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helpdesk@colfinancial.com

(02) 636-5411

NA

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12/31

Mr. Conrado F. Bate

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(02) 636-5411

NA

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, 2017**
2. SEC Identification Number: **A199910065**
3. BIR Tax Identification No.: **203-523-208-000**
4. Exact name of issuer as specified in its charter: **COL FINANCIAL GROUP, INC.**
5. Province, Country or other jurisdiction of incorporation or organization:
PASIG CITY, PHILIPPINES
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office Postal Code: **1605**
**2401-B East Tower, Philippine Stock Exchange Centre, Exchange Road,
Ortigas Center, Pasig City**
8. Issuer's telephone number, including area code: (632) **635-5735 to 40**
9. Former name, former address, and former fiscal year, if changed since last report: **Not Applicable**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding</u>
Common	476,000,000 shares

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

Yes [☒] No [☐]

12. Check whether the issuer:

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

Yes [☒] No [☐]

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

Yes [☒] No [☐]

13. Aggregate market value of the voting stock held by non-affiliates.
₱2,003,977,795 (129,288,890 @ ₱15.50 per share as of February 28, 2018)

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Company Overview

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

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

As part of COL’s commitment to provide more useful products and services to help its customers build genuine wealth, COL launched in July 2015 the COL Fund Source, the first and leading online mutual fund supermarket in the Philippines which provides investors access to a wide selection of mutual funds.

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

Business Model

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

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

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

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

Products and Services

COL Financial prides itself in its array of 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 wish to trade stocks in the Philippine stock market. Its trading platform, www.colfinancial.com, provides convenience, complete access and flexibility to manage one's own stock portfolio. By harnessing the power of technology, investors are given the ability to make trades, check prices, view their account status and portfolio values and update their investing strategies wherever they may be, 24/7. COL offers a variety of investors' empowerment as they have access to real-time streaming market information, relevant research along with other online financial tools such as stock graphs, stock quotes, and various statistical guides that help in making sound investment choices. The depth and ease of the online trading platform allows the online service to suit a variety of customer types, from those who are just starting to invest and to those who are already quite savvy. Given its ability to drive quick trade executions at the lowest commission rate in the industry, COL Financial's services have also been taken in well by sophisticated traders.

Aside from providing investors the direct capacity to invest in companies listed in the PSE, COL Financial launched in the third quarter of 2015 *COL Fund Source* - 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 making investing in stocks and/or mutual funds easier and more convenient.

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

❑ COL Fund Source-

COL customers can now invest in various Mutual Funds aside from investing in stocks directly. 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 using COL's Fund Source weblink.

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 top investment houses in the country. As the platform is essentially a one-stop shop, clients are able to compare investment opportunities and consolidate their positions in different types of mutual funds such as money market funds, bond funds, balanced funds, and equity funds, using just one account. This service caters to Filipino investors who may not have the time to actively manage their investments and to those who are looking to diversify their portfolios outside of stocks. By putting money in mutual funds, investors are given the opportunity to easily and conveniently own a variety of securities that can match their financial goals. Mutual fund investors also get the benefit of having a professional fund manager who will be in charge of making investment decisions and monitoring their overall portfolio composition in their behalf. In addition, mutual funds allow investors to achieve instant diversification even with a small amount as these funds are already invested in various investment outlets while requiring only a minimum investment amount of ₱5,000.00.

❑ Margin facility

COL Financial's Margin Facility permits eligible customers to conveniently borrow funds from COL Financial to purchase additional securities on credit using their 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 in their portfolio because of the credit line that they can conveniently use to buy selected marginable stocks. The credit facility provides for the purchase of up to double the value of cash or/and up to 100% more of the value of marginable securities.

COL Financial customers with a total account equity (of stocks and cash) of at least ₱200,000.00 and above are eligible to apply for 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

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

COL also offers a technical guide that reviews more than 160 local stocks, the PSE index, as well as the sub-indices in the Philippines, also showing various technical signs that pertain to an instrument's trend condition and technical recommendation. This guide is heavily used by COL Financial customers when attempting to time movements into or out of stock positions.

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

❑ Easy Investment Program (EIP)

COL also innovated a simple yet effective investment plan called the EIP. COL's EIP minimizes risks for newcomers to the stock market while offering the benefits of wealth generation through investments in premium growth stocks. It employs the peso

cost averaging method, an established wealth building tool employed by many individuals as well as some financial institutions worldwide, which involves investing a fixed amount of money to buy shares of stocks at regular intervals over a period of time as a passive, long-term investment in the stock market. COL's EIP also makes investing more convenient and easy as it automatically reminds customers of their investment scheduled dates which can all be done online. COL's trading platform provides an EIP scheduler and calendar where customers can customize and personalize their investment schedules and purchases for the specific period of their investments. To further assist its customers, the COL Research Team has put together a pre-selected list of Premium Growth companies, which makes it even easier for the investor to choose among the stocks that have already been studied and analyzed.

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

❑ 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 that intuitively explain and engage them with 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 chart.
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 application process to facilitate opening an account, as well as register and reserve a slot in the COL Seminar Series through COL's online portal. 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 online facility.

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 regularly providing free seminars in its headquarters in Pasig City and in the different Investor Centers.

❑ Investor Education Seminars

The COL Investor Education Seminar Series is composed of progressive training sessions starting from the basics of stock market investing to primers on fundamental and technical analysis. These seminars introduce the basic concepts and opportunities

of stock market investing, the process of identifying fundamentally attractive stocks and the concepts and principles used in the process of evaluating an industry, the study of financial analysis, the impact of economic cycles and valuation techniques as well as the rudimentary concepts and principles of technical analysis.

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

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

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

❑ Market updates and information-driven briefings

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

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

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

D. Customer Support

❑ Face-to-face services

Although COL Financial's primary service is to drive internet-based servicing to independent investors, it upholds personal services when required. A Business Center at COL's head office and 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, IPO application services, as well as conduct meetings with various client types, suppliers, and industry related personnel.

❑ COL Premium

COL Financial has COL Premium that supports the needs of its self-directed high net worth clients. COL Premium offer additional engagement through events and additional content which is designed for different client behavior types. COL Premium customers also have access to a client experience manager or CEM which is

the primary touchpoint of a Premium customer and can assist them with any of the following:

1. Entertain all servicing needs of the COL Premium customers. This includes but not limited to withdrawals, changes in customer details, or updates in customer information.
2. Coordinate the needs of the client to other functions of the brokerage such as on IPO requests, tender offers or stock rights.
3. Conduct basic discussions on the products available to COL Premium customers like for Mutual Funds and COL's Margin facility.
4. Convey and assist in inquiries about COL's research and other functionalities of the COL Financial Website.
5. Facilitate the customer's participation to events and different engagements of COL Premium.

❑ Helpdesk

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

COL Financial further enhanced the customer experience by increasing its touch-points with them. COL's Helpdesk, its in-house customer service team, introduced an enhanced email CRM service by securing a third-party software Fresh Desk that can centralize email communication, track customer responses better, provide an online help portal and provide an avenue to solicit customer feedback.

❑ Digital channels

COL continues to use various online platforms to share educational videos, articles, and announcements, to effectively communicate its objectives and services to the general public. COL's digital channels such as Facebook, Twitter, Instagram, and YouTube, have grown steadily in followers over the previous year, with over 189,000 followers combined.

The primary objectives of maintaining these channels are:

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, its brand, and its products and services.

COL's Facebook channel remains an active 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. The community has grown to almost 146,000 followers at the end of 2017, or a 73.0 % increase in followers versus end-2016.

The Parent Company's Twitter channel is mainly used for sharing COL's expert ideas, 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.

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

Competitor Analysis

There are around twenty (20) online stockbrokers in the Philippines, ranging from those that offer just the basic trading platform to those that offer a wide range of services. Presented below is the comparison of some of the features of COL against its three (3) nearest competitors:

Features	COL	Competitor 1	Competitor 2	Competitor 3
Online Trading Platform for Stocks and Mutual Funds	Yes	Stocks only	Stocks only	Yes
Real-Time / Streaming Data	Yes	Yes	Yes	Yes
Charting Functions	Yes	Yes	Yes	Yes
Research Reports	Yes	Yes	Yes	Yes
0.25% Commission	Yes	Yes	Yes	Yes
Mobile App	Yes	Yes	Yes	Yes
Margin Facility	Yes	No	No	Yes
Broker Assisted Service	Yes	Yes	Yes	Yes
Demo Accounts	Yes	Yes	Yes	Yes
Free Seminars	Yes	Yes	Yes	Yes

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

1. COL is managed by stock market veterans with decades of combined stock market experience and expertise.
2. COL is constantly innovating its products and services 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 250,000 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. COL aims to become the financial services partner of its customers in building genuine wealth, by being more than a stockbroker.

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

1. Making investing more accessible by delivering a safe and reliable online platform to its customers.
2. Making online investing more understandable through investor education and financial literacy campaigns, and by delivering timely and relevant market research reports and analysis to aid its customers in successful investing.
3. Creating value for its customers by developing new products and services to better cater to customers' individual needs, regardless of where they are in their wealth-building journey.

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

Customers

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

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

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

	Mark	Date of Application	Status
1.	"COL"	September 22, 2006	Approved by the IPO with registration up to August 20, 2027
2.	"Citiseconline"	April 13, 2012	Approved by the IPO with registration up to February 8, 2023

	Mark	Date of Application	Status
3.	“EIP”	September 22, 2014	Approved by the IPO with registration up to January 15, 2025
4.	“Richer Life”	September 24, 2014	Approved by the IPO with registration up to January 15, 2025
5.	“Fund Source”	March 19, 2015	Approved by the IPO with registration up to September 24, 2025
6.	“C” (COL Logo)	March 19, 2015	Approved by the IPO with registration up to July 2, 2025

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

Transactions with and/or Dependence on Related Parties

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

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 ₱5.0 million and is greater than the total risk capital requirement. Failure to maintain the required

RBCA may subject the Parent Company to suspension or revocation of its broker/dealer license by the SEC. In addition, a change in the RBCA rules or the imposition of new rules could limit those operations of COL that require a large use of capital such as its trading activities and could restrict COL's ability to withdraw capital to pay dividends, repay debt or redeem shares of its outstanding stock. A significant operating loss or any unusually large charge against net capital could adversely affect the Parent Company's ability to expand or maintain its present level of operation.

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

The SFC has clearly defined the Financial Resources Rule (FRR) that governs the liquidity requirements of an intermediary. For a securities broker that provides cash-based accounts, the liquidity requirement is the higher of HKD3.0 million or 5% of the total FRR-recognized liabilities.

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

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

Employees

The actual number of full-time employees of COL and COLHK for 2017 and the projected number of employees for 2018 to complement the operational requirements of the Group are broken down as follows:

	2018	2017
Executives	3	3
Senior Officers	11	8
Junior Officers	38	37
Professional/Technical/Others	108	84
TOTAL	160	132

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

Risk Factors and Risk Management

Risks Associated with the Stock Brokerage and Mutual Fund Distribution Business

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

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

Risks Associated with an Early and Evolving Market

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

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

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

Risk Associated with Potential Local and Foreign-Based Competition

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

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

Client Risk

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

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

Technology Risks

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

In 2017, the Parent Company implemented the following:

Facilities

- Purchase of additional security cameras to ensure that all areas of the data center are clearly covered.
- Rental of separate office space to house the development platform, developers, executive office and meeting area. Each area will be physically separate from one another. These areas will have no connection to the production system and will have no internet presence. Network is completely separate from the Data Center.
- Rental of additional office space to house computer inventory of systems for promotion and systems for disposal.

