

# First 9 Months 2012 Earnings Results

November 2012



# Investor Presentation Highlights

1. Company Overview

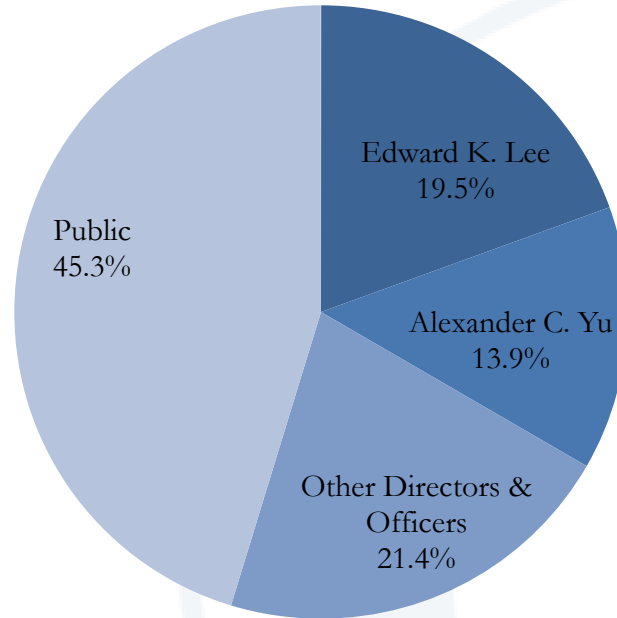
2. 9M12 Financial & Operating Highlights

# Company Overview



- Established and licensed by the SEC in 1999
- The leading and fastest-growing online stockbroker in the Philippines
- Focused on tapping the underserved retail investor base in the stock market
- Founder (Edward K. Lee) retains 19.5% stake and actively manages the Company

# Ownership Structure



\*As of end-September 2012

Outstanding Shares	467.7 Mil
Free Float	211.7 Mil
Market Cap*	Php9.8 Bil

# Business Objective

To be the **preferred source of financial services, a trusted provider of guidance and investment ideas and a strong organization committed to delivering great value to its customers.**

Our goal is to be the Champion of the Filipino investor.

# Investor Presentation Highlights

1. Company Overview

2. 9M12 Financial & Operating Highlights

# Key Highlights

- Positives:
  - Growing client base and equity, including cash deposits
  - Highly liquid & healthy balance sheet
  - Margin utilization picking up (q/q)
  - Operating discipline was evident as operating margins were flat (9M12 vs. 1H12)
- Negatives:
  - HK continued to suffer from market weakness
  - Trading activity of local investors in the PSE fell during 3Q12, negatively affecting COL's Philippine operations
  - Operating expenses up (y/y) due to capacity expansion program

# 9M12 Net Income down by 7.6%

## COL FINANCIAL GROUP, INC

### Consolidated Income Statement (In PhpMil)

	9M11	9M12	Change	
			Amount	%
<b>INCOME</b>				
Commissions	346.1	344.5	-1.6	-0.5%
Interest	142.0	137.7	-4.3	-3.0%
Other income	25.5	4.4	-21.1	-82.9%
<b>Total</b>	<b>513.6</b>	<b>486.6</b>	<b>-27.0</b>	<b>-5.3%</b>
<b>EXPENSES</b>				
Commission expenses	42.8	61.4	18.6	43.5%
Personnel costs	38.0	44.3	6.3	16.5%
Professional fees	14.6	17.1	2.5	17.5%
Stock exchange dues and fees	10.9	12.8	1.8	16.8%
Communication	11.7	17.2	5.5	47.1%
Rentals and utilities	9.2	11.6	2.4	26.3%
Depreciation	8.2	12.7	4.4	54.1%
Stock option expense	5.8	1.6	-4.2	-72.3%
Others	13.9	18.9	5.0	36.2%
	<b>155.0</b>	<b>197.5</b>	<b>42.5</b>	<b>27.4%</b>
<b>PRE-TAX INCOME (LOSS)</b>	<b>358.6</b>	<b>289.1</b>	<b>-69.5</b>	<b>-19.4%</b>
<b>TAXES</b>	<b>70.2</b>	<b>22.5</b>	<b>-47.7</b>	<b>-67.9%</b>
<b>NET INCOME (LOSS)</b>	<b>288.3</b>	<b>266.5</b>	<b>-21.8</b>	<b>-7.6%</b>
<b>EPS - Basic</b>	<b>0.64</b>	<b>0.58</b>	<b>-0.06</b>	<b>-9.4%</b>
<b>EPS - Fully diluted</b>	<b>0.60</b>	<b>0.57</b>	<b>-0.03</b>	<b>-5.0%</b>

