

# 1Q 2021 EARNINGS CALL



**Metrobank**  
You're in good hands

# Panelists



**TOTO TANSINGCO**  
Treasurer &  
Head, Financial Markets



**FABIAN S. DEE**  
President



**MAYET CAPARAS**  
Head, Institutional Banking

# Panelists



**MONJ DEL ROSARIO**  
Head, Consumer Business



**RENE DE BORJA, JR.**  
Controller



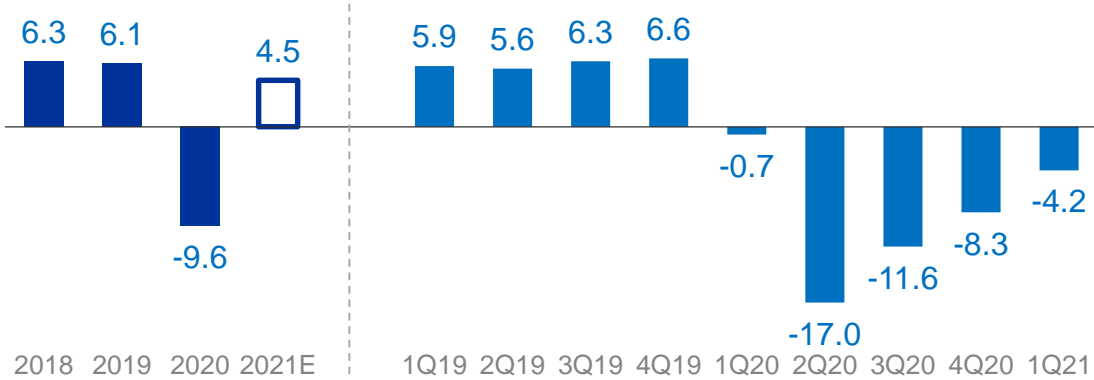
**MINDA OLONAN**  
Head, Investor Relations



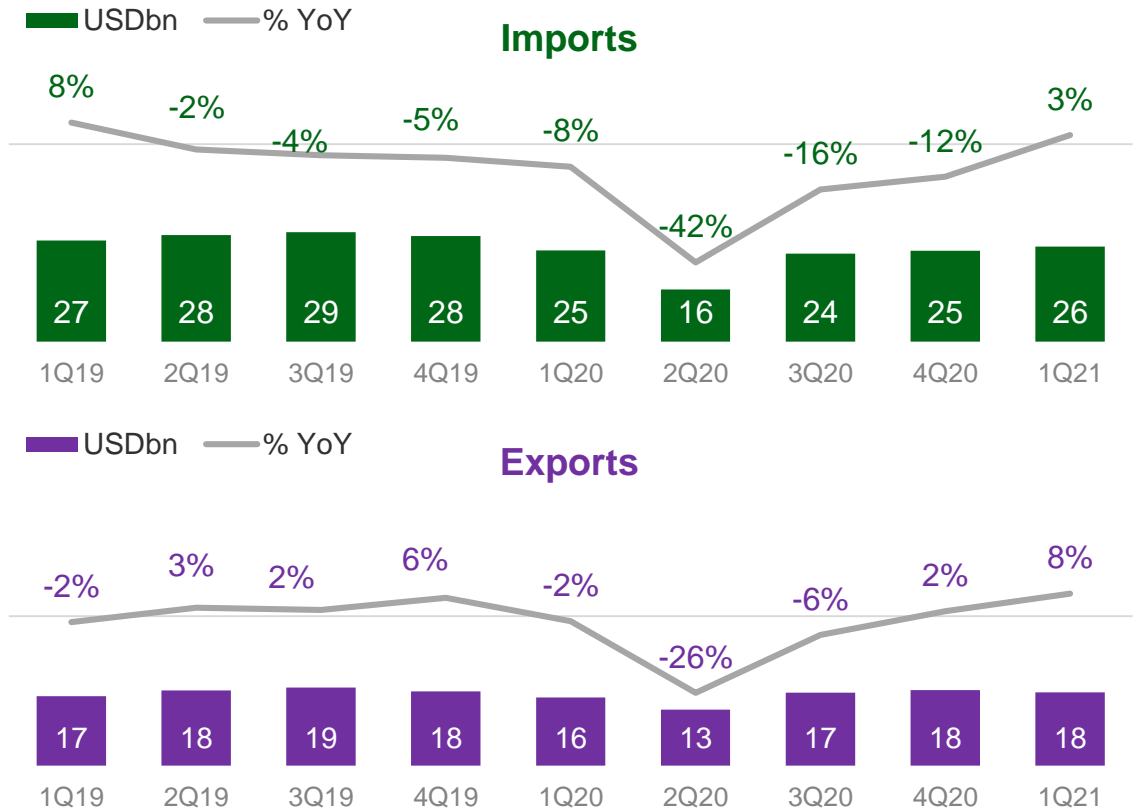
# MACROECONOMIC VIEW

# GDP on an uptrend, but at a slower pace

Re-imposition of heavy quarantine measures pose downside risk to GDP



Trade activities have bottomed out from 2Q 2020



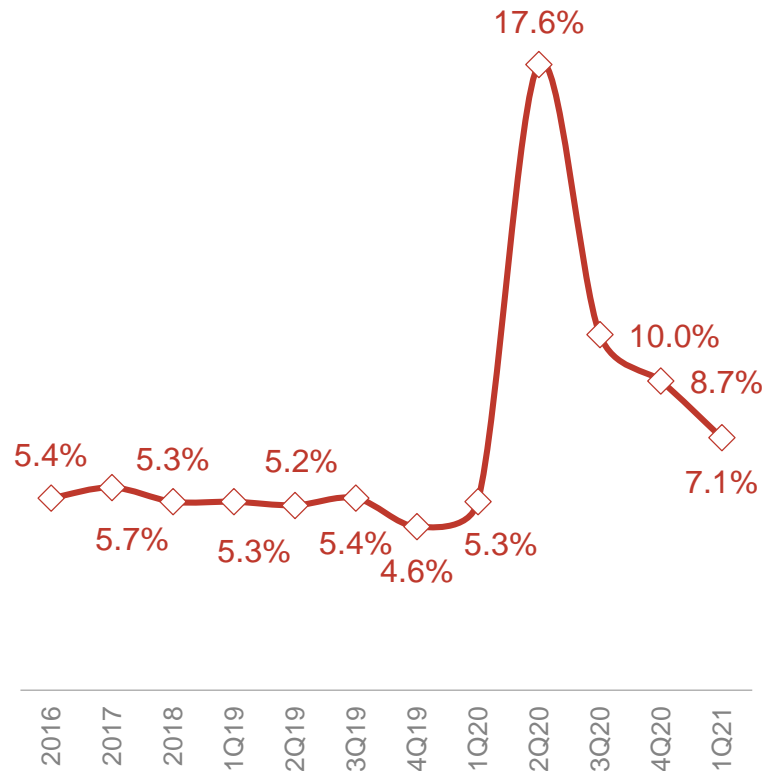
Flurry of downgrades from several institutions