System

- Established full network and system visibility using Graylog, Netflow, Cacti, NfSen, and Bro Server.
- Implementation of Palo Alto intrusion detection and prevention system to supplement current firewalls.
- Lock down of the DNS.
- Identified subnets / networks that are at risk and perform isolation by creating new VLANs for the entire infrastructure.
- Implement firewall policies between users and server VLANs.
- Enable 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.
- Continues monitoring of batch processing, network visibility, and centralized host logging.
- Implement EV SSL.
- Implement multi-factor authentication.

Privacy and Information Security Risk

All members of the stock brokerage services industry handles personal data of its clients, employees and other stakeholders. It is the objective of COL to defend all of these information in all forms from unauthorized access, use, examination, disclosure, modification, copying, moving, or destruction. The safeguarding of personal data, i.e., data about individuals such as contact information, financial, family or work-related information, etc., is of prime importance to COL.

COL is currently in the process of implementing 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 a 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 is in the process of reviewing/undertaking the following:

- Ensuring compliance with privacy laws, industry best practices, to limit collection, use, disclosure and retention of personal information;
- Establishing oversight and accountability for privacy within each program and process areas;
- Fostering a top-down / bottom-up privacy culture;
- Developing, implementing and maintaining a privacy policy and practices to clarify personal information management requirements for clients, employees and outsourced functions;
- Establishing complaint and feedback mechanisms to address privacy concerns;
- Monitoring protection performance, through audits or assessments – to incorporate privacy as part of ongoing quality assurance activity, identifying gaps and needed enhancements;
- Developing response protocols to ensure appropriate escalation and management in case of a major privacy incident or breach;
- Using encryption techniques to ensure that personal information is appropriately secured when stored;
- Providing ongoing awareness through regular employee training and communications;
- Reviewing privacy incidents, analyzing trends and incorporating insights to enhance processes and systems; and

- Accessing external expertise and resources available from privacy professionals and companies.

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 which would cause sudden increases in resource utilization, COL has implemented additional measures to further guard against these sudden market spikes:

- Doubled the current Internet bandwidth capacity;
- Re-engineered the order processing applications to rely more on asynchronous or parallel programming capabilities;
- Added order processing servers to better optimize the distributed processing capabilities of the order applications;
- Added market processing servers to the market data server farm to increase the market data processing capacity; and
- 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. The facility runs on hot standby, allowing for an automatic switchover should there be any inability of the main computer center in Ayala to function.

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

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

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

Connectivity to the PSE will be tested together with internet functionalities. The DNS for the site of COL Financial will be made to point to the assigned public address of the ISP on the backup site. The technical team will then perform mock trading operations using the newly activated

backup center from trading to back office processing and will give the go signal to top management that the backup data center is already fully operational.

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

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 hotline and ask their service agents to aid in the placement of 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. COL also has a full complement of support staff from its information technology and research departments trained to serve as additional customer service officers.

Further, to reduce operational risks due to employee and other human related errors, COL has committed to use technology to such an extent that it brings innovative products and practices in its daily operational processes. COL constantly works toward automating 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 minimized 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

Where there is a relationship of trust and reliance between a broker and a customer, that relationship gives rise to a fiduciary relationship. A fiduciary, like a trustee, is subject to rigorous

duties of loyalty and care and must conduct its activities with the utmost good faith and integrity while keeping the customer's best interest in mind.

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

Credit Risk

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

Prepaid accounts

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

Margin accounts

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

Postpaid accounts

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

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, and YouTube. 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:

<u>Purpose</u>	<u>Location</u>	<u>Size (sq.m.)</u>	<u>Rental Rate/sq.m.</u>
Corporate Center	Units 2401B, 2402A-C East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	559	₱572.50
Research Center	Unit 2402D East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	111	572.50
Private Clients Group	Unit 2403A East Tower PSE Centre ,Exchange Road, Ortigas Center Pasig City	250	572.50
Business Center	Unit 2403B East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	188	572.50
Operations Department	Unit 2404C East Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City	110	472.50

<u>Purpose</u>	<u>Location</u>	<u>Size</u> (sq.m.)	<u>Rental</u> Rate/sq.m.
Office Space	Unit 2703A East Tower PSE Centre, Exchange Road Ortigas Center, Pasig City	211	446.43
Data Center	Units 512 & 514 Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City	219.20	1,155.00
Investor Center - Makati	Ground Floor Citibank Tower Valero corner Villar St., Makati City	88.33	636.69
Investor Center - Davao	2045 Robinsons Cybergate, Davao	40.96	473.00
Investor Center - Cebu	B205 Axis Entertainment Avenue, Vibo Place, Cebu City	64.34	600.00
Investor Center - Ilocos	242 Robinsons Place, Ilocos	67.37	500.00
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	Legaspi Road, Bagong Duquit Sapang Masaic, Mabalacat, Pampanga	210	60.00

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

COL also purchased an office space at the PSE One Bonifacio High Street in Taguig City with an estimated cost of ₱17.5 million which will be used either as an additional Investor Center or as an extension office for COL's Sales Team.

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

Limitations on Properties

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

Properties to be Acquired

Within the next twelve (12) months, the Parent Company will undertake a lay out change and rehabilitation of its IT offices with an estimated cost of ₱16.5 million. Resources will also be allotted for the purchase of additional hardware and software programs with an estimated cost of around ₱23.0 million. These capital expenditures which will be sourced from its operations are directed to the further expansion of the capacity, disaster recovery and security capabilities of its trading platform for both the primary and backup sites to continuously provide its growing clientele base the best trading experience possible.

Item 3. Legal Proceedings

COL is not involved in any legal proceedings which 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, 2017 is 476,000,000 with a market capitalization of ₱7.4 billion as of end of 2017, based on the closing price of ₱15.50 per share.

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

	2017		2016	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1 st Quarter	16.50	15.80	15.00	13.90
2 nd Quarter	16.76	16.00	14.62	13.92
3 rd Quarter	16.20	15.90	17.04	14.20
4 th Quarter	16.10	15.00	16.80	16.06

The high and low prices of COL at the PSE on April 6, 2018 were ₱16.16 and ₱16.14, respectively.

Holders of Common Equity

As of February 28, 2018, there are thirty one (31) 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	260,692,106	54.7672
2	PCD Nominee Corporation	125,655,979	26.3983
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	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

	Name	No. of Common Shares Total	Percentage of Total Shares Outstanding held by each
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	475,998,085	99.9996

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 2017 and 2016:

Year	Amount / Share	Type	Ex-Date	Record Date	Payment Date
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
2016	₱0.11	Regular	April 12, 2016	April 15, 2016	April 22, 2016
	₱0.39	Special	April 12, 2016	April 15, 2016	April 22, 2016

Recent Sales of Unregistered or Exempt Securities

There was no sale of unregistered or exempt securities as of December 31, 2017.

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 performing poorly during the second half of 2016, the Philippine Stock Exchange Index (PSEi) rebounded, rising by 25.1% in 2017 to end the year at 8,558.42. The market rallied as foreign funds flowed back to emerging markets, triggered by the decline in U.S. bond rates, the weakness of the U.S. dollar and the strong growth in most emerging economies. In the Philippines, net buying by foreign investors reached ₱55.0 billion in 2017. Sentiment also improved due to the stronger than expected earnings performance of listed companies. For example, consumer companies disclosed strong earnings results despite concerns that margins would be hurt by the end of contractualization. Meanwhile, property companies experienced

strong demand for office rental properties despite weaker demand from the business process outsourcing sector, thanks to the entry of numerous Philippine Online Gaming Operators or POGOs. They also disclosed strong take-up sales of residential properties to the surprise of most analysts and investors.

Sentiment also received a boost from the impending passage of the first package of the tax reform program. In May of 2017, congress passed its version of the tax reform program, fueling a strong rally in the PSEi. The passage of the senate version later during the year and the eventual signing of the tax program into law fueled another rally in the stock market in December. Investors' excitement towards the tax reform program is due to expectation that personal income tax cuts would increase the disposable income of middle class workers, while higher excise taxes would raise revenues for the government, allowing it to fund its aggressive infrastructure spending program. The said developments are expected to boost GDP growth, benefiting corporate earnings growth.

Despite the PSEi's strong performance in 2017, average daily value turnover in the PSE increased by only 3.8% to ₱8.1 billion.

Like the Philippines, the HK stock market rebounded strongly in 2017 after performing poorly in fourth quarter of 2016. Aside from foreign fund flows, the HK market benefited from signs that both the HK and the Chinese economies were recovering. In 2017, the HK economy grew by 3.8%, much stronger than the 2.1% increase registered in 2016. Meanwhile, China expanded by 6.9% in 2017, faster than the 6.7% growth registered in 2016 and above the official growth target of 6.5%. The HK market also benefited from the stronger than expected profit growth of listed companies and the inflow of funds from mainland Chinese investors. As of end 2017, the Hang Seng index (HSI), the Hang Seng China Affiliate Corp. Index (HSCCI) and the Hang Seng China Enterprise Index (HSCEI) were higher by 36.0%, 23.4% and 24.8% respectively compared to their end 2016 levels.

However, compared to the Philippines, the performance of the HK market was stronger as average daily turnover improved by 31.6% year-on-year to 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:

	2017	2016
Number of Customer Accounts	248,470	205,761
Customers' Net Equity (in millions)	₱74,433.8	₱60,913.7
Revenues (in millions)	₱970.1	₱833.7
Return On Average Equity (ROE)	25.9%	24.0%
Risk Based Capital Adequacy Ratio*	626.0%	636.0%
Liquid Capital** (in millions)	HKD37.4	HKD24.2

* *Parent Company only*

** *HK Subsidiary*

As the leading and most trusted online broker, COL steadily attracted new customers, reaching close to 249,000 total **customer accounts** as of end December 2017, or a 20.8% year-on-year increase. 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 brought about by the low interest rate environment as well as the convenience provided by online platforms in accessing stock market investments. In addition, the inclusion of mutual funds in its platform provided another avenue for COL to expand its client base as investors in mutual funds already reached more than 27,000 or about 11.0% of total clients as of end December 2017. COL also continued to widen its reach with the addition of new Investor Centers in Cebu and Ilocos in 2017. As a result, all Investor Centers (Makati, Davao, Cebu, and Ilocos) already contributed 18.0% of the total account openings in 2017.

Customers' net equity, likewise, rose to a new record level of ₱74.4 billion by the end of 2017, a 22.2% increase from the year before owing to favorable market conditions. The increase also included net new flows amounting to ₱4.0 billion in 2017 coming mostly from mass retail wealth builders who continued to add cash to their portfolios.

Revenues increased by 16.4% to ₱970.1 million in 2017. Growth was driven by the 12.1% increase in commission revenues, the 13.6% jump in interest income and the booking of ₱40.9 million worth of other income. Commission revenues grew as COL's share of the PSE's value turnover jumped to 6.3% in 2017 from 5.6% in 2016 as a natural consequence of its growing client base. Interest income likewise increased as COL benefited from the higher utilization of its margin lending facility, its growing cash position, the placement of more funds in higher yielding longer term deposit instruments, and the slight increase in bank deposit yields. Meanwhile, other income included ₱17.2 million worth of trading gains from the sale of clients' unexercised stock rights, ₱10.0 million reversal of allowance for credit losses, and ₱10.6 million worth of trailer fees from the growing size of its mutual fund assets under administration.