- Consolidated net income fell 7.6% to Php266.5 Mil.
- Revenues fell 5.3% as the strength of Philippine operations was not enough to offset the weakness of HK. Revenues were also negatively affected by 1.) the lower utilization of margin facilities, partly offset by higher interest income from cash placements; and 2.) the absence of trading gains.
- Pre-tax income fell by 19.4% to Php289.1 Mil due to weakness in revenues and as costs increased largely due to the expansion of COL's Philippine operations.
- Commission expenses rose 43.5% to Php61.4 Mil largely due to the significant growth of the agency business coming from a low base in 2011.
- Personnel costs rose 16.5% while professional fees rose 17.5% largely due to the increase in capacity and realignment of pay (larger share of fixed pay relative to bonuses).
- Communication expense rose 47.1% to Php17.2 Mil while depreciation jumped 54.1% to Php12.7 Mil due to the increase in capacity.



# Strength of Philippines Not Enough to Offset Weakness of HK

## COL FINANCIAL GROUP, INC

### Revenue Breakdown (In PhpMil)

Philippines	9M11	9M12	Amount	%
Commission	253.3	300.6	47.3	18.7%
<i>Regular accounts</i>	184.1	201.1	17.0	9.2%
<i>Agency &amp; advisory</i>	69.3	99.5	30.2	43.6%
Interest	142.0	137.7	-4.3	-3.0%
Others	25.1	1.5	-23.6	-94.0%
<b>Philippine Revenues</b>	420.3	439.8	19.5	4.6%
<b>Hong Kong</b>				
Commission	92.8	43.9	-48.9	-52.7%
Interest	0.0	0.0	0.0	-100.0%
Others	0.4	0.0	-0.4	-94.3%
<b>Hong Kong Revenues</b>	93.2	43.9	-49.3	-52.9%
<b>Consolidated Revenues</b>	513.6	483.7	-29.8	-5.8%
<b>Revenue Share</b>				
Philippines	81.8%	90.9%		
HK	18.2%	9.1%		

- Revenues fell by 5.8% to Php483.7 Mil as the strong performance of Philippine operations was not enough to offset the poor performance of HK operations. Revenues in 2011 also benefited from the booking of trading gains.
- Revenues from Philippines grew 4.6% to Php439.8 Mil largely driven by the 18.7% growth of commissions to Php300.6 Mil.
- Commissions grew by 18.7% led by the agency business which showed a 43.6% increase, coming from a low base in 2011.
- Interest income was down slightly by 3.0% to Php137.7 Mil largely due to the lower utilization of margin facility by clients. 9M12 average margin loan fell by 21.7% to Php934 Mil. This was partly offset by higher income from cash placements. On the positive side, there was already an improvement in margin utilization during 3Q12 relative to 2Q12.

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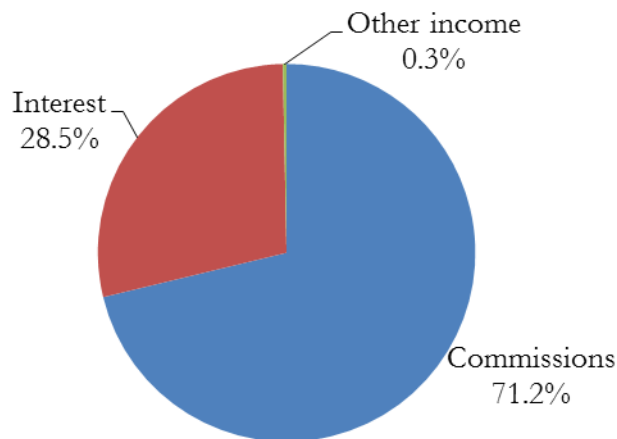
### Revenue Share

Philippines	81.8%	90.9%
HK	18.2%	9.1%

- Other income fell by 94.0% to Php1.5 Mil due to the absence of trading gains. In 9M11, COL booked substantial trading gains due to numerous stock rights that were unavailed by clients.
- Commission from HK fell 52.7% to Php48.9 Mil due to the weakness of the HK market. Due to the significant drop, HK's share of total revenues halved to 9.1% during 9M12 from 18.2% during 9M11.