2021E GDP	Previous	New
ADB	6.5%	4.5% ↓
Fitch	7.6%	5.8% ↓
Moody's	6.3%	5.3% ↓
S&P	9.6%	7.9% ↓
World Bank	5.9%	5.5% ↓
IMF	6.6%	6.9% ↑

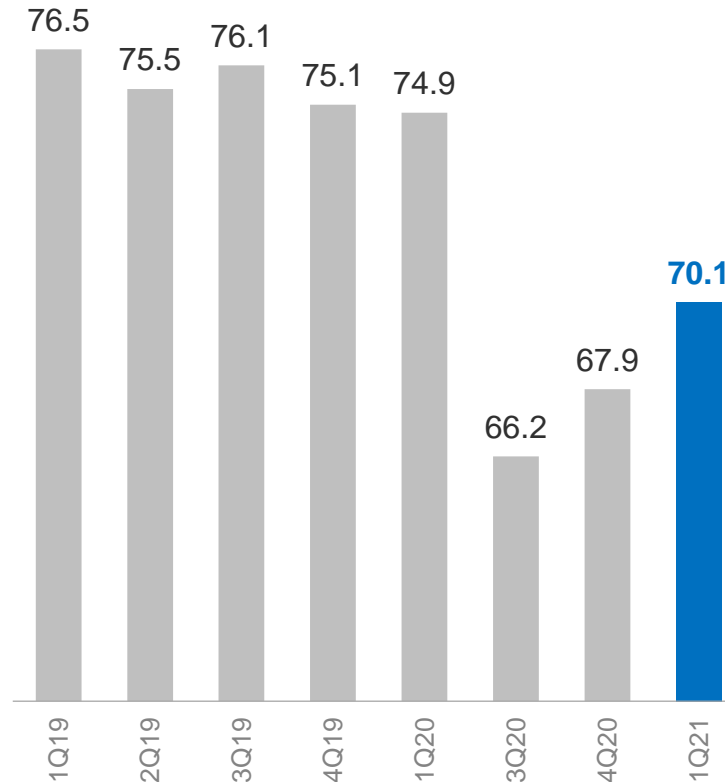
Source: Philippine Statistics Agency

# High unemployment, low industry utilization, tepid confidence

## Unemployment rate remains elevated

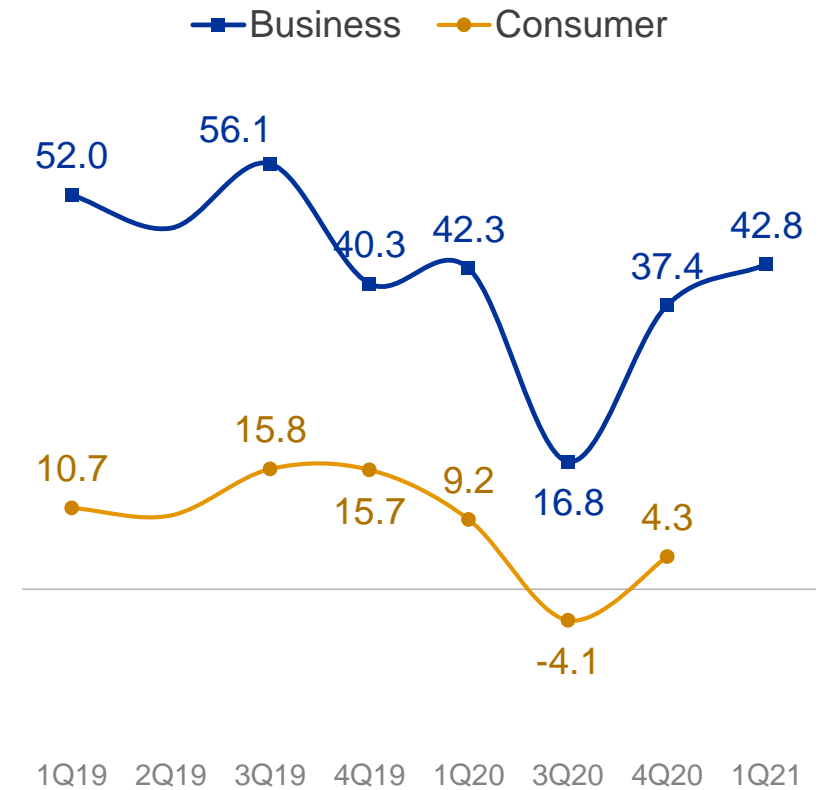


## Capacity utilization (%)



## Consumer confidence still low

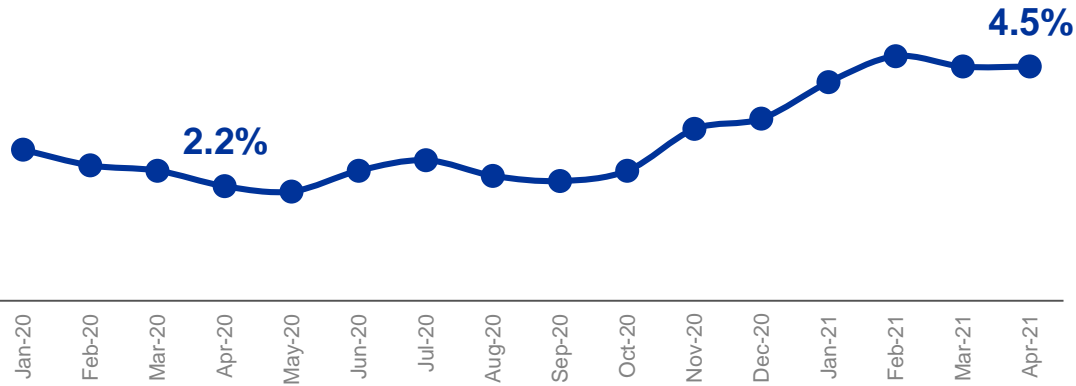
### Next 3 months



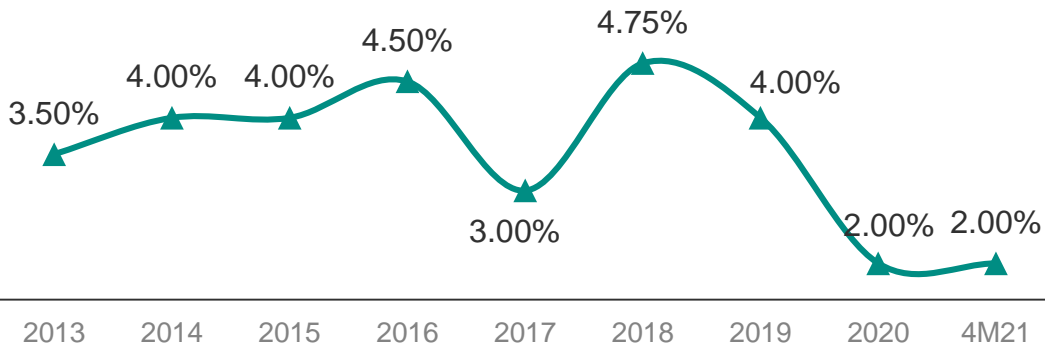
Notes:  
 No confidence index data in 2Q20 due to ECQ  
 Average capacity utilization in the Industry and Construction sectors, as reported in BSP's Business Expectations Survey