Net income increased at a slightly slower pace of 15.3% to ₱378.7 million compared to revenues as provision for income taxes jumped by 21.5% to ₱132.7 million. Total expenses increased by 15.8%, largely in line with revenue growth. However, excluding the ₱20.6 million provisions for impairment loss of HK trading rights, total expenses increased by only 10.6%. Fixed operating costs increased by 15.0% in 2017 due to numerous investments made to improve client service and customer reach. This was partly offset by flattish trading related expenses worth ₱117.4 million which include commissions to agents and stock exchange dues and fees. Due to the strong growth of net income, **return on average equity (ROE)**, computed as net income divided by average Stockholders' equity, improved to 25.9% in 2017 from 24.0% in 2016.

In 2017, both COL and its HK subsidiary continued to meet the stringent rules of regulators in the Philippines and Hong Kong. As of end December 2017, the Parent Company's Risk Based Capital Adequacy Ratio (RBCA) reached 626%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD37.4 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*

	2017	2016	Formula
Profitability ratios:			
Return on assets	3.2%	3.7%	Net income/Total Assets
Net profit margin	39%	39%	Net income/Net sales

	2017	2016	Formula
Solvency and liquidity ratios:			
Current ratio	1.10	1.15	Current assets/Current liabilities
Debt to equity ratio	7.09	5.46	Total liabilities/Stockholders' equity
Quick ratio	1.09	1.15	Liquid assets/Current liabilities

3. *Material Changes in Financial Condition*

a. 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 receivable 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 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 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.

b. 2016 vs 2015

Despite the challenging operating environment, consolidated assets continued to grow, increasing by 12.0% to ₱8.9 billion compared to its end-2015 level of ₱8.0 billion. The growth was largely funded by non-interest bearing liabilities as trade payables jumped by 12.5% to ₱7.4 billion. Trade payables rose largely due to the increase in customers' cash balance, which in turn was a result of the significant growth in COL's client base.

Cash and cash equivalents composed mainly of cash in banks and short-term placements increased by 11.3% to ₱7.2 billion as of end-2016, also largely due to COL's growing client base and the resulting increase in their cash balances. As discussed earlier, net inflow of funds amounted to ₱7.6 billion in 2016.

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

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

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

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

Property and equipment went up 40.7% to ₱43.3 million. During 2016, COL and the market experienced extremely high trading levels and user utilization. To ensure that performance does not suffer, COL allocated ₱26.0 million to upgrade its existing hardware servers by purchasing an additional 11 newer, more powerful and efficient variants for order and market data processing. The upgrade made to the existing hardware to newer variants increased COL's raw processing power without adding to the power and cooling loads of the data center. In line with the hardware upgrade, the Parent Company also purchased the latest versions of operating systems and database software licenses to further optimize the new servers worth ₱3.5 million. Collectively, these changes allowed COL to handle increased order and market data processing requirements. In addition, COL invested ₱4.0 million in the development of new systems to support its back-office requirements and mutual fund distribution business.

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

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

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

4. *Material Changes in the Results of Operations*

a. 2017 vs 2016

COL's consolidated revenues in 2017 increased by 16.4% to ₱970.1 million. Cost of services increased by a much slower pace of 6.0% to ₱236.6 million while operating expenses rose by 28.4% to ₱222.0 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 16.4% driven by the strong growth of commission revenues, interest income and the booking of a significant amount of 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 booked ₱40.9 million worth of other income, significantly higher compared to the ₱7.8 million recorded in 2016. COL booked ₱17.2 million worth of trading gains from the sale of unexercised stock rights in 2017. 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. 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 also formed part of other income.

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 28.4% to ₱222.0 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 7.7% 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 ₱61.0 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. Excluding said amount, total operating expenses increased by 16.5%. In 2017, total expenses increased by 15.8%, almost at par with 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.

b. 2016 vs 2015

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

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

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

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

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

As discussed earlier, operating expenses fell by 3.2% to ₱172.8 million due to the absence of tax assessments booked in 2016. The Parent Company also initiated cost-cutting measures during the current year that led to the reduction in other expenses including bank charges and office supplies.

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

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

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

COL expects the activity in the Philippine stock market to be subdued in 2018. Although the passage of the tax reform program is favorable for the economy and the stock market, the positive impact of this development is already reflected in stock valuations following the stock market's strong performance in 2017 and in the first few months of 2018. At the PSEi's peak of 9,058, it was already trading at 20.1X 2018 P/E, already above its 5-year historical average P/E of 19X and close to our end 2018 PSEi target of 9,300. Meanwhile, risks facing the domestic economy and stock market which include rising inflation, higher interest rates, and the weak peso are materializing. During the first two months of the year, average inflation reached 4.3%, exceeding economists' expectations. The 10-year bond rate also increased significantly to around 6.0% currently, already a 6-year high. It is also a reflection of investors' concern regarding inflation. Finally, the peso is currently trading at ₱52.10/US\$, significantly

weaker than its end 2017 level of ₱49.9/US\$. Rising inflation, higher bond rates and the weaker peso are expected to hurt investor sentiment in the short term. That said, COL will continue with its advocacy of educating and encouraging Filipinos to save and invest. COL is confident that this strategy will allow it to earn the trust and loyalty of its customers, putting us in a strong position to capitalize on the eventual recovery of the stock market.

Meanwhile, COL's HK operations will most likely remain a small contributor to total revenue in 2018 as we continue to focus our resources on our Philippine business.

2. Medium to Long-Term Prospects

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

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. Finally, the penetration rate of retail investors in the stock market remains very low at less than 1.0%, implying a substantial room for growth. Coupled with the economy's favorable growth outlook, said factors should bode well for the performance of the Philippine stock market and for COL over the long-term.

Item 7. Financial Statements

Please refer to the attached Consolidated Audited Financial Statements for the years ended December 31, 2017 and 2016.

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:

	2017	2016
Audit and Audit-Related Fees in connection with the annual review of the Group's financial statements	₱1,500,000	₱1,420,000
Tax Fees	None	None

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

Board of Directors

The Directors of COL as of December 31, 2017 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

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

Edward K. Lee, 63, Filipino, 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, 62, 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, 55, 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, 66, 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, 59, 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, 74, 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, 64, 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, 65, 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, 58, 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, 47, 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, received his B.S. Accountancy at DePaul University and his MBA/MM from the Kellogg Graduate School of Management at Northwestern University.

Hokushin Kido, 40, 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:

Caesar A. Guerzon

SVP-Corporate Secretary

Caesar A. Guerzon, 68, Filipino, SVP – Corporate Secretary, is concurrently a Director of COLHK and the Corporate Secretary of CSI, Cedarside Holdings, Inc., Cedarside Industries, Inc., Citimex, Inc. and Barrington Carpets, Inc. He is also the Chairman of the Board of the Rural Bank of Sta. Maria, Ilocos Sur, Inc., serves as President of the Board of Trustees of COG – Makati, Inc., and Secretary to the Sangguniang Barangay of Bel-Air, Makati City. He was a member of the Governance Committee of the Philippine Stock Exchange and the Legislative Committee of the Philippine Association Securities Brokers & Dealers. Mr. Guerzon finished his Bachelor of Science in Foreign Service in 1972 and Bachelor of Laws in 1976 at the University of the Philippines and was admitted to the Philippine Bar in 1977. He is a licensed Certified Securities Representative and a member of the Integrated Bar of the Philippines and the Rotary Club of Makati.

Juan G. Barredo

Vice President and Head of Sales and Customer Support Department

Juan “Juanis” G. Barredo, 50, 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 110,000 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 also a consultant and a committee member for the New Trading System Project of the PSE which was launched successfully mid-2010 and for various projects of the PDEX. He was with the I.T. Department of

the PSE as manager, in charge of all the I.T.-related activities of the Exchange from 1993-1997. In 1997, he joined Computershare, an Australian-based software development company specializing in trading systems wherein he took charge of all technical aspects of the business. In 2000, he put up a software development company, Finatechs, Inc., where he served as its President and Chief Executive Officer until 2003. Mr. Bautista is a graduate of De La Salle University with a Bachelor of Computer Science Degree and Masteral Courses in Computer Science.

Lorena E. Velarde

Vice President and Financial Controller

Lorena E. Velarde, 47, 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, 42, 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, 45, 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, 38, Filipino, started with COL in 2011 as Compliance and Legal Officer and was appointed as AVP and Head of HR, Legal and Compliance Departments in 2016. She was previously a Senior Associate of Puyat, Jacinto and Santos Law Offices and an Associate of Picazo Buyco Tan Fider and Santos Law Offices. Ms. Lim graduated with a degree of Bachelor of Science in Management Engineering in 2002 at the Ateneo de Manila University and Bachelor of Laws in 2006 at the University of the Philippines. She was admitted to the Philippine Bar in 2007 and is a licensed Associated Person.

Term of Office

Pursuant to the By-Laws of COL, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

Resignation/Retirement of Directors and Executive Officers as of December 31, 2017

Mr. Caesar A. Guerzon, who was elected as a director of COL in March 2017, tendered his resignation as director on May 15, 2017.

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.

Significant Employees

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

Family Relationships

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

Involvement in Certain Legal Proceedings

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

Item 11. Executive Compensation

Standard Arrangements

Directors

Each director is entitled to a per diem of Ten Thousand Pesos (₱10,000.00) per meeting. In 2017 and 2016, a total of ₱870,000 and ₱890,000, respectively, were paid to the directors. There are no other arrangements for compensation either by way of payments for committee participation or special assignments.

Executives and Senior Officers

SUMMARY COMPENSATION TABLE						
Annual Compensation						
(in P Million)	Annual Salary 2018 (est)	Annual Salary 2017	Annual Salary 2016	Annual Salary 2015	Bonuses 2015 - 2017	Other Annual Compensation 2015 - 2017
a) Chief Executive Officer (CEO) and Four (4) most compensated executives and officers	₱18.2	₱16.5	₱12.5	₱11.7	₱68.8	-nil-
b) All other executives and officers as a group unnamed	₱10.4	₱7.9	₱6.3	₱5.8	₱30.5	-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
<i>All above-named directors and officers as a group</i>	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. For the entire year of 2016, 1,000,000 SOP shares were exercised. 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, 2017 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	-	180,539,256	37.93
			Non-Filipino	-	88,152,304	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	25,719,000	20.79
	Lee, Lydia C. 1576 Mahogany cor. Cypress Streets, Dasmariñas Village,			1,000,000	3,767,700	
	Lee, Edmund C. 1576 Mahogany cor. Cypress Streets, Dasmariñas Village,			-	2,040,000	
	ELLE & 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	35,470,550	13.54
	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, 2017.

Security Ownership of Management as of December 31, 2017

Title of Class	Name of Owner	Position	Citizenship	Total No. of Shares	Percent (%)
Common	Edward K. Lee	Chairman	Filipino	98,970,200	20.79
Common	Alexander C. Yu	Vice-Chairman	Filipino	64,436,350	13.54
Common	Conrado F. Bate	Director/President/CEO	Filipino	19,830,259	4.17
Common	Hernan G. Lim	Director	Filipino	17,459,785	3.67
Common	Raymond C. Yu	Director	Filipino	22,303,940	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	Caesar A. Guerzon	SVP – Corporate Secretary	Filipino	2,032,050	0.43
Common	Juan G. Barredo	VP/Head of Sales and Customer Support	Filipino	1,235,150	0.26
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
	Key Officers and Directors (as a group)			275,717,710	57.92

As of December 31, 2017, the Parent Company's public float is 27.18%.