# Commissions from the Philippines Account for a Growing Share of Revenues

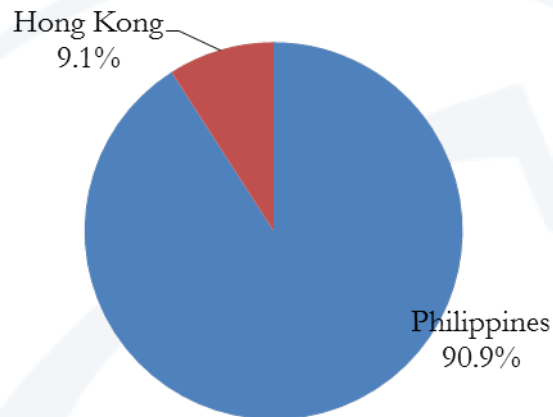
## Sources of Revenues



### Sources of Revenues

	9M11	9M12
Commissions	67.4%	71.2%
Interest	27.6%	28.5%
Other income	5.0%	0.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

## Revenues According to Geography



### Revenues (According to Geography)

	9M11	9M12
Philippines	81.8%	90.9%
Hong Kong	18.2%	9.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

# Negatively Affected by Lower Share of Local Investors

## PSE Total Value Turnover (in PhpBil)

	9M11	9M12	Growth
<b>Local</b>	654.3	726.5	37.6%
<b>Foreign</b>	393.4	581.3	51.0%
<b>Total</b>	1,047.6	1,307.8	43.0%

## Share of Total Value Turnover

<b>Foreign</b>	37.5%	44.4%
<b>Local</b>	62.5%	55.6%

## PSE Total Value Turnover (in PhpBil)

	3Q11	3Q12	Growth
<b>Local</b>	259.2	183.1	-29.4%
<b>Foreign</b>	125.5	176.9	40.9%
<b>Total</b>	384.8	360.0	-6.4%

## Share of Total Value Turnover

<b>Foreign</b>	32.6%	49.1%
<b>Local</b>	67.4%	50.9%

- During 9M12, trading activities by local investors in the PSE slowed down. This was largely responsible for the slower growth in COL's commission revenues.
- During 9M12, total value turnover in the PSE rose by 43.0% to Php1.3 Tril. However, total value turnover of local investors increased by only 37.6%, while total value turnover of foreign investors increased by 51.0%. In fact, during 3Q12, total value turnover by local investors fell by 29.4% while value turnover by foreign investors continued to grow by 40.9%.
- During 9M12, foreign investors accounted for 44.4% of total transactions in terms of value, up from 37.5% during 9M12.

# Operating Profits Pulled Down by Lower Revenues and Higher Costs

## COL FINANCIAL GROUP, INC

### Selected Financial Indicators

	9M11	9M12	Amount	%
<b>Operating Profits</b>				
Philippines	291.9	269.9	-22.0	-7.5%
Hong Kong	66.7	19.2	-47.5	-71.2%
<b>Total</b>	358.5	289.1	-69.5	-19.4%
<b>Operating Margins</b>				
Philippines	69.4%	61.4%		
Hong Kong	71.5%	43.7%		
<b>Consolidated</b>	69.8%	59.8%		
<b>EBITDA Margin</b>	72.5%	62.3%		
<b>Net Margin</b>	56.1%	54.8%		
<b>Asset Turnover*</b>	21.3%	17.8%		
<b>Asset/Equity</b>	3.2	3.0		
<b>ROAE*</b>	32.7%	28.0%		

*\*Annualized*

- Operating profits fell by 19.4% to Php289.1 Mil due to the weak performance of HK and as costs from Philippine operations increased due to COL's capacity expansion program.
- Operating margin fell from 69.8% to 59.8% as margins from both the Philippines and HK dropped. Nevertheless, our operating margin for 9M12 was flat compared to the 1H12 average of 59.5%, showing COL's operating discipline.
- Operating margin from Philippine operations fell largely due to the growing share of our lower margin agency business. Margin also fell as fixed operating expenses increased due to COL's capacity expansion program.
- Operating margin from HK operations fell due to weakness in revenues and fixed nature of operating expenses.