# Accommodative monetary policy to support the economy

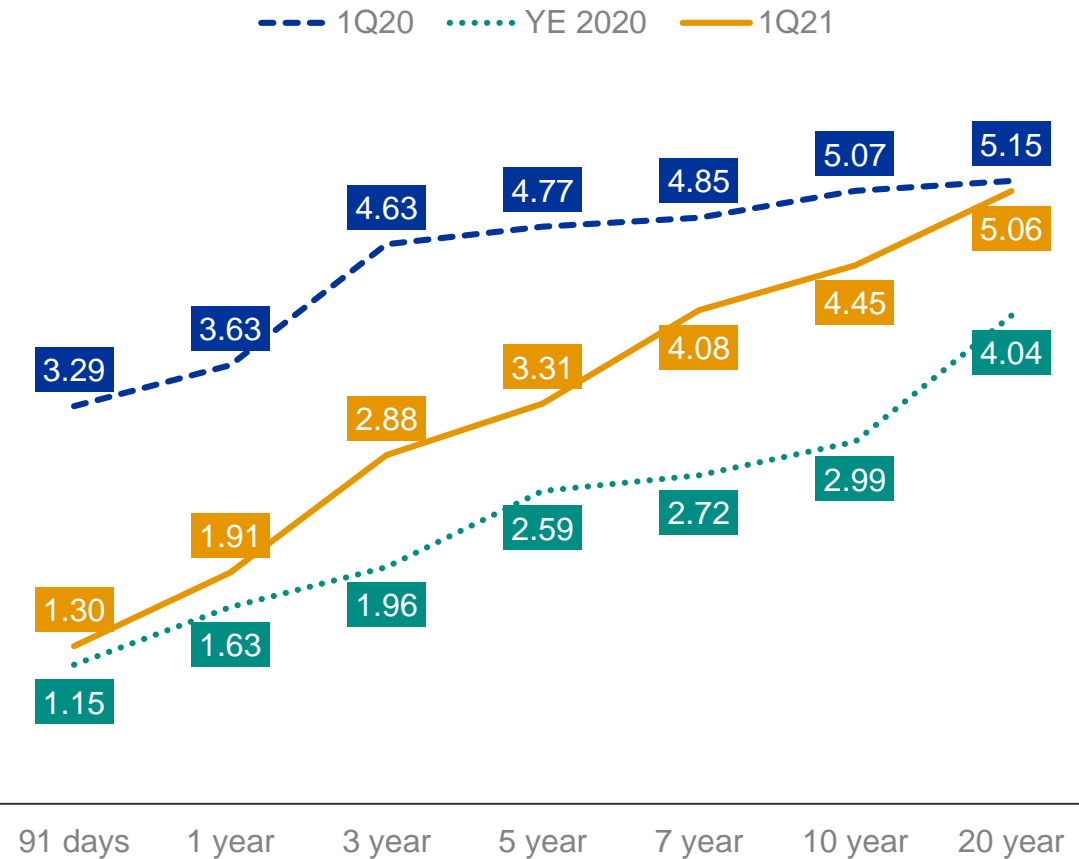
**Inflation on the uptrend**



**Policy rate steady at record-low level**



**...met by steepening yield curve**



# Metrobank Economic Research Forecasts

As of May 2021

	2019A	2020A	2021F
GDP	6.0%	-9.6%	4.5%
Inflation	2.5%	2.6%	4.1%
BSP RRP rate	4.0%	2.0%	2.0%
USDPHP Trend	50.6	48.0	49.3

## DISCLAIMER INFORMATION

The report above is circulated for general information only. The opinions expressed are solely those of the contributors and are based on prevailing market conditions and public sources that are believed to be reliable. Metrobank and the report contributors/support staff do not make any guarantees or representation as to the accuracy, completeness or suitability of this report. The report may contain confidential or legally privileged material and may not be copied, redistributed, or published without prior written consent. Opinions or strategies contained in this publication may change without prior notice and should not take the place of professional investment advice or sound judgment on the part of the reader.

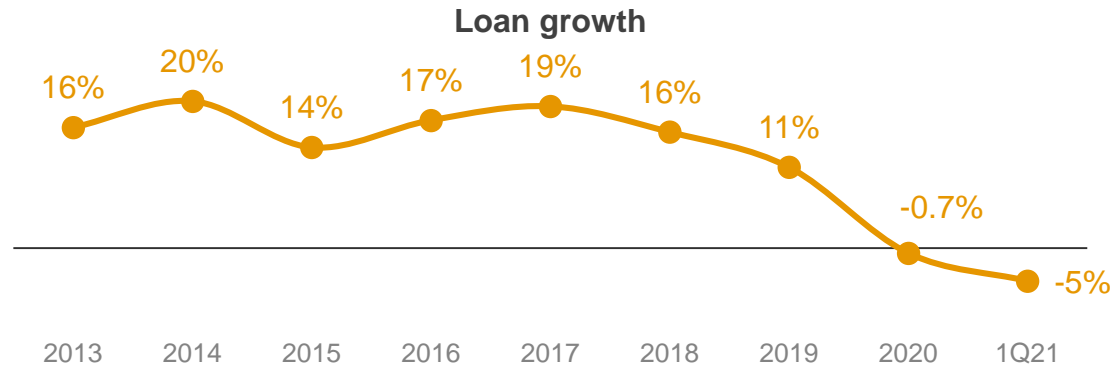
GDP Forecasts	DBCC*	6.0% - 7.0%
	ADB	4.5%
	WB	5.5%
	IMF	6.9%
	Moody's	5.3%
	Fitch	5.8%
	S&P	7.9%

\*Development Budget Coordination Committee - formulates the National Government's fiscal program; composed of the Office of the President, DBM, NEDA, and DOF. The BSP attends the Committee meetings as a resource agency.