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 43.

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	07/03/17	07/04/17	C04192-2017
2. Change in Shareholdings of Directors and Principal Officers	07/03/17	07/04/17	C04193-2017
3. Change in Shareholdings of Directors and Principal Officers	07/03/17	07/04/17	C04194-2017
4. Change in Shareholdings of Directors and Principal Officers	07/04/17	07/04/17	C04201-2017
5. Change in Shareholdings of Directors and Principal Officers	07/07/17	07/07/17	C04264-2017
6. Change in Shareholdings of Directors and Principal Officers	07/07/17	07/07/17	C04265-2017
7. Change in Shareholdings of Directors and Principal Officers	07/07/17	07/07/17	C04266-2017
8. Change in Shareholdings of Directors and Principal Officers	07/13/17	07/13/17	C04360-2017
9. Change in Shareholdings of Directors and Principal Officers	07/19/17	07/20/17	C04484-2017
10. Change in Shareholdings of Directors and Principal Officers	07/19/17	07/20/17	C04485-2017
11. Change in Shareholdings of Directors and Principal Officers	07/25/17	07/25/17	C04577-2017
12. Change in Shareholdings of Directors and Principal Officers	07/31/17	08/01/17	C04732-2017
13. Change in Shareholdings of Directors and Principal Officers	08/04/17	08/07/17	C04879-2017
14. Change in Shareholdings of Directors and Principal Officers	08/10/17	08/10/17	C05010-2017
15. Change in Shareholdings of Directors and Principal Officers	08/10/17	08/10/17	C05011-2017
16. Material Information/Transactions	08/11/17	08/14/17	C05106-2017
17. Press Release	08/11/17	08/14/17	C05107-2017
18. Change in Shareholdings of Directors and Principal Officers	08/16/17	08/16/17	C05203-2017
19. Change in Shareholdings of Directors and Principal Officers	08/22/17	08/23/17	C05305-2017
20. Change in Shareholdings of Directors and Principal Officers	08/22/17	08/23/17	C05306-2017
21. Change in Shareholdings of Directors and Principal Officers	08/25/17	08/29/17	C05366-2017
22. Change in Shareholdings of Directors and Principal Officers	08/31/17	08/31/17	C05444-2017
23. Change in Shareholdings of Directors and Principal Officers	09/13/17	09/13/17	C05613-2017
24. Change in Shareholdings of Directors and Principal Officers	09/18/17	09/18/17	C05663-2017
25. Change in Shareholdings of Directors and Principal Officers	09/18/17	09/19/17	C05676-2017
26. Change in Shareholdings of Directors and Principal Officers	09/22/17	09/25/17	C05769-2017

Items Reported	Date filed	Announcement Date	Circular No.
27. Change in Shareholdings of Directors and Principal Officers	09/22/17	09/25/17	C05770-2017
28. Change in Shareholdings of Directors and Principal Officers	10/04/17	10/05/17	C05991-2017
29. Change in Shareholdings of Directors and Principal Officers	10/10/17	10/10/17	C06088-2017
30. Material Information/Transactions	10/20/17	10/20/17	C06277-2017
31. Change in Shareholdings of Directors and Principal Officers	11/08/17	11/09/17	C06679-2017
32. Press Release	11/10/17	11/13/17	C06809-2017
33. Material Information/Transactions	11/10/17	11/13/17	C06826-2017
34. Change in Shareholdings of Directors and Principal Officers	11/14/17	11/14/17	C06868-2017
35. Change in Shareholdings of Directors and Principal Officers	11/20/17	11/20/17	C06973-2017
36. Change in Shareholdings of Directors and Principal Officers	11/24/17	11/24/17	C07085-2017
37. Change in Shareholdings of Directors and Principal Officers	11/29/17	11/29/17	C07169-2017
38. Change in Shareholdings of Directors and Principal Officers	11/29/17	11/29/17	C07171-2017
39. Change in Shareholdings of Directors and Principal Officers	12/05/17	12/06/17	C07268-2017
40. Change in Shareholdings of Directors and Principal Officers	12/05/17	12/06/17	C07271-2017
41. Change in Shareholdings of Directors and Principal Officers	12/11/17	12/11/17	C07408-2017
42. Change in Shareholdings of Directors and Principal Officers	12/11/17	12/11/17	C07409-2017
43. Change in Shareholdings of Directors and Principal Officers	12/11/17	12/11/17	C07410-2017
44. Change in Shareholdings of Directors and Principal Officers	12/15/17	12/15/17	C07541-2017

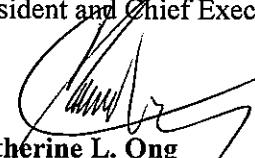
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on April 13, 2018.

COL FINANCIAL GROUP, INC.
Issuer

By:


Conrado F. Bate
President and Chief Executive Officer


Catherine L. Ong
SVP, Treasurer/Chief Financial Officer


Caesar A. Guerzon
SVP, Corporate Secretary


Lorena E. Velarde
VP and Financial Controller

SUBSCRIBED AND SWORN to before me this 13th day of April 2018, 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 # EC3662119	Mar. 13, 2015	DFA NCR East
Catherine L. Ong	PP # EC0356590	Feb. 20, 2014	DFA NCR East
Caesar A. Guerzon	PP # EC6883267	March 1, 2016	DFA NCR East
Lorena E. Velarde	PP # EC0861282	April 15, 2014	DFA NCR East

Notary Public


ATTY. SHARON T. LIM

Notary Public for the Cities of Pasig, Taguig &
San Juan and Municipality of Pateros
Until December 31, 2019/Appt No. 81(2018-2019)
2401B East Tower, Phil. Stock Exchange Centre,
Exchange Rd., Ortigas Center, Pasig City 1605
Roll No. 53601/IBP No. 018394/12-07-17/RSM
PTR No. 3860932/01-08-18/Pasig
MCLE Compliance No. V-0010052/08-26-15/ Pasig

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COL FINANCIAL GROUP, INC.
SEC FORM 17-A

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

FINANCIAL STATEMENTS	Remarks/Attachments
Statement of Management's Responsibility for Financial Statements	✓
Certificate on the Compilation Services for the Preparation of the Consolidated Financial Statements and Notes to the Financial Statements	✓
Independent Auditors Report	✓
Consolidated Statements of Financial Position as of December 31, 2017 and 2016	✓
Consolidated Statements of Income for the Years Ended December 31, 2017, 2016 and 2015	
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2017, 2016 and 2015	✓
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2017, 2016 and 2015	✓
Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015	✓
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**

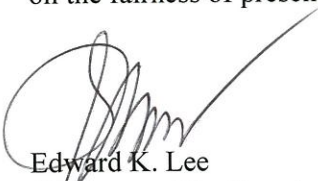
The management of COL Financial Group, Inc. and Subsidiary (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as of December 31, 2017 and 2016 in accordance with the prescribed financial reporting framework 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 8th day of March 2018.

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

SUBSCRIBED AND SWORN to before me this 8th day of March 2018, at Pasig, affiants exhibited to me their respective Passports, as follows:

<u>Name</u>	<u>Passport No.</u>	<u>Date/Place Issued</u>
Edward K. Lee	PP # EC5602768	Oct. 6, 2015/DFA NCR East
Conrado F. Bate	PP # EC3662119	Mar. 13, 2015/DFA NCR East
Catherine L. Ong	PP # EC0356590	Feb. 20, 2014/ DFA NCR East

NOTARY PUBLIC


ATTY. CAESAR A. GUERZON
Notary Public

Until Dec. 31, 2018

Roll of Atty. No. 27749

PTR No. 7003292/01-05-18/Manila

IBP No. 015465/09-29-17/Manila

MCLE Compliance No. V-0011249/10-20-15/Pasig

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

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for COL Financial Group, Inc. and Subsidiary for the period ending December 31, 2017.

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

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

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


Lorena C. Espino-Velarde

PROFESSIONAL IDENTIFICATION CARD NUMBER 0086947

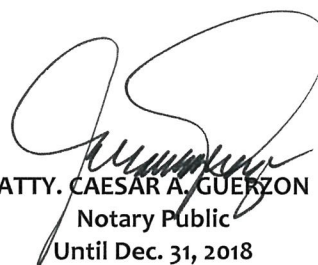
VALID UNTIL: June 26, 2020

BOA ACCREDITATION NUMBER: 0211

VALID UNTIL: June 26, 2019

SUBSCRIBED AND SWORN to before me this 8th day of March 2018, at Pasig, affiant exhibited to me her Passport with details as follows:

<u>Name</u>	<u>Passport No.</u>	<u>Date/Place Issued</u>
Lorena C. Espino-Velarde	EC0861282	April 14, 2014/ DFA NCR EAST


ATTY. CAESAR A. GUERSON
Notary Public
Until Dec. 31, 2018
Roll of Atty. No. 27749
PTR No. 7003292/01-05-18/Manila
IBP No. 015465/09-29-17/Manila
MCLE Compliance No. V-0011249/10-20-15/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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2017 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 have involved our internal specialist in obtaining 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, 2017, 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, 2017 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.

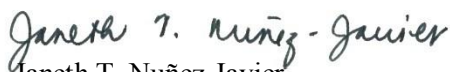
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Partner

CPA Certificate No. 111092

SEC Accreditation No. 1328-AR-1,

July 28, 2016, valid until July 28, 2019

Tax Identification No. 900-322-673

BIR Accreditation No. 08-001998-69-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 6621305, January 9, 2018, Makati City

March 8, 2018



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

	December 31					
	2017			2016		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	₱10,015,930,327			₱7,225,603,984		
Cash in a segregated account (Note 5)	88,993,088			134,918,294		
Financial assets at fair value through profit or loss (Note 6)	1,176,978	₱1,176,978		2,102,563	₱2,102,563	
Trade receivables (Notes 7 and 19)	1,169,674,141	3,920,498,461		1,188,644,329	6,261,145,183	
Other receivables (Notes 7 and 19)	27,481,904			15,160,682		
Prepayments	3,746,142			2,189,572		
Other current assets (Note 11)	8,960,245			53,572		
Total Current Assets	11,315,962,825			8,568,672,996		
Noncurrent Assets						
Long-term time deposit (Note 4)	200,000,000			200,000,000		
Held-to-maturity investments (Note 8)	202,738,147			—		
Property and equipment (Note 9)	85,996,168			43,295,337		
Intangibles (Note 10)	21,405,689			42,855,830		
Deferred tax assets (Note 18)	36,716,806			35,146,805		
Other noncurrent assets (Note 11)	18,017,713			14,770,514		
Total Noncurrent Assets	564,874,523			336,068,486		
TOTAL ASSETS	₱11,880,837,348			₱8,904,741,482		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			₱64,846,561,022			₱54,516,942,193

(Forward)



	December 31					
	2017			2016		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Notes 12 and 19)	₱10,199,215,189	₱60,924,885,583		₱7,353,292,239	₱48,253,694,447	
Other current liabilities (Note 13)	115,203,033			90,926,071		
Income tax payable	18,245,494			10,181,427		
Total Current Liabilities	10,332,663,716			7,454,399,737		
Noncurrent Liability						
Retirement obligation (Notes 17 and 19)	43,549,010			26,826,298		
Total Liabilities	10,376,212,726			7,481,226,035		
Equity						
Capital stock (Note 14)	476,000,000			476,000,000		
Capital in excess of par value	53,219,024			53,219,024		
Accumulated translation adjustment	8,225,186			9,375,669		
Loss on remeasurement of retirement obligation (Note 17)	(11,741,631)			(880,074)		
Retained earnings:						
Appropriated	235,590,918			198,811,471		
Unappropriated (Note 14)	743,331,125			686,989,357		
Total Equity	1,504,624,622			1,423,515,447		
TOTAL LIABILITIES AND EQUITY	₱11,880,837,348	₱64,846,561,022	₱64,846,561,022	₱8,904,741,482	₱54,516,942,193	₱54,516,942,193