# Strong and Highly Liquid Balance Sheet

## COL FINANCIAL GROUP, INC Consolidated Balance Sheet (In PhpMil)

	12/31/11	9/30/12	Change	
			Amount	%
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	2,188.9	2,179.1	-9.9	-0.5%
Trade Receivables	1,160.7	1,408.4	247.7	21.3%
Other Receivables	8.1	5.9	-2.2	-27.4%
Financial Assets at FVPL	1.3	9.6	8.3	629.1%
Prepayments	2.2	4.8	2.6	116.2%
	3,361.3	3,607.8	246.5	7.3%
<b>Non-Current Assets</b>				
Property and Equipment-net	41.7	39.8	-1.9	-4.5%
Stock Exchange Trading Right	23.0	22.2	-0.8	-3.5%
Deferred Tax Assets	75.2	52.6	-22.5	-30.0%
Other Non-Current Assets	8.6	7.6	-1.0	-11.5%
	148.6	122.4	-26.2	-17.6%
<b>TOTAL ASSETS</b>	<b>3,509.8</b>	<b>3,730.1</b>	<b>220.3</b>	<b>6.3%</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Trade payables	2,133.5	2,441.3	307.8	14.4%
Dividends payable	0.0	0.0	0.0	-
Other current liabilities	75.2	35.2	-40.0	-53.2%
	2,208.7	2,476.5	267.8	12.1%
<b>Non-Current Liabilities</b>				
Retirement obligation	6.2	6.2	0.0	0.0%
<b>Total Liabilities</b>	<b>2,214.9</b>	<b>2,482.7</b>	<b>267.8</b>	<b>12.1%</b>
<b>Stockholders' Equity</b>	<b>1,295.0</b>	<b>1,247.4</b>	<b>-47.5</b>	<b>-3.7%</b>

- COL's balance sheet remained strong, with high levels of cash and no debts.
- Trade payables grew by 14.4% for the YTD period to Php2.4 Bil due to the strong growth in our client base, which led to an increase in the amount of cash balances in clients' portfolio. As of end September, total cash of clients amounted to Php2.2 Bil, up 14.7% compared to end 2011 level of Php1.9 Bil.
- Trade receivables increased by 21.3% for the YTD period to Php1.4 Bil. Although average margin loan for 9M12 is still down relative to the 9M11 and FY11 average, the average for September is already up by 12.4% at Php1.0 Bil compared to the December 2011 average of Php926.4 Mil.

# Strong and Highly Liquid Balance Sheet

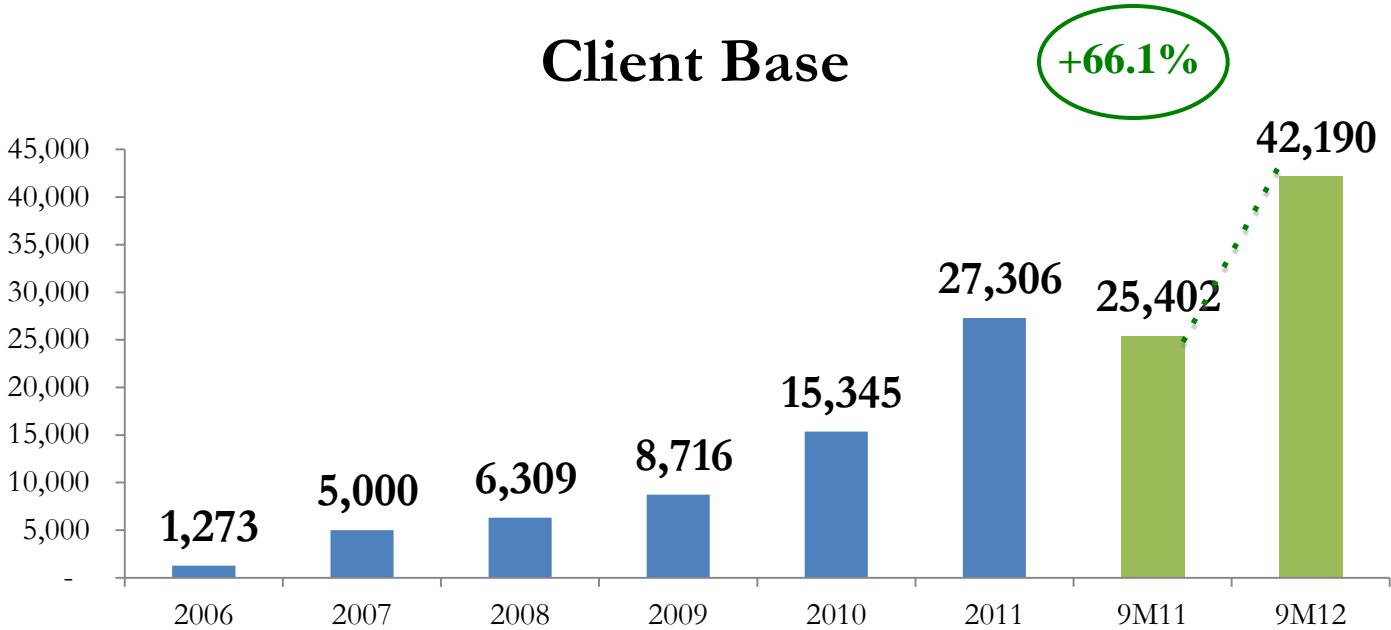
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- High cash balances of clients coupled with the slight increase in margin utilization allowed COL's to maintain its cash position of Php2.2 Bil for the YTD period ending September.
- Stockholders' equity fell by 3.7% for the YTD period due to the payment of Php280 Mil worth of cash dividends, partly offset by the booking of Php288.3 Mil worth of profits.