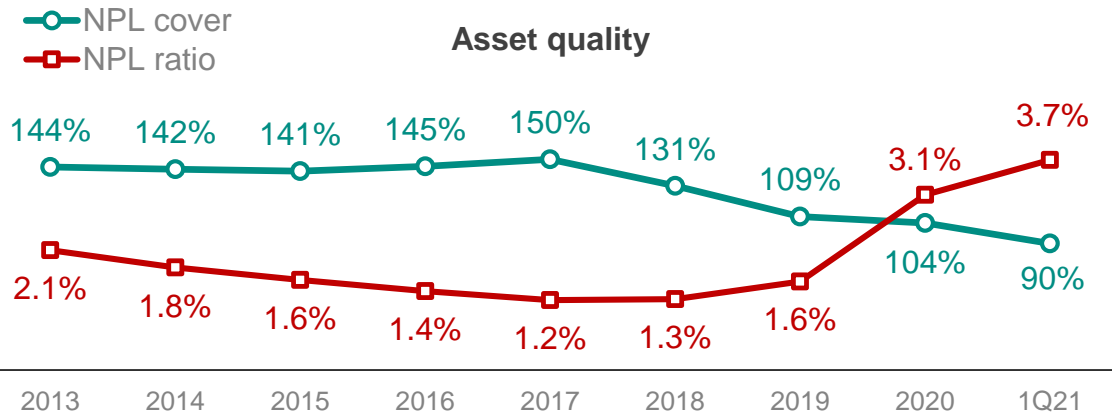
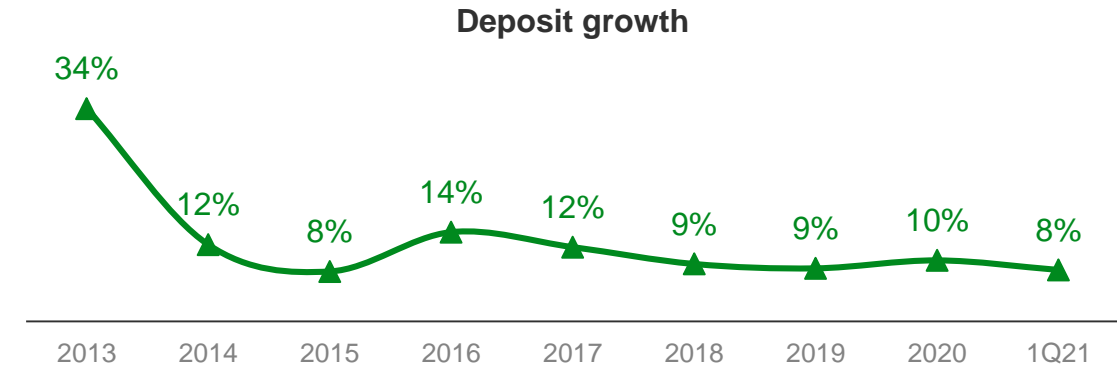


# Banking Industry: Loan slowdown amid ample liquidity

## Soft loan demand amid rising asset quality pressures



## Deposit growth sustained amid ample market liquidity



\*Note: Reverse Repurchase Facility + ODF + TDF + BSP Bills – Rediscounting – OLF  
Source: BSP Universal and Commercial Bank (UKB) data

# FINANCIAL PERFORMANCE



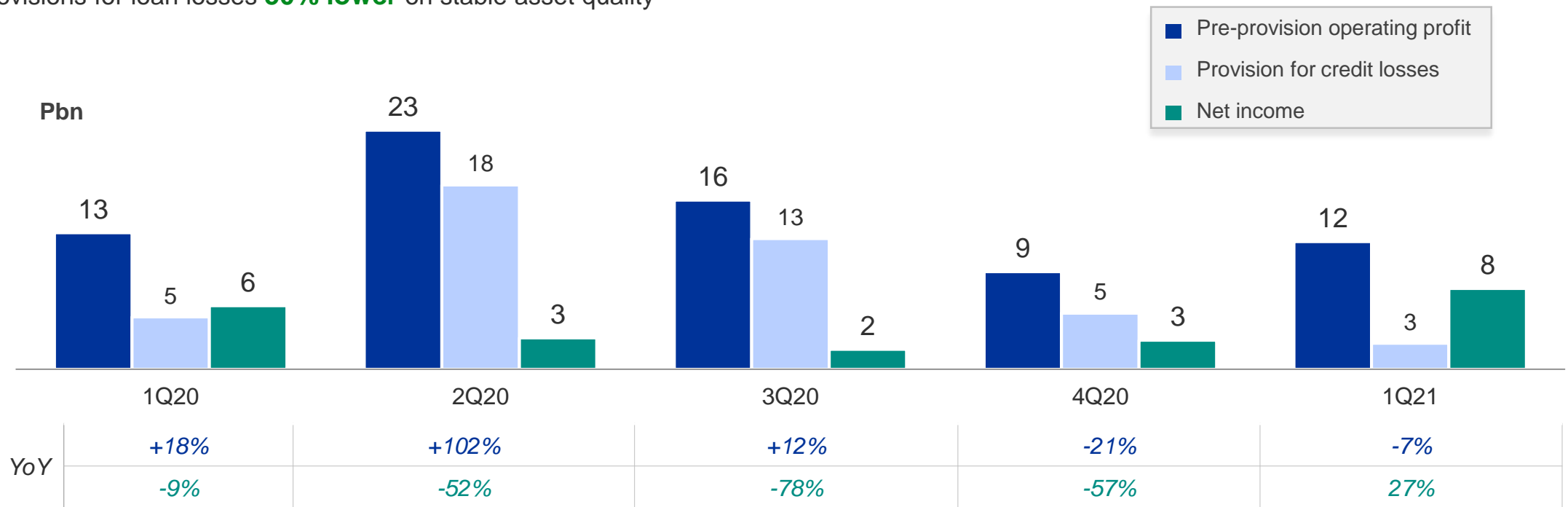
1Q 2021

# Strong non-interest income, lower provisions, flat opex drive 1Q earnings

Soft core lending amid lower asset repricing tempers revenues, offset by less provisioning expense as asset quality remains manageable

## Mixed revenue performance; Stable asset quality

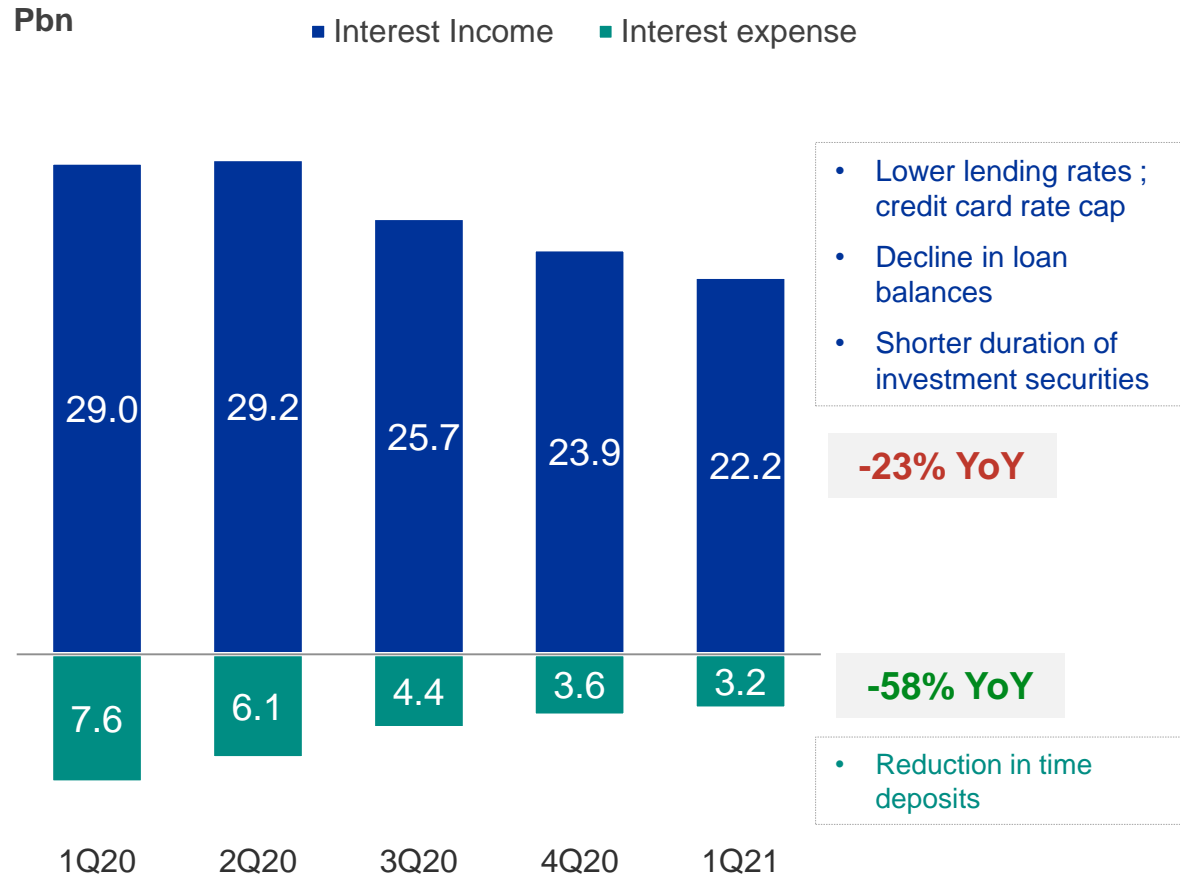
- Weak loans and lower asset repricing levels temper NII, **-11%** YoY
- Revenues slightly **down 2%**; weak NII offset by healthy trading & FX gains
- Operating expenses flat **+1%** YoY
- PPOP on the mend, **-7%** YoY
- Provisions for loan losses **50% lower** on stable asset quality



