041,257**
Capital expenditures:				
Fixed assets	**31,284,294**	–	–	**31,284,294**
Cash flows arising from:				
Operating activities	**(728,095,929)**	**(25,755,722)**	–	**(753,851,651)**
Investing activities	**(31,284,294)**	–	–	**(31,284,294)**
Financing activities	**(333,200,000)**	–	–	**(333,200,000)**

	2017			
	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱661,967,789	₱16,757,927	₱–	₱678,725,716
Interest	250,460,101	446	–	250,460,547
Others	39,671,684	1,253,917	–	40,925,601
Segment revenue	952,099,574	18,012,290	–	970,111,864
Cost of services	(217,380,889)	(19,268,531)	–	(236,649,420)
Operating expenses	(168,854,090)	(31,068,055)	–	(199,922,145)
Depreciation and amortization	(22,069,885)	(13,973)	–	(22,083,858)
Income (loss) before income tax	543,794,710	(32,338,269)	–	511,456,441
Benefit from (provision for) income tax	(134,666,136)	1,930,910	–	(132,735,226)
Net income (loss)	₱409,128,574	(₱30,407,359)	₱–	₱378,721,215
Segment assets	₱11,548,781,813	₱466,855,535	(₱134,800,000)	₱11,880,837,348
Segment liabilities	10,267,520,197	108,692,529	–	10,376,212,726
Capital expenditures:				
Fixed assets	63,977,777	–	–	63,977,777
Cash flows arising from:				
Operating activities	3,326,512,476	16,433,530	–	3,342,946,006
Investing activities	(267,019,663)	–	–	(267,019,663)
Financing activities	(285,600,000)	–	–	(285,600,000)

	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)

27. **Events after the reporting period**

On February 8, 2019, the BOD authorized the Parent Company to subscribe to ₱52,500,000, ₱50,000,000 and ₱50,000,000 worth of common shares of COL Investment Management, Inc., COL Equity Index UMF, Inc. and COL Cash Management UMF, Inc., respectively.

SGV
Building a better working world

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of COL Financial Group, Inc. and Subsidiary (the Group) as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated March 1, 2019. 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-AR-1 (Group A),
July 28, 2016, valid until July 28, 2019
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332590, January 3, 2019, Makati City

March 1, 2019

COL FINANCIAL GROUP, INC. AND SUBSIDIARY
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018

Unappropriated Retained Earnings, beginning		₱480,298,628
Adjustments		–
Unappropriated Retained Earnings, as adjusted, beginning		480,298,628
Net income during the period closed to retained earnings (Parent)*	560,033,555	
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)	(1,961,296)	
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	–	
Provision for income tax - deferred recognized directly to statement of income	473,383	
Subtotal	558,545,642	
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	558,545,642	558,545,642
Add (Less):		
Dividend declarations during the period	(333,200,000)	
Appropriations of retained earnings based on 10% of December 31, 2018 audited net income**	(56,003,356)	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal	(389,203,356)	(389,203,356)
Unappropriated Retained Earnings, as adjusted, ending		₱649,640,914

** Consolidated net income of ₱512,554,189 net of ₱47,479,366 COLHK net loss*
*** Appropriation of retained earnings is in compliance with SRC Rule 49.1 B Reserve Fund requiring the Parent Company to annually appropriate ten percent (10.00%) of its audited net income (Note 15 of the audited consolidated financial statements)*

SCHEDULE II
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2018:

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*		✓	
PFRS 17	Insurance Contracts*			✓

PFRS		Adopted	Not adopted/ Not early adopted	Not applicable
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
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	✓		

PFRS		Adopted	Not adopted/ Not early adopted	Not applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
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 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
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 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			✓
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
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-32	Intangible Assets - Web Site Costs			✓

*The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2019 onwards.

SCHEDULE III
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

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

-None to report-

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
Software and Licenses	16,405,689	1,723,031	(3,038,541)	–	(3)	15,090,176
	₱21,405,689	₱1,723,031	(₱3,038,541)	₱–	(₱3)	₱20,090,176

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

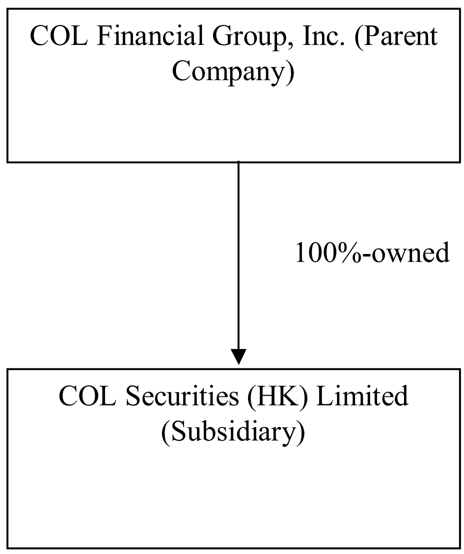
Schedule G. Guarantees of Securities of Other Issuers

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	–	–	279,666	196,334

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, 2018



SCHEDULE V
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

	2018	2017
Profitability ratios:		
Return on assets	**5%**	3%
Return on equity	**32%**	26%
Net profit margin	**44%**	39%
Solvency and liquidity ratios:		
Current ratio	**1.12:1**	1.10:1
Debt to equity ratio	**5.89:1**	7.09:1
Quick ratio	**1.06:1**	1.09:1
Asset to equity ratio	**6.95:1**	8.11:1
Other relevant ratios:		
RBCA ratio	**678%**	626%
Ratio of AI to NLC	**770%**	1,015%