# Sustained Customer Growth

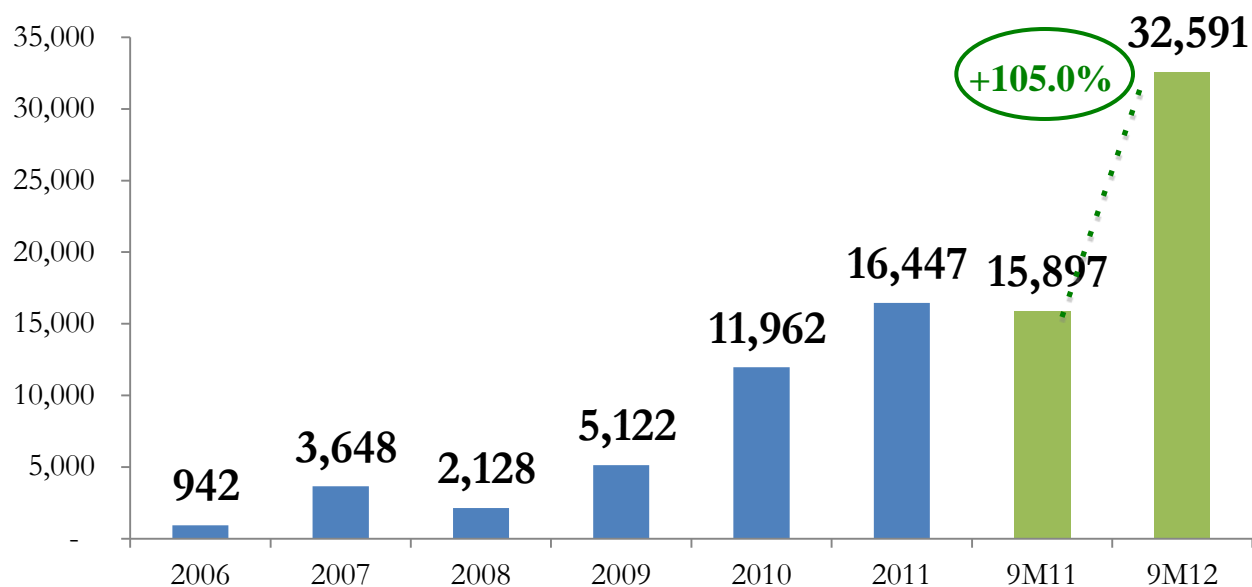
## Client Base





# Sustained Customer Growth

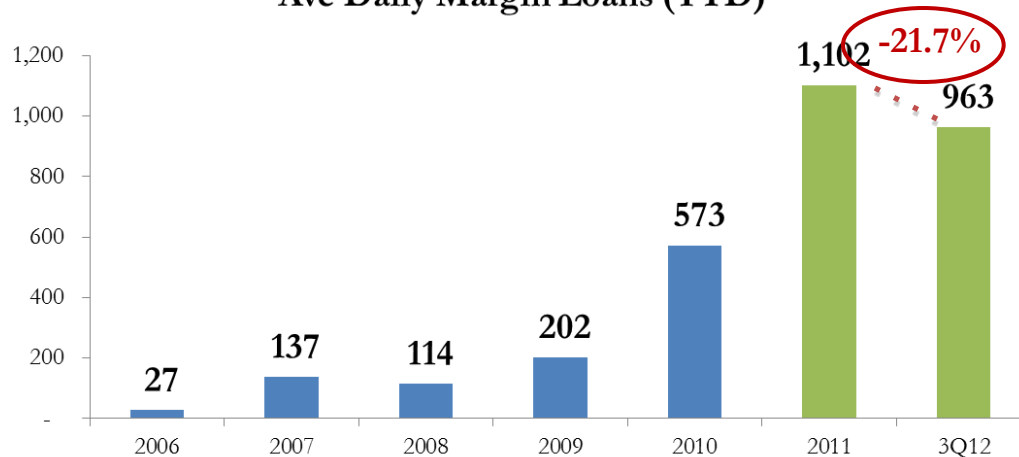
## Client Equity (PhpMil)