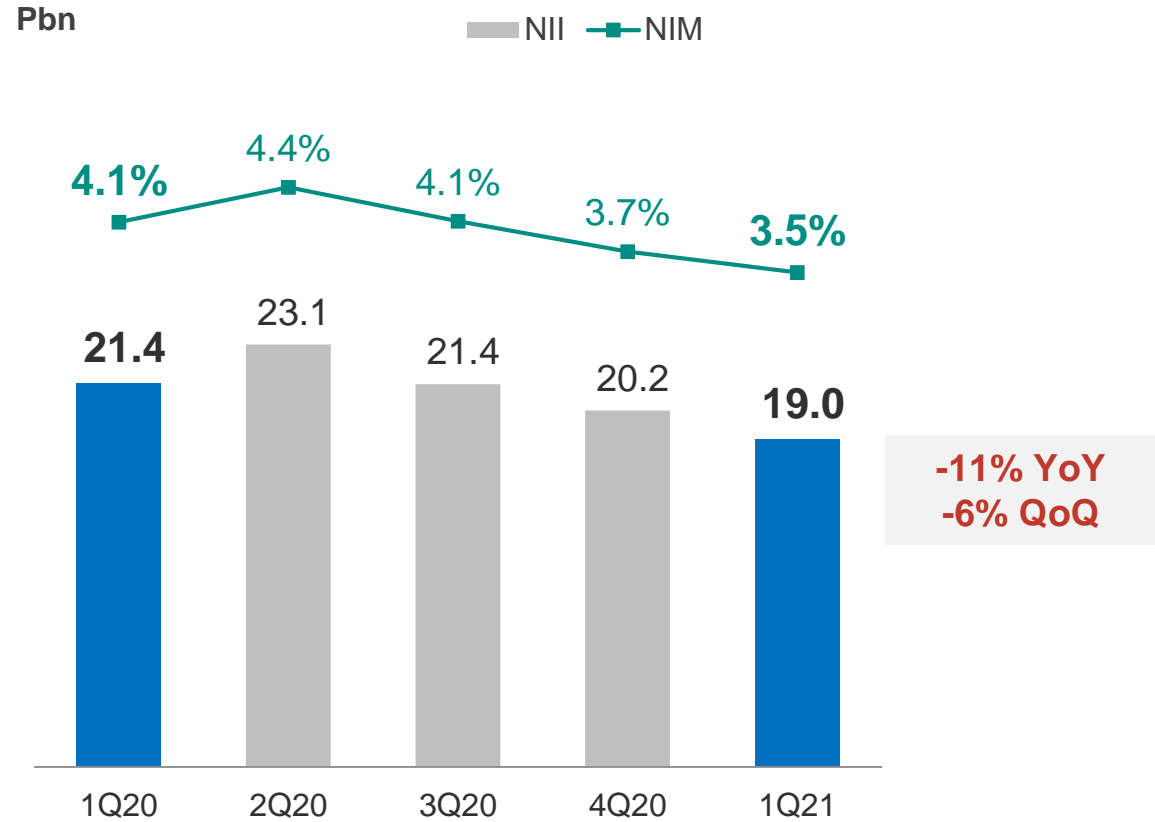
# Net interest income weighed down by loan and yield contraction

While funding cost continues to improve on solid CASA deposit generation, lower asset repricing soften the Bank's overall net interest income