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUES			
Commissions (Note 19)	₱678,725,716	₱605,558,128	₱486,883,432
Others:			
Interest income (Notes 4, 5, 7, 8, 15, and 19)	250,460,547	220,387,183	233,164,409
Trading gains (losses) - net (Note 6)	17,202,792	(72,168)	10,852,242
Foreign exchange gains – net	717,580	–	–
Others (Notes 6, 7 and 9)	23,005,229	7,846,425	6,137,509
	970,111,864	833,719,568	737,037,592
COST OF SERVICES			
Commission expense (Note 19)	88,976,207	92,234,435	83,929,514
Personnel costs - operations (Notes 16, 17 and 19)	85,287,973	74,166,258	64,928,766
Stock exchange dues and fees	16,740,145	14,921,084	11,959,433
Central depository fees	10,856,730	9,409,779	8,385,836
Research	2,311,047	2,163,005	2,031,795
Others:			
Communications	32,318,019	30,101,631	25,263,922
Depreciation (Note 9)	159,299	201,009	154,548
	236,649,420	223,197,201	196,653,814
GROSS PROFIT	733,462,444	610,522,367	540,383,778
OPERATING EXPENSES			
Administrative expenses:			
Personnel costs (Notes 16, 17 and 19)	43,320,968	36,984,384	32,158,605
Professional fees (Note 19)	42,478,126	37,365,258	27,370,666
Management bonus (Note 19)	23,376,289	17,418,101	13,759,639
Rentals (Note 20)	17,034,409	14,326,932	13,610,309
Advertising and marketing	9,719,249	9,693,034	9,506,605
Security and messengerial services	6,657,462	4,753,033	4,480,432
Taxes and licenses (Note 18)	4,891,861	4,555,798	28,373,917
Power, light and water	4,571,689	4,009,964	4,162,488
Repairs and maintenance	3,844,478	2,300,629	1,886,711
Representation and entertainment	3,671,632	3,184,166	2,565,237
Insurance and bonds	3,479,704	3,350,540	2,837,168
Office supplies	3,293,621	2,666,969	3,311,590
Condominium dues and utilities	2,737,636	2,490,021	2,260,213
Transportation and travel	1,541,938	1,117,783	1,269,358
Communications	1,526,085	982,316	941,225
Trainings, seminars and meetings	1,460,946	1,085,302	723,052
Directors' fees (Note 19)	870,000	890,000	890,000
Membership fees and dues	845,622	821,925	786,203
Bank charges	122,625	385,157	5,147,896
Others	2,366,132	2,294,958	2,826,612
	177,810,472	150,676,270	158,867,926
Depreciation and amortization (Notes 9 and 10)	22,083,858	18,925,355	17,528,714
Impairment loss (Note 10)	20,636,226	–	–
Interest expense (Note 17)	1,475,447	1,313,885	1,296,864
Provision for credit losses (Note 7)	–	1,885,688	–
Miscellaneous expense	–	34,110	878,247
	222,006,003	172,835,308	178,571,751
INCOME BEFORE INCOME TAX	511,456,441	437,687,059	361,812,027
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)			
Current			
Regular corporate income tax	97,225,712	86,813,521	82,823,973
Final income tax	36,764,607	32,442,461	22,086,975
Deferred	(1,255,093)	(10,051,273)	(5,792,263)
	132,735,226	109,204,709	99,118,685
NET INCOME	₱378,721,215	₱328,482,350	₱262,693,342
Earnings Per Share (Note 24)			
Basic and diluted	₱0.80	₱0.69	₱0.55

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2017	2016	2015
NET INCOME	₱378,721,215	₱328,482,350	₱262,693,342
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 17)	(10,861,557)	3,956,122	(435,413)
Item that may be reclassified subsequently to consolidated statements of income:			
Translation adjustments - net of tax	(1,150,483)	14,617,528	16,573,088
	(12,012,040)	18,573,650	16,137,675
TOTAL COMPREHENSIVE INCOME	₱366,709,175	₱347,056,000	₱278,831,017

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, 2017, 2016, and 2015

	Capital Stock (Note 14)	Capital In Excess of Par Value	Cost of Share-Based Payment (Note 17)	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation (Note 17)	Retained Earnings		Total
						Appropriated (Note 14)	Unappropriated	
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 14)	—	—	—	—	—	36,779,447	(36,779,447)	—
Declaration of cash dividend (Note 14)	—	—	—	—	—	—	(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 14)	—	—	—	—	—	29,789,712	(29,789,712)	—
Issuance of shares upon exercise of stock options (Note 17)	1,000,000	—	—	—	—	—	—	1,000,000
Cost of share-based payment (Note 17)	—	—	(4,031,571)	—	—	—	—	(4,031,571)
Declaration of cash dividend (Note 14)	—	—	—	—	—	—	(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

(Forward)



	Capital Stock (Note 14)	Capital In Excess of Par Value	Cost of Share-Based Payment (Note 17)	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation (Note 17)	Retained Earnings		Total
						Appropriated (Note 14)	Unappropriated	
Balances at January 1, 2015	₱474,550,000	₱53,219,024	₱5,499,602	(₱21,814,947)	(₱4,400,783)	₱140,028,578	₱629,371,558	₱1,276,453,032
Total comprehensive income (loss)	—	—	—	16,573,088	(435,413)	—	262,693,342	278,831,017
Appropriation of retained earnings (Note 14)	—	—	—	—	—	28,993,181	(28,993,181)	—
Issuance of shares upon exercise of stock options (Note 17)	450,000	—	—	—	—	—	—	450,000
Cost of share-based payment (Note 17)	—	—	(1,468,031)	—	—	—	—	(1,468,031)
Declaration of cash dividend (Note 14)	—	—	—	—	—	—	(237,275,000)	(237,275,000)
Balances at December 31, 2015	₱475,000,000	₱53,219,024	₱4,031,571	(₱5,241,859)	(₱4,836,196)	₱169,021,759	₱625,796,719	₱1,316,991,018

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱511,456,441	₱437,687,059	₱361,812,027
Adjustments for:			
Interest income (Notes 4, 5, 7, 8, 15, and 19)	(250,460,547)	(220,387,183)	(233,164,409)
Depreciation and amortization (Notes 9 and 10)	22,243,157	19,126,364	17,683,262
Impairment loss (Note 10)	20,636,226	—	—
Recovery from credit losses (Note 7)	(10,938,998)	—	(2,135,877)
Retirement costs under 'Personnel costs' (Notes 16 and 17)	4,385,708	4,886,302	4,356,919
Interest expense (Note 17)	1,475,447	1,313,885	1,296,864
Dividend income (Note 6)	(230,474)	(28,710)	(20,932)
Unrealized trading losses (gains) - net (Note 6)	103,792	(139,356)	1,233,669
Provision for credit losses (Note 7)	—	1,885,688	—
Gain on disposal of property and equipment	—	(4,365)	(1,069)
Contribution to the retirement fund	—	—	(8,190,778)
Operating income before working capital changes	298,670,752	244,339,684	142,869,676
Decrease (increase) in:			
Cash in a segregated account	45,925,206	120,677,719	(101,466,988)
Financial assets at fair value through profit or loss	821,793	(289,780)	6,468,468
Trade receivables	17,928,442	(78,192,367)	398,920,470
Other receivables	44,351,585	30,004,700	22,896,265
Prepayments	(1,557,124)	(84,131)	212,819
Other assets	(21,239,391)	(12,037,740)	(11,272,707)
Increase (decrease) in:			
Trade payables	2,846,725,500	799,799,469	1,589,010,275
Fringe benefit tax payable	—	—	(30,437,647)
Other current liabilities	24,901,180	28,853,335	(15,660,966)
Net cash generated from operations	3,256,527,943	1,133,070,889	2,001,539,665
Interest received	203,047,922	182,539,191	213,253,357
Income taxes paid	(116,860,333)	(111,638,182)	(98,464,491)
Dividends received	230,474	28,710	20,932
Net cash flows provided by operating activities	3,342,946,006	1,204,000,608	2,116,349,463
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of held-to-maturity investments (Note 8)	(203,041,886)	—	—
Acquisitions of property and equipment (Notes 9)	(60,966,559)	(28,028,411)	(19,017,779)
Acquisitions of software costs and licenses (Note 10)	(3,011,218)	(7,475,451)	(7,095,557)
Investment in long-term time deposit (Note 4)	—	(200,000,000)	—
Proceeds from disposal of property and equipment	—	7,143	1,076
Net cash flows used in investing activities	(267,019,663)	(235,496,719)	(26,112,260)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends declared and paid (Note 14)	(285,600,000)	(237,500,000)	(237,275,000)
Issuance of additional shares (Notes 14 and 17)	—	1,000,000	450,000
Net cash flows used in financing activities	(285,600,000)	(236,500,000)	(236,825,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,790,326,343	732,003,889	1,853,412,203
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,225,603,984	6,493,600,095	4,640,187,892
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱10,015,930,327	₱7,225,603,984	₱6,493,600,095

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

COL Financial Group, Inc. (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 1999, primarily to engage in the business of broker of securities and to provide stockbrokerage services through innovative internet technology. COL Securities (HK) Limited (COLHK), the Subsidiary, a wholly-owned foreign subsidiary, is domiciled and incorporated in Hong Kong (HK), primarily to act as a stockbroker and to invest in securities. In the normal course of business, the Parent Company and COLHK (the Group) are also engaged in providing financial advice, in the gathering and distribution of financial and investment information and statistics and in acting as financial, commercial or business representative. The registered address of the Parent Company is Unit 2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Philippines. The registered address of COLHK is Room 803, Luk Yu Building, 24-26 Stanley Street, Central, HK.

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

On August 15, 2006, the Board of Directors (BOD) of the Parent Company approved the acquisition of the exchange trading right of Mark Securities Corporation for the purpose of making the Parent Company a PSE Trading Participant. On December 13, 2006, the BOD of PSE approved the application of the Parent Company as a Corporate Trading Participant in PSE through the transfer of the exchange trading right registered in the name of Mark Securities Corporation and the designation of Mr. Conrado F. Bate as its Nominee Trading Participant (Note 10).

On October 20, 2008, the Parent Company made an initial contribution to the Clearing and Trade Guaranty Fund (CTGF) of the Securities Clearing Corporation of the Philippines (SCCP) as a prerequisite to its accreditation as a clearing member of SCCP. On August 20, 2009, the Parent Company made a top-up contribution six (6) months after it started operating its own seat in the PSE on February 16, 2009. The CTGF is a risk management tool of the SCCP, whose primary purpose is to protect the settlement system for any default by a clearing member.

On various dates in 2017, 2016 and 2015, the Parent Company was registered and authorized by the SEC to distribute various kinds of mutual funds of the top six (6) fund providers in the Philippines.

The accompanying consolidated financial statements of the Group as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 were authorized for issue in accordance with a resolution by the BOD on March 8, 2018.