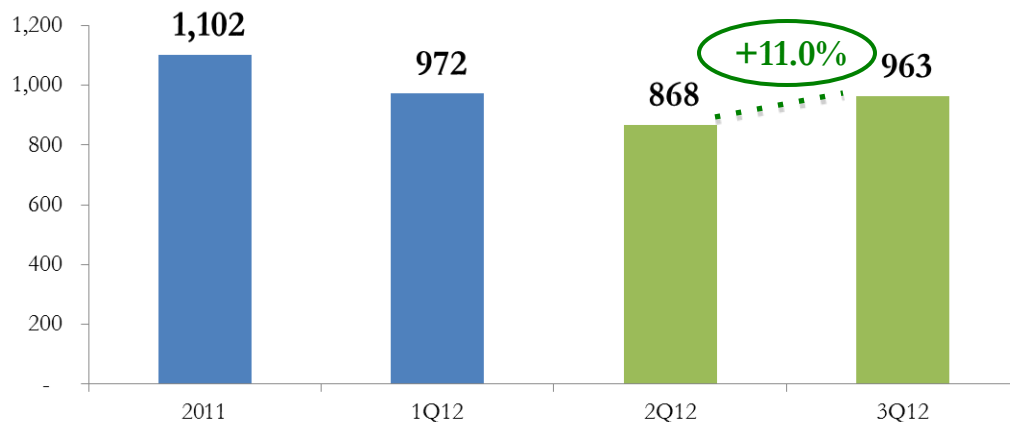
*\* End September 2012 balance includes Php6.83 Bil worth of SMC preferred shares of institutional clients which may be withdrawn anytime.*

# Margin Loans Drop, Although Showing Signs of Bottoming Out

Ave Daily Margin Loans (YTD)



Ave Daily Margin Loans (Quarterly)



- For the YTD period, average daily margin loans fell by 21.7% to Php934 Mil.
- However, on a quarter on quarter basis, average daily margin loans improved by 11.0% to Php963 Mil during 3Q12 from Php868 Mil during 2Q12.

# Growing Number of Margin Accounts & Value of Margin Granted Paying Off

<b>Period</b>	<b>2010</b>	<b>2011</b>	<b>1Q12</b>	<b>2Q12</b>	<b>3Q12</b>
Approved Margin Accounts	690	841	868	882	890
Accounts Utilizing Margin	302	314	287	264	294
<i>% Utilization</i>	<i>43.8%</i>	<i>37.3%</i>	<i>33.1%</i>	<i>29.9%</i>	<i>33.0%</i>
Value of Margin Granted ( <i>PhpMil</i> )	3,102	4,012	4,105	4,185	4,220
<i>% Utilization</i>	<i>18.5%</i>	<i>27.5%</i>	<i>23.7%</i>	<i>20.7%</i>	<i>22.8%</i>

# Comparative Performance (COL vs. PSE)

	9M11	9M12	Amount	%
<b>PSE Ave. Daily T/O (PhpMil)</b>	5,536.2	7,068.4	1,532.2	27.7%
<b>COL Ave. Daily T/O (PhpMil)</b>	504.6	603.2	98.6	19.5%
<b>COL Market Share</b>	4.6%	4.3%		
<b>PSE Ranking</b>	7	7		
<b>No. of Transactions - PSE ('000)</b>	6,292.8	8,569.6	2,276.8	36.2%
<b>No. of Transactions - COL ('000)</b>	1,313.9	1,990.8	676.9	51.5%
<b>COL Market Share</b>	20.9%	23.4%		
<b>PSE Ranking</b>	1	1		

THANK YOU