## Assets reprice under a low interest rate environment



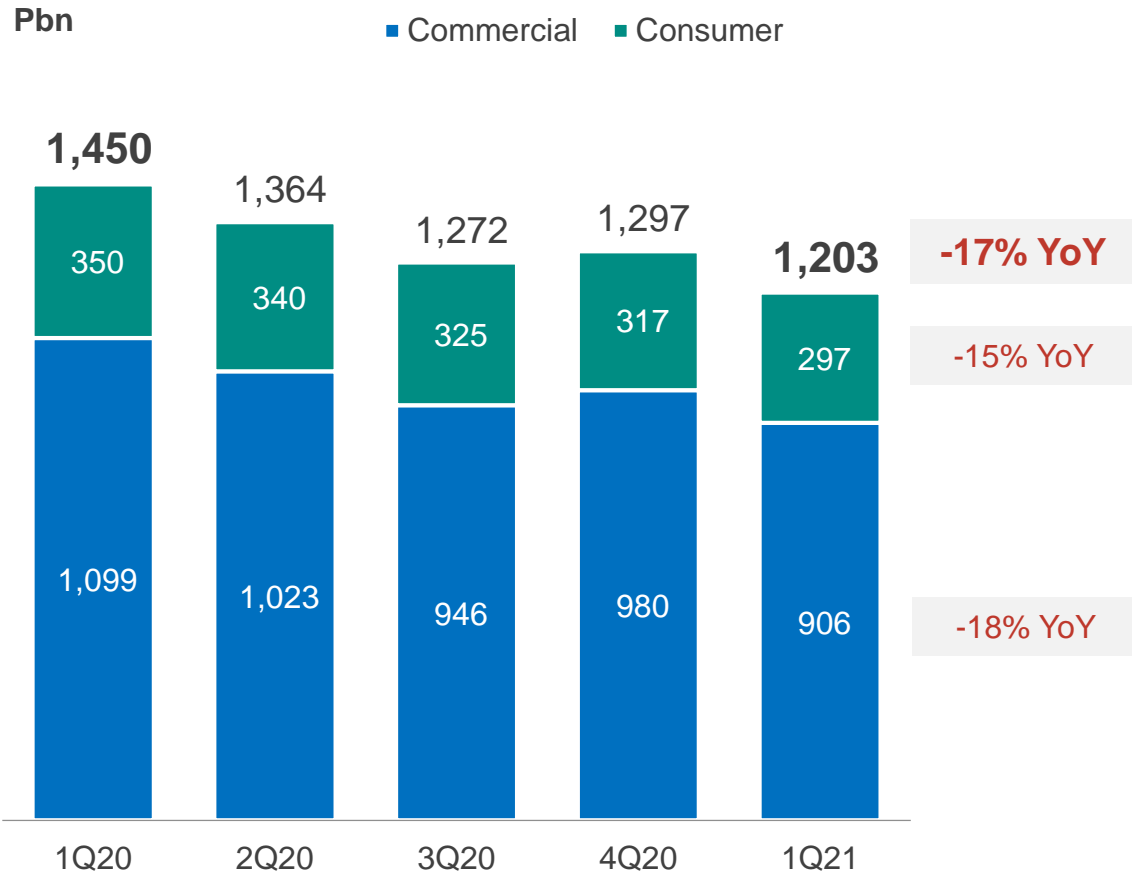
## NIM downtrend continues



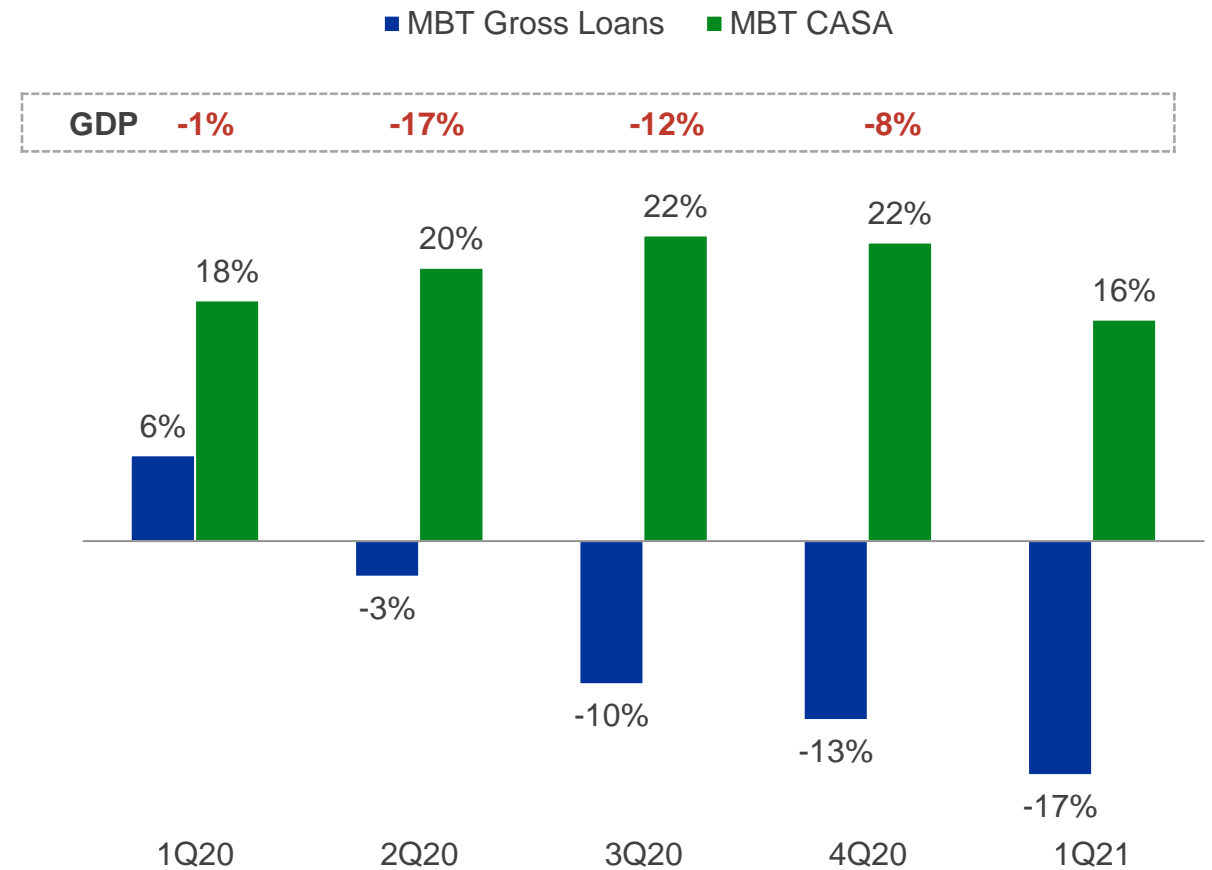
# Weak loan demand aligned with economic uncertainty

Contraction in loan portfolio reflective of the slowdown across industries while freed-up client liquidity remains parked in CASA deposits

## Contraction in gross loan portfolio continues



## Client funds drive CASA growth

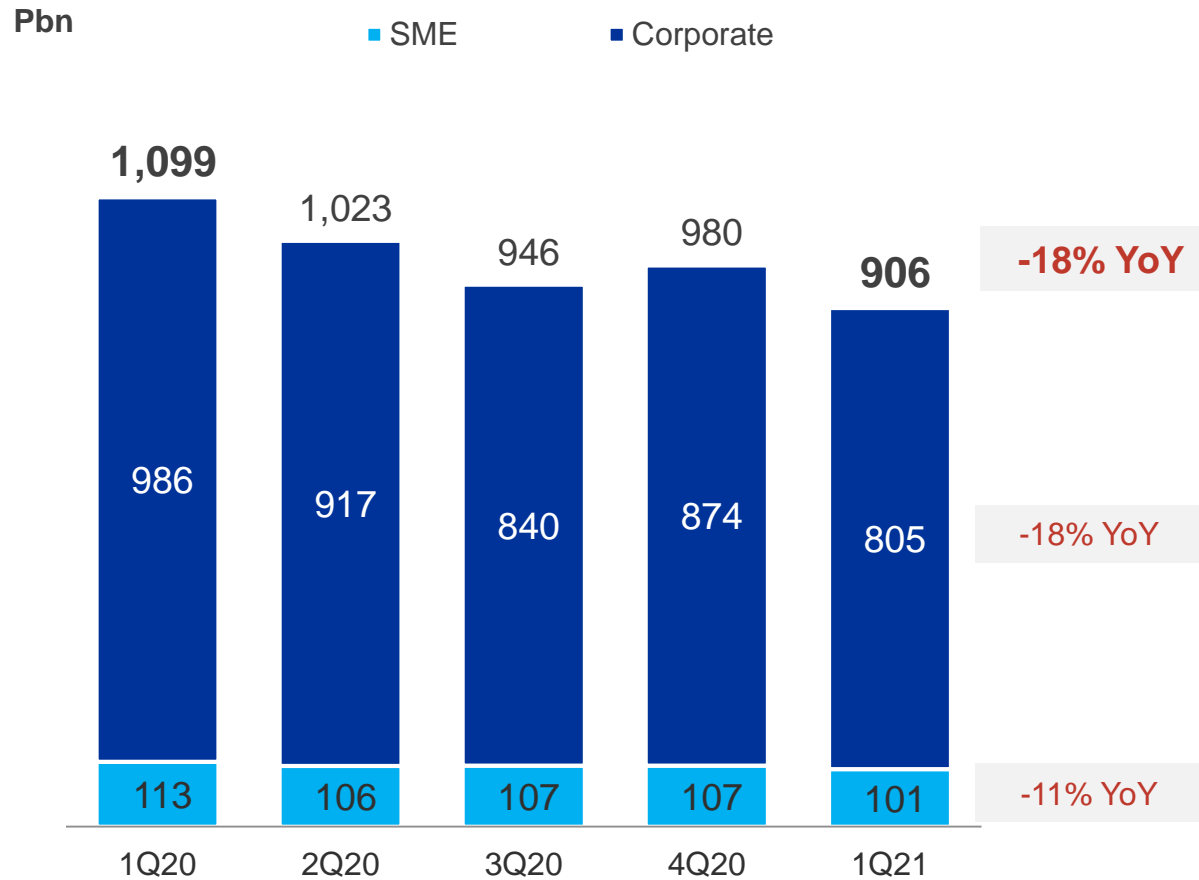


Note: Gross of Unearned Interest and Discount (UID)