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, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to Philippine Accounting Standard (PAS) 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

Standards and Interpretations Issued but not yet Effective

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

Effective beginning on or after January 1, 2018

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

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

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

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group is currently assessing the impact of the standard upon adoption in 2018.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets



designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required. Early adoption is permitted. The Group is currently assessing the potential impact of adopting this standard.

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

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

The amendments should be applied retrospectively, with earlier application permitted.

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

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

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

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date



on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

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

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. Earlier application is permitted.

- 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.

Early application is permitted, but not before an entity applies PFRS 15. 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.

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

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Earlier application is permitted.



- 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
- 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.

Deferred effectivity

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

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

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

Summary of Significant Accounting Policies

Foreign Currency Translation

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

On consolidation, the assets and liabilities of the consolidated foreign subsidiary are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their 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.

Deferred tax assets, net of deferred tax liabilities, are classified as non-current assets.

Cash and Cash Equivalents and Long-term Time Deposit

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

Cash in a Segregated Account

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

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.



Initial Recognition and Classification of Financial Instruments

All financial assets, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period. The Group's financial assets include financial assets at FVPL, 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 and 2016 are in the nature of other financial liabilities.

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

Financial Instruments at FVPL

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities that are held for trading purposes.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in 'Trading gains (losses) - net' in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other revenues according to the terms of the contract, or when the right of the payment has been established.

As at December 31, 2017 and 2016, the Group only has financial assets which are held for trading purposes that are classified as financial assets at FVPL.

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 effective interest 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 effective interest rate (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', '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 23.

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

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



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

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

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

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

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

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

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

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

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

Trade Receivables and Payables

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



Derecognition of Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

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

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

Impairment of Financial Assets

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

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

Financial Assets Carried at Amortized Cost

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



If there is objective evidence that an impairment loss on 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 tax credit certificate, creditable withholding tax (CWT) and input value-added tax (VAT). Other noncurrent assets are composed of deposit to CTGF, refundable deposits and deferred input VAT. These assets are classified as current when it is probable to be realized within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Property and Equipment

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

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



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

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

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

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

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

Intangibles

Exchange Trading Rights

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

Software Costs

Costs related to software purchased by the Group for use in operations are 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

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

Commissions

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

Interest

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

Dividend

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

Other Income

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



Costs and Expenses

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

Share-Based Payment Transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will vest. The fair value is determined using an appropriate pricing model, further details of which are given in Note 17 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 17). 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 24).



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.

Earnings per Share (EPS)

Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

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

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

Taxes

Current Income Tax

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

Deferred Income Tax

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences including net loss carry-over to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences can be utilized. Deferred income tax, however, is



not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor the taxable income or loss.

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

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

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

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

Contingencies

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

Segment Reporting

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

Events After the End of the Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

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



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

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 10. 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, 2017 and 2016, the carrying values of intangibles are disclosed in Note 10.

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, 2017 and 2016 are disclosed in Note 18.

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 17.



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

Cash and Cash Equivalents

	2017	2016
Cash on hand and in banks	₱477,130,278	₱703,440,138
Short-term cash investments	9,538,800,049	6,522,163,846
	₱10,015,930,327	₱7,225,603,984

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 2.00% to 3.65% per annum in 2017, from 0.94% to 2.73% per annum in 2016 and from 0.69% to 3.00% per annum in 2015. The Parent Company has United States dollar (US\$)-denominated cash in banks amounting to US\$5,585 and US\$15,974 as at December 31, 2017 and 2016, respectively, while COLHK has US\$-denominated cash in banks amounting to US\$223,837 and US\$262,068 as at December 31, 2017 and 2016, 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 ₱9,645,732,629 and ₱6,951,037,917 as at December 31, 2017 and 2016, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at December 31, 2017 and 2016, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

Long-term Time Deposit

This account pertains to the Group's time deposit in a 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 and long-term time deposit amounted to ₱181,575,770, ₱162,216,441 and ₱110,436,251 in 2017, 2016 and 2015, respectively (Note 15).

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 12). 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 15).



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, 2017 and 2016, financial assets at FVPL amounted to ₱1,176,978 and ₱2,102,563, respectively.

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

	2017	2016	2015
Trading gains (losses) from sale	₱17,306,584	(₱211,524)	₱12,085,911
Unrealized trading gains (losses)	(103,792)	139,356	(1,233,669)
	₱17,202,792	(₱72,168)	₱10,852,242

Dividend income included under 'Other revenues' amounted to ₱230,474, ₱28,710 and ₱20,932 in 2017, 2016 and 2015, respectively.

7. Trade Receivables and Other Receivables

Trade Receivables

	2017	2016
Customers (Note 19)	₱610,749,598	₱908,222,913
Clearing house	505,658,654	190,079,112
Other brokers	53,278,333	92,827,821
Trail fee receivables	1,168,848	674,528
	1,170,855,433	1,191,804,374
Less allowance for credit losses on trade receivables from customers	1,181,292	3,160,045
	₱1,169,674,141	₱1,188,644,329

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

	2017		2016	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Fully secured accounts:				
More than 250%	₱367,509,536	₱3,451,234,034	₱610,583,117	₱5,779,311,438
Between 200% and 250%	163,263,492	356,101,746	104,818,123	247,666,968
Between 150% and 200%	33,677,610	62,630,000	47,052,658	90,090,020
Between 100% to 150%	17,743,037	22,161,102	82,904,042	96,073,905
Less than 100%	28,555,878	28,371,579	48,038,401	48,002,852
Unsecured accounts (Note 19)	45	—	14,826,572	—
	610,749,598	3,920,498,461	908,222,913	6,261,145,183
Less allowance for credit losses on trade receivables from customers	1,181,292	—	3,160,045	—
	₱609,568,306	₱3,920,498,461	₱905,062,868	₱6,261,145,183

As at December 31, 2017 and 2016, the Parent Company offered a credit line facility amounting to ₱5,410,061,000 and ₱5,106,458,000, respectively, to its customers who qualified for margin account. The outstanding balance of utilized margin is being charged an interest rate ranging from 1.00% to 1.50% per month until April 2016 and from 0.67% to 0.83% per month beginning May 2016.



Interest income from customers amounted to ₱66,939,815, ₱58,170,742 and ₱122,711,829 in 2017, 2016 and 2015, respectively (Note 15).

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, 2017 and 2016, ₱582,193,675 and ₱845,357,940, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at December 31, 2017 and 2016, were fully collected in January 2018 and 2017, respectively. These are noninterest-bearing and are collected on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

Receivables from other brokers pertain to 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 commission fee earned by the Parent Company for selling mutual funds to its customers. The fee is computed and collected on a monthly basis.

Other Receivables

	2017	2016
Accrued interest	₱22,928,306	₱12,280,288
Advances to officers and employees (Note 19)	442,355	511,326
Others (Note 11)	4,111,243	11,329,313
	27,481,904	24,120,927
Less allowance for credit losses on other receivables (Note 11)	–	8,960,245
	₱27,481,904	₱15,160,682

Allowance for Credit Losses

	2017			2016		
	Customers	Others	Total	Customers	Others	Total
Balances at beginning of year	₱3,160,045	₱8,960,245	₱12,120,290	₱1,274,357	₱8,960,245	₱10,234,602
Provision for (recovery from) credit losses	(1,978,753)	(8,960,245)	(10,938,998)	1,885,688	–	1,885,688
Balances at end of year	₱1,181,292	₱–	₱1,181,292	₱3,160,045	₱8,960,245	₱12,120,290

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



8. Held-to-maturity Investments

This account consists 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.

As at December 31, 2017, the carrying amount of HTM investment amounted to ₱202,738,147 with an EIR of 3.62%.

Interest income earned from the investment amounted to ₱1,944,962 in 2017 (Note 15).

9. Property and Equipment

2017					
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Office Space	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

2016					
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements		Total
Cost					
At beginning of year		₱75,205,205	₱30,122,088	₱28,009,979	₱133,337,272
Additions		26,006,233	1,020,831	1,001,347	28,028,411
Disposals		(46,085)	(7,317,714)	—	(7,363,799)
Translation adjustments		402,278	536,889	48,018	987,185
At end of year		101,567,631	24,362,094	29,059,344	154,989,069
Accumulated depreciation					
At beginning of year		52,303,139	25,457,626	24,806,052	102,566,817
Depreciation		11,375,814	2,349,483	1,799,861	15,525,158
Disposals		(43,889)	(6,968,599)	—	(7,012,488)
Translation adjustments		400,082	166,145	48,018	614,245
At end of year		64,035,146	21,004,655	26,653,931	111,693,732
Net book value		₱37,532,485	₱3,357,439	₱2,405,413	₱43,295,337

As of December 31, 2017 and 2016, the cost of the Group's fully depreciated property and equipment still in use amounted to ₱91,216,333 and ₱70,813,704, respectively. Disposal of property and equipment, included in 'Other revenues', resulted in gains amounting to nil, ₱4,365 and ₱1,069 in 2017, 2016 and 2015, respectively.



The depreciation were distributed as follows:

	2017	2016	2015
Cost of services	₱159,299	₱201,009	₱154,548
Operating expenses	18,106,127	15,324,149	14,072,535
	₱18,265,426	₱15,525,158	₱14,227,083

10. Intangibles

Stock Exchange Trading Rights

Philippine Operations

As at December 31, 2017 and 2016, 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 HK Stock Exchange in its continuing operation. As at December 31, 2017 and 2016, the carrying value of COLHK exchange trading right in Philippine peso amounted to nil and ₱20,483,628, respectively.

The Group performed its annual impairment test in December 2017 and 2016. 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 (2017: 1.54%; 2016: 1.73%) – 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% in 2016 and 2017) – 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 2017 representing the full amount of the carrying value of the trading right, while no impairment loss was recognized in 2016 and 2015 since the VIU exceeds the carrying value of the exchange trading right.

Movements in the exchange trading rights follow:

	2017	2016
At beginning of year	₱25,483,628	₱24,413,383
Impairment loss	(20,636,226)	—
Translation adjustment	152,598	1,070,245
At end of year	₱5,000,000	₱25,483,628

Software Costs and Licenses

Movement in the software and licenses account follow:

	2017	2016
Cost		
At beginning of year	₱43,211,407	₱35,735,956
Additions	3,011,218	7,475,451
At end of year	46,222,625	43,211,407
Accumulated amortization		
At beginning of year	25,839,205	22,237,999
Amortization	3,977,731	3,601,206
At end of year	29,816,936	25,839,205
Net book value	₱16,405,689	₱17,372,202

The amortization of software costs and licenses recorded in 'Depreciation and amortization' in the consolidated statements of income amounted to ₱3,977,731, ₱3,601,206, and ₱3,456,179 in 2017, 2016, and 2015, respectively.

As of December 31, 2017 and 2016, the costs of the Group's fully amortized software still in use amounted to ₱20,715,367 and ₱19,470,984, respectively.

11. 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.



Other Noncurrent Assets

	2017	2016
Deposit to CTGF	₱13,724,200	₱13,724,200
Refundable deposits:		
Rental and utility deposits	5,860,499	5,100,348
Other refundable deposits	2,933,661	3,334,697
	8,794,160	8,435,045
Deferred input VAT	8,305,186	6,335,469
Intangible assets under development	918,367	–
	31,741,913	28,494,714
Less allowance for impairment losses on other noncurrent assets	13,724,200	13,724,200
	₱18,017,713	₱14,770,514

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

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

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

12. Trade Payables

	2017	2016
Customers (Note 19)	₱10,199,144,174	₱7,307,047,860
Dividends Payable	71,015	–
Clearing house	–	46,244,379
	₱10,199,215,189	₱7,353,292,239

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

	2017		2016	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	₱10,199,144,174	₱59,024,878,875	₱7,307,047,860	₱46,490,317,991
No money balances	–	1,900,006,708	–	1,763,376,456
	₱10,199,144,174	₱60,924,885,583	₱7,307,047,860	₱48,253,694,447

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



Payable to customers with money balances amounting to ₱106,827,836 and ₱156,161,596 as at December 31, 2017 and 2016, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of conduct of regulated activities. These balances are payable on demand.