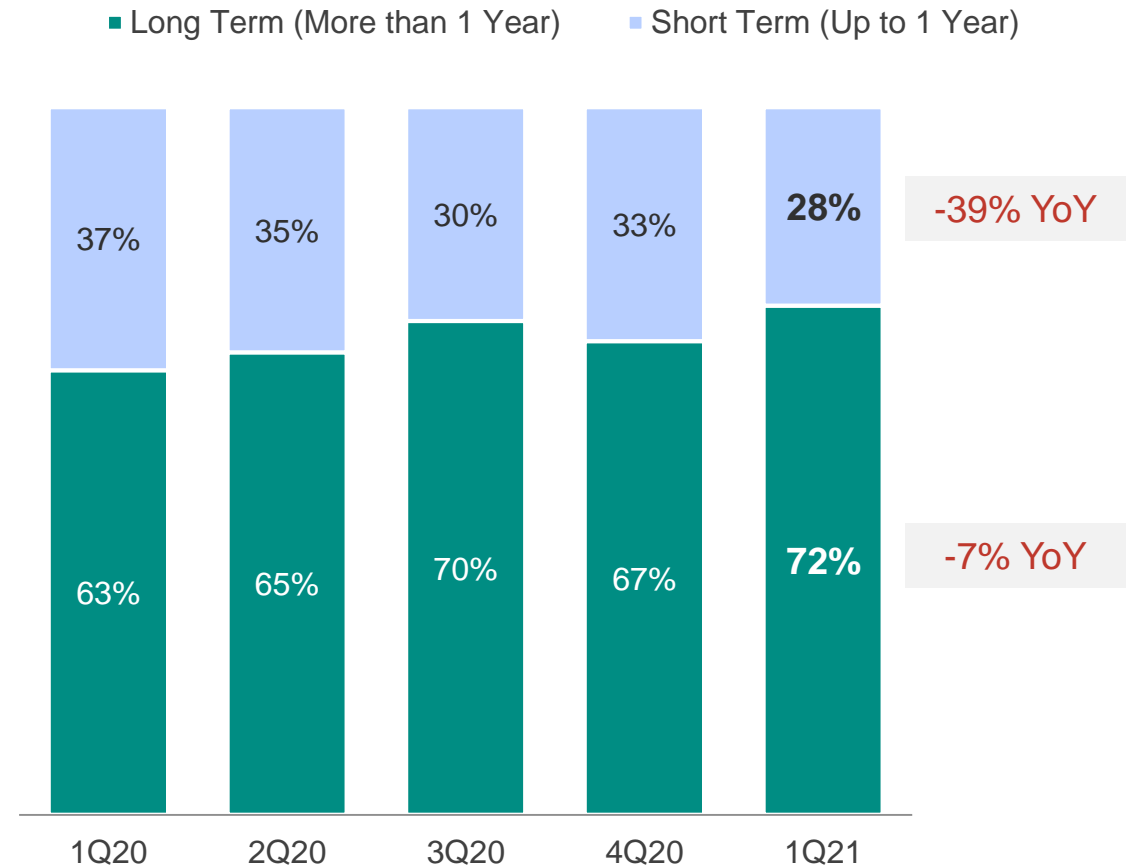
# Commercial lending continues to reflect weak economic activity

Slowdown in commercial loans as economic uncertainty disrupted business inventory cycle and deferred expansion plans

## Commercial Loans Breakdown



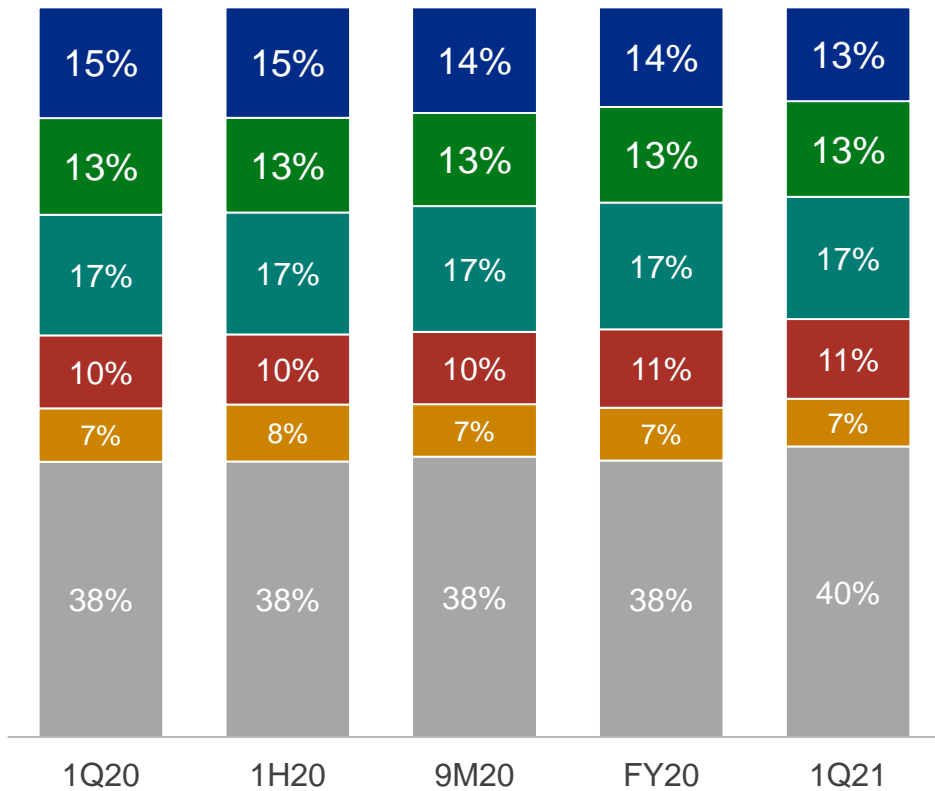
## Short term working capital loans drove the slowdown