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

13. Other Current Liabilities

	2017	2016
Accrued expenses	₱37,810,618	₱28,426,679
Due to BIR	29,475,240	23,957,778
Accrued management bonus	20,381,052	21,126,958
Trading fees	3,217,800	2,136,692
Others	24,318,323	15,277,964
	₱115,203,033	₱90,926,071

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

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

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

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

14. Equity

Capital Stock

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

	2017		2016	
	Shares	Amount	Shares	Amount
Common stock - ₱1 per share				
Authorized	1,000,000	₱1,000,000	1,000,000	₱1,000,000
Issued and outstanding				
Balances at beginning of year	476,000	476,000	475,000	475,000
Issuance of common shares upon exercise of stock options (Note 17)	—	—	1,000	1,000
Balances at end of year	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, 2017 and 2016, there were 31 and 30 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱15.50 and ₱16.10 per share, respectively.

The history of share issuance during the last five years follows:

Year	Issuance	Listing Date	Number of Shares issued
2016	Stock options exercise	July 4, 2016	1,000,000
2015	Stock options exercise	July 16, 2015	250,000
2015	Stock options exercise	April 14, 2015	200,000
2014	Stock options exercise	November 25, 2014	200,000
2014	Stock options exercise	November 24, 2014	5,500,000
2014	Stock options exercise	May 22, 2014	200,000
2013	Stock options exercise	February 21, 2013	200,000
2013	Stock options exercise	January 24, 2013	200,000
2013	Stock options exercise	January 13, 2013	440,000

Retained Earnings

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

On March 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.

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

As of December 31, 2017 and 2016, the consolidated retained earnings includes the retained earnings of COLHK amounting to ₱215,137,820 and ₱245,665,894, respectively, which are not available for dividend declaration.



15. Interest Income

	2017	2016	2015
Banks (Note 4)	₱181,575,770	₱162,216,441	₱110,436,251
Customers (Note 7)	66,939,815	58,170,742	122,711,829
Others (Note 8)	1,944,962	–	16,329
	₱250,460,547	₱220,387,183	₱233,164,409

16. Personnel Costs

	2017	2016	2015
Salaries and wages	₱115,729,188	₱98,257,234	₱85,526,022
Retirement costs (Note 17)	4,385,708	4,886,302	4,356,919
Other benefits (Note 17)	8,494,045	8,007,106	7,204,430
	₱128,608,941	₱111,150,642	₱97,087,371

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

The above accounts were distributed as follows:

	2017	2016	2015
Cost of services	₱85,287,973	₱74,166,258	₱64,928,766
Operating expenses	43,320,968	36,984,384	32,158,605
	₱128,608,941	₱111,150,642	₱97,087,371

17. 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 2017, 2016 and 2015. There were no cancellations or modifications to the SOP in 2017, 2016 and 2015.

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

	2016	2015
Outstanding at beginning of year	1,000,000	1,450,000
Exercised during the year (Note 14)	(1,000,000)	(450,000)
Outstanding at end of year	–	1,000,000



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

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

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

- share price of ₱1.36 as the latest valuation of stock price at the time of the initial public offering;
- exercise price of ₱1.00;
- expected volatility of 24.00%;
- option life of ten (10) years; and
- risk-free interest rate of 11.04%.

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

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

	2016	2015
Balances at beginning of year	₱4,031,571	₱5,499,602
Movement on deferred tax asset on intrinsic value of outstanding options	(4,031,571)	(1,468,031)
Movements during the year	(4,031,571)	(1,468,031)
Balances at end of year	₱—	₱4,031,571

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, 2017, 2016 and 2015.

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:

	2017	2016	2015
Current service cost (Note 16)	₱4,385,708	₱4,886,302	₱4,356,919
Net interest expense	1,475,447	1,313,885	1,296,864
	₱5,861,155	₱6,200,187	₱5,653,783

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:

	2017	2016
Retirement obligation at beginning of year	₱26,826,298	₱26,277,714
Retirement costs	5,861,155	6,200,187
Net actuarial (gains) losses	10,861,557	(5,651,603)
	₱43,549,010	₱26,826,298

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

	2017	2016
Present value of defined benefit obligation	₱51,371,744	₱35,737,721
Fair value of plan assets	(7,822,734)	(8,911,423)
	₱43,549,010	₱26,826,298

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

	2017	2016
Opening present value of defined benefit obligation	₱35,737,721	₱40,298,424
Current service cost	4,385,708	4,886,302
Interest cost	1,965,575	2,014,921
Remeasurement losses (gains) on:		
Financial assumptions	(1,185,614)	(2,231,088)
Experience adjustments	11,674,977	(3,887,495)
Benefits paid	(1,206,623)	(5,343,343)
	₱51,371,744	₱35,737,721

Changes in the fair value of plan assets follow:

	2017	2016
Balances at beginning of year	₱8,911,423	₱14,020,710
Expected interest income	490,128	701,036
Benefits paid	(1,206,623)	(5,343,343)
Remeasurement loss on plan assets	(372,194)	(466,980)
	₱7,822,734	₱8,911,423



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

	2017	2016
Investment in unit investment trust funds (UITF)	99.85%	99.98%
Cash in bank	0.19%	0.02%
	100.04%	100.00%
Accrued trust fees payable	(0.04%)	—
	100.00%	100.00%

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:

	2017	2016
Discount rate	5.70%	5.50%
Future salary increases	5.00%	5.00%
Mortality rates		
Male	0.06%-0.74%	0.06%-0.74%
Female	0.05%-0.61%	0.05%-0.61%

The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2017 and 2016 assuming all other assumptions were held constant.

2017		
	Increase (decrease) in significant assumptions	Increase (decrease) in defined benefit obligation
Discount rates	+0.50%	(P2,794,454)
	-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)
2016		
	Increase (decrease) in significant assumptions	Increase (decrease) in defined benefit obligation
Discount rates	+0.50%	(P2,044,888)
	-0.50%	2,231,088
Future salary increases	+0.50%	2,114,732
	-0.50%	(1,958,437)
Mortality rate	+1 year	(209,186)
	-1 year	222,955



The Parent Company does not perform any asset-liability matching strategy. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trust bank, in accordance with the requirements of the Bangko Sentral ng Pilipinas. It does not, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan. The retirement plan assets consist of 99.85% investment in UITF and 0.19% regular savings account as at December 31, 2017 and 99.98% investment in UITF and 0.02% regular savings account as at December 31, 2016.

The Parent Company has no funding policies. As at March 1, 2018, the Parent Company has not yet reasonably determined the amount of the 2018 contributions to the retirement plan.

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

	2017	2016
Zero (0) to five (5) years	₱29,265,385	₱8,559,070
Six (6) to ten (10) years	30,095,250	25,141,321
Beyond ten (10) years	348,253,566	271,647,850
	₱407,614,201	₱305,348,241

The weighted average duration of the defined benefit obligation is 14 years in 2017, 2016 and 2015.

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 ₱318,277, ₱292,108 and ₱315,685 in 2017, 2016 and 2015, respectively.

18. Income Taxes

Deferred Income Taxes

	2017	2016
Unused tax losses	₱31,723,955	₱29,971,201
Retirement obligation	8,047,889	8,047,889
Accumulated translation adjustment	(3,525,080)	(4,018,144)
Allowance for credit losses on trade receivables		
from customers	354,388	948,014
Unamortized past service cost	180,729	180,729
Unrealized trading gains (losses)	(67,776)	18,783
Unrealized foreign exchange gains (losses)	2,701	(1,667)
	₱36,716,806	₱35,146,805

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.

As of December 31, 2017, the Parent Company did not recognize deferred tax asset on retirement obligation amounting to ₱4,859,657, since it is not probable that the related benefit will be realized in the future.



In 2017, 2016 and 2015, 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:

	2017	2016	2015
Income tax at statutory income tax rate	₱153,436,932	₱131,306,118	₱108,543,608
Additions to (reductions in) income tax resulting from:			
Interest income subjected to final tax	(18,291,479)	(16,222,002)	(11,043,878)
40% OSD	(3,920,921)	(12,207,383)	(4,087,864)
Effect of lower income tax rate in HK	1,579,836	6,336,589	5,666,522
Tax-exempt income	(69,142)	(8,613)	(6,279)
Others	—	—	46,576
Provision for income tax	₱132,735,226	₱109,204,709	₱99,118,685

Deficiency Taxes

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



19. 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
<i>Key management personnel</i>							
2017	₱2,525,811	₱235,279	₱—	₱—	₱—	₱2,818,657	₱90,885,505
2016	1,107,956	526,258	—	—	—	7,740,894	63,175,974
2015	1,824,079	728,588	—	—	—	9,706,066	76,796,152
<i>Companies with common officers, directors and stockholders</i>							
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
2015	6,173,808	1,605,200	3,050	4,259,406	—	8,811,356	28,674,794
<i>Directors, officers and employees</i>							
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
2015	19,731,125	361,183	—	—	890,000	—	65,739,659

Trade receivables from and payables to related parties are due to be settled in three trading days in the Philippines and two trading days in HK. Trade receivables from related parties are interest-bearing, not guaranteed, and secured by shares of stocks (except for trade receivables amounting to ₱45 and ₱14,826,572, which were unsecured as of December 31, 2017 and 2016, respectively) (Note 7). The trade receivables from related parties are not impaired.

- b. As of December 31, 2017 and 2016, the Group also has unsecured noninterest-bearing advances to its officers and employees amounting to ₱442,355 and ₱511,326 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:

	2017	2016	2015
Short-term employee benefits	₱67,820,730	₱56,278,360	₱51,298,330
Retirement costs (Note 17)	2,665,901	2,305,110	2,160,229
	₱70,486,631	₱58,583,470	₱53,458,559

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

As at December 31, 2017 and 2016, the carrying amount of the retirement obligation amounted to ₱43,549,010 and ₱26,826,298, respectively, and the fair value of the retirement plan assets amounted to ₱7,822,734 and ₱8,911,423, respectively (Note 17). The retirement plan assets are composed mostly of investments in UITF (Note 17).

In 2017 and 2016, the Parent Company made no contribution to the retirement fund. In 2015, the Parent Company made a contribution to the retirement fund amounting to ₱8,190,778.

20. 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 ₱17,034,409, ₱14,326,932 and ₱13,610,309 in 2017, 2016 and 2015, respectively.

The future minimum lease payments are as follows:

	2017	2016
Within one (1) year	₱18,058,581	₱14,606,358
After one (1) year but not more than five (5) years	10,534,458	17,519,383
	₱28,593,039	₱32,125,741

21. 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, 2017, 2016 and 2015.