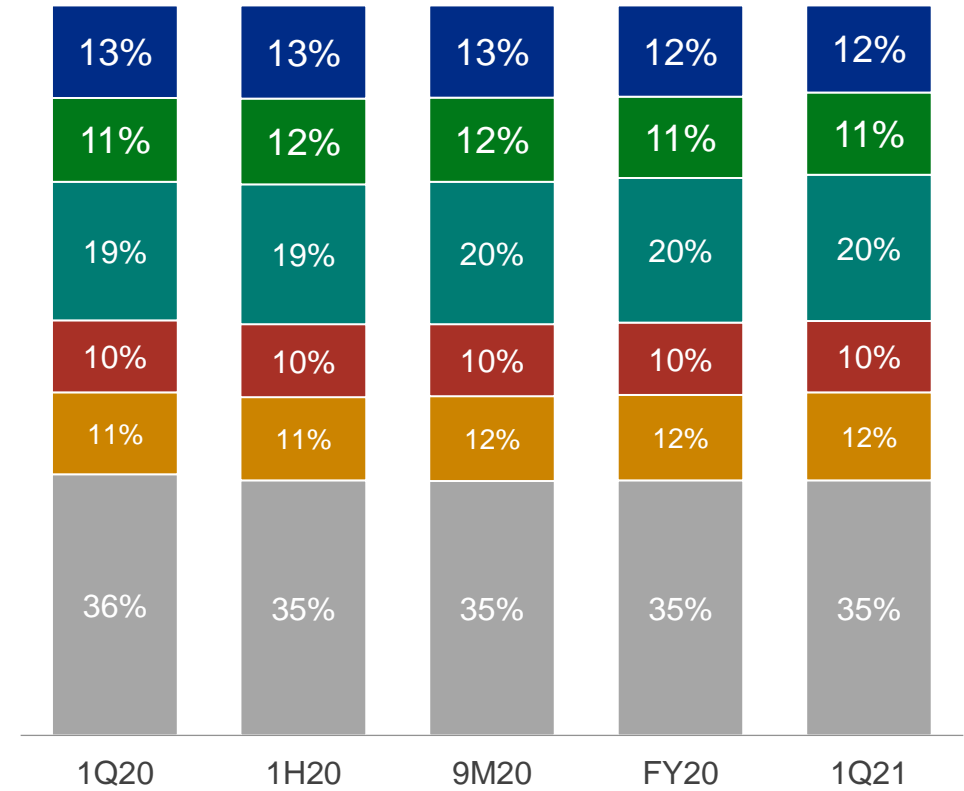
Note: SME definition as per BSP

# Higher concentration in Trade and Manufacturing

1Q21 MBT Loan Portfolio By Industry



1Q21 UKB Loan Portfolio By Industry

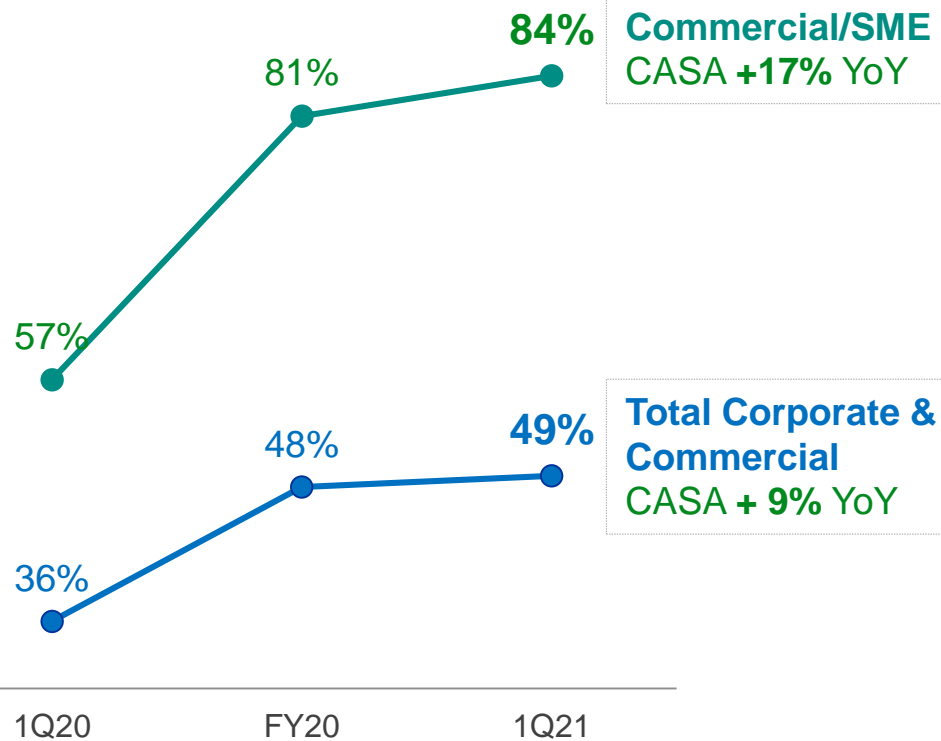


Based on BSP Reporting

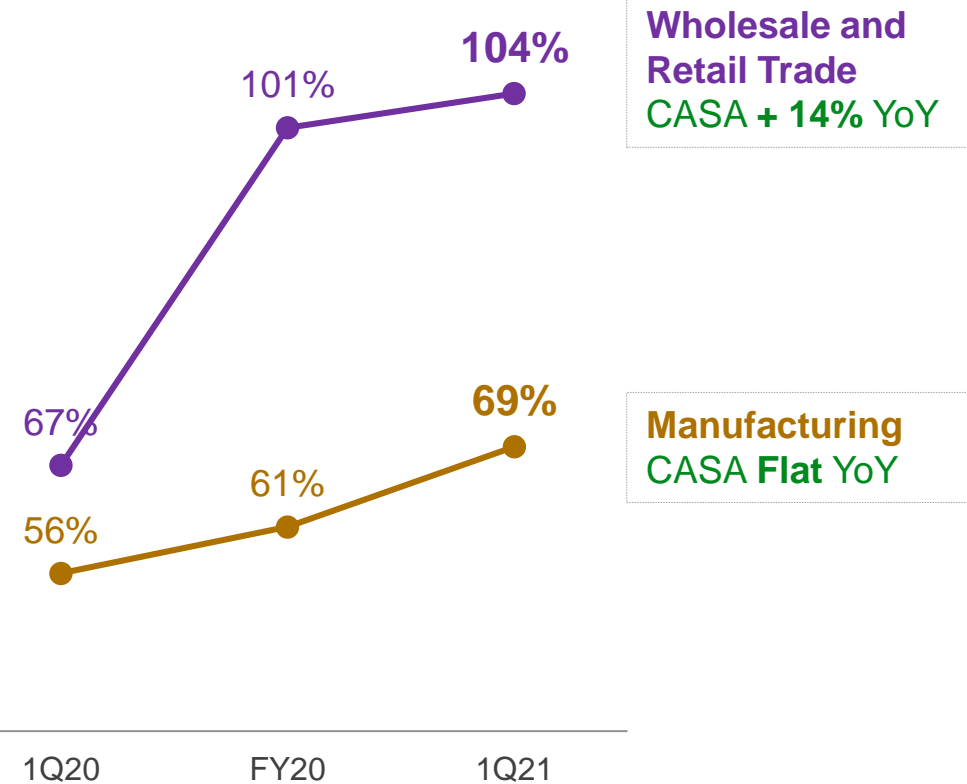
Others include