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, 2017 and 2016, 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, 2017 and 2016 are as follows:

	2017	2016
Equity eligible for NLC	₱1,284,485,316	₱1,160,280,925
Less ineligible assets	284,559,814	224,083,771
NLC	₱999,925,502	₱936,197,154
Position risk	₱8,449,290	₱1,301,878
Operational risk	151,250,612	145,843,377
Counterparty risk	—	1,536
Total Risk Capital Requirement (TRCR)	₱159,699,902	₱147,146,791
AI	₱10,147,078,830	₱7,173,174,849
5.00% of AI	₱507,353,942	₱358,658,742
Required NLC	₱507,353,942	₱358,658,742
Net Risk-Based Capital Excess	₱492,571,560	₱577,538,412
Ratio of AI to NLC	1,015%	766%
RBCA ratio (NLC/TRCR)	626%	636%

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 2017 and 2016, 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, 2017 and 2016.

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, 2017 and 2016, COLHK is compliant with the said requirement.

22. Financial Risk Management Objectives and Policies

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

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



The BOD reviews and agrees on the policies for managing each of these risks and they are summarized below:

Credit risk

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

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

Aging Analyses of Financial Assets

The aging analyses of the Group's financial assets as at December 31, 2017 and 2016 are summarized in the following tables (gross of allowance for credit losses):

	2017					Total
	Neither past due nor impaired	Past due but not impaired			Specifically impaired	
		4-14 days	15-31 days	More than 31 days		
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

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

*Excluding cash on hand



Past due accounts pertain to margin accounts of the Parent Company earning interest ranging from 8% to 10% from May 2016 and 12% to 18% in 2015 to April 2016. The account has no due date and becomes demandable only when equity percentage of the customers falls below 33.33%.

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

	2017			
	Neither Past Due nor Specifically Impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
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

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

*Excluding cash on hand

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

High grade

Loans and Receivables

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

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

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at December 31, 2017 and 2016, ₱610,749,553 and ₱893,396,340 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 ₱3,920,498,461 and ₱6,261,145,183, respectively (Note 7).



Transactions through the stock exchange are covered by the guarantee fund contributed by member brokers and maintained by the clearing house.

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

Financial Assets at FVPL

Companies that are consistently profitable, have strong fundamentals and pays out dividends. As at December 31, 2017 and 2016, the Group's financial assets at FVPL are classified as high grade since these are with entities of good reputation.

HTM Investment

The HTM 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

Loans and Receivables

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

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:

	2017	2016
Cash and cash equivalents (Note 4)*	₱10,015,881,162	₱7,225,559,720
Cash in a segregated account (Note 5)	88,993,088	134,918,294
Financial assets at FVPL (Note 6)	1,176,978	2,102,563
Trade receivables (Note 7)	184,344	14,862,121
Other receivables (Note 7)	27,481,904	15,160,682
Long-term time deposit (Note 4)	200,000,000	200,000,000
Refundable deposits (Note 11)	8,794,160	8,435,045
Held-to-maturity investment (Note 8)	202,738,147	—
	10,545,249,783	7,601,038,425
Unutilized margin trading facility	4,854,797,720	4,414,796,195
	₱15,400,047,503	₱12,015,834,620

*Excluding cash on hand

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.

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, 2017 and 2016, 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, 2017 and 2016 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 2017 and 2016 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\$229,422 and US\$278,042 as at December 31, 2017 and 2016, 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 2017 and 2016 is not significant.

Offsetting of Financial Assets and Liabilities

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

2017						
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
	[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
2016						
Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Consolidated Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		
				Financial Instruments	Fair Value of Financial Collateral	Net Exposure
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]
Financial Assets						
Receivable from customers	₱908,222,913	₱-	₱908,222,913	₱31,734,077	₱-	₱876,488,836
Receivable from clearing house	190,079,112	-	190,079,112	46,244,379	-	143,834,733
	₱1,098,302,025	₱-	₱1,098,302,025	₱77,978,456	₱-	₱1,020,323,569
Financial Liabilities						
Payable to customers	₱7,307,047,860	₱-	₱7,307,047,860	₱31,734,077	₱-	₱7,275,313,783
Payable to clearing house	46,244,379	-	46,244,379	46,244,379	-	-
	₱7,353,292,239	₱-	₱7,353,292,239	₱77,978,456	₱-	₱7,275,313,783



23. Fair Value Measurement

The following table shows the carrying value and fair value of the Group's refundable deposits, whose carrying value does not approximate its fair value as at December 31, 2017 and 2016:

	Carrying Values		Fair Values	
	2017	2016	2017	2016
Refundable deposits	₱8,794,160	₱8,435,044	₱7,660,000	₱6,958,345
Held-to-maturity investment	202,738,147	—	200,642,000	—

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

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

Financial Assets at FVPL

The Group's financial assets at FVPL are carried at their fair values as at December 31, 2017 and 2016. 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, 2017 and 2016. There are no changes in the valuation techniques in 2017 and 2016.

HTM Investment

The fair value of HTM investment is based on the quoted bid price in an active market as at December 31, 2017.

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:

	2017		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	₱1,009,926	₱167,052	₱—
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	—	—	7,660,000
Held-to-maturity investment	200,642,000	—	—
	2016		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	₱1,329,760	₱772,803	₱—
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	—	—	6,958,345



During the years ended December 31, 2017 and 2016, there were no transfers among levels 1, 2 and 3 of fair value measurements.

24. EPS Computation

	2017	2016	2015
Net income	₱378,721,215	₱328,482,350	₱262,693,342
Weighted average number of shares for basic earnings per share	476,000,000	475,500,000	474,712,500
Dilutive shares arising from stock options	–	467,252	1,204,904
Adjusted weighted average number of common shares for diluted earnings per share	476,000,000	475,967,252	475,917,404
Basic EPS	₱0.80	₱0.69	₱0.55
Diluted EPS	₱0.80	₱0.69	₱0.55

25. Segment Information

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

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

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

	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)

	2015			
	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱456,763,490	₱30,119,942	₱–	₱486,883,432
Interest	233,164,336	73	–	233,164,409
Others	16,222,006	767,745	–	16,989,751
Inter-segment revenue	45,923,814	–	(45,923,814)	–
Segment revenue	752,073,646	30,887,760	(45,923,814)	737,037,592
Cost of services	(180,581,144)	(16,072,670)	–	(196,653,814)
Operating expenses	(150,058,761)	(56,752,790)	45,768,514	(161,043,037)
Depreciation and amortization	(17,492,178)	(36,536)	–	(17,528,714)
Income (loss) before income tax	403,941,563	(41,974,236)	(155,300)	361,812,027
Benefit from (provision for) income tax	(106,044,448)	6,925,763	–	(99,118,685)
Net income (loss)	₱297,897,115	(₱35,048,473)	(₱155,300)	₱262,693,342
Segment assets	₱7,411,524,095	₱680,109,210	(₱138,802,287)	₱7,952,831,018
Segment liabilities	6,374,148,517	265,647,180	(3,955,697)	6,635,840,000
Capital expenditures:				
Fixed assets	25,626,480	486,856	–	26,113,336
Cash flows arising from:				
Operating activities	2,257,704,153	(141,354,690)	–	2,116,349,463
Investing activities	(25,625,404)	(486,856)	–	(26,112,260)
Financing activities	(236,825,000)	–	–	(236,825,000)



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, 2017 and 2016, and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated March 8, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Janeth T. Nuñez-Javier

Partner

CPA Certificate No. 111092

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

July 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. 6621305, January 9, 2018, Makati City

March 8, 2018



**COL FINANCIAL GROUP, INC. AND SUBSIDIARY
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2017**

SUPPLEMENTARY SCHEDULES

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

SCHEDULE I
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
PURSUANT TO SRC RULE 68, AS AMENDED AND
SEC MEMORANDUM CIRCULAR NO.11
DECEMBER 31, 2017

<u>Unappropriated Retained Earnings, beginning</u>		₱397,007,095
Adjustments		—
<u>Unappropriated Retained Earnings, as adjusted, beginning</u>		397,007,095
<u>Net income during the period closed to retained earnings (Parent)*</u>	409,128,574	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	—	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	—	
Unrealized actuarial gain	—	
Fair value adjustment (FVPL)	—	
Fair value adjustment of investment property resulting to gain	—	
Adjustment due to deviation from PFRS/GAAP – gain	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—	
Provision for income tax - deferred recognized directly to statement of income	675,816	
Subtotal	409,804,390	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	—	
Adjustment due to deviation from PFRS/GAAP – loss	—	
Loss on fair value adjustment of investment property (after tax)	—	
Stock option expense for the period	—	
Accretion of retirement obligation for the period	—	
Unrealized actuarial loss	—	
Subtotal	—	
<u>Net Income Actual/Realized</u>	409,804,390	409,804,390
Add (Less):		
Dividend declarations during the period	(285,600,000)	
Appropriations of retained earnings based on 10% of December 31, 2017 audited net income**	(40,912,857)	
Reversals of appropriations	—	
Effects of prior period adjustments	—	
Treasury shares	—	
Subtotal	(326,512,857)	(326,512,857)
<u>Unappropriated Retained Earnings, as adjusted, ending</u>		<u>₱480,298,628</u>

* Consolidated net income of ₱378,721,215 net of ₱30,407,359 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 14 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, 2017

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2017:

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 Contracts with Customers		✓	
PFRS 16	Leases		✓	
PFRS 17	Insurance Contracts			✓
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		

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

PFRS		Adopted	Not adopted/ Not early adopted	Not applicable
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 9	Reassessment of Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	

PFRS		Adopted	Not adopted/ Not early adopted	Not applicable
IFRIC 23	Uncertainty over Income Tax Treatments	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2018 onwards.

SCHEDULE III
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

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	17,372,202	3,011,218	—	—	(3,977,731)	16,405,689
COLHK Exchange						
Trading Right	20,483,628	—	(20,636,226)	152,598	—	—
	42,855,830	3,011,218	(20,636,226)	152,598	(3,977,731)	21,405,689

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

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption 'Current position of long term debt' in related statement of financial position	Amount shown under caption 'Long-Term Debt' in related statement of financial position
None	N/A	N/A	N/A

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
None	N/A	N/A

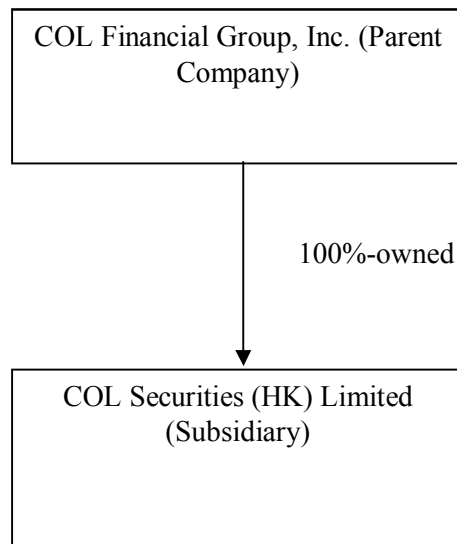
Schedule G. Guarantees of Securities of Other Issuers

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

Schedule H. Capital Stock (Figures in Thousands)

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
Common shares	1,000,000	476,000	–	–	275,718	200,282

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, 2017



SCHEDULE V
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

	2017	2016
Profitability ratios:		
Return on assets	3%	4%
Return on equity	26%	24%
Net profit margin	39%	39%
Solvency and liquidity ratios:		
Current ratio	1.10:1	1.15:1
Debt to equity ratio	7.09:1	5.46:1
Quick ratio	1.09:1	1.15:1
Asset to equity ratio	8.11:1	6.50:1
Other relevant ratios:		
RBCA ratio	626%	636%
Ratio of AI to NLC	1,015%	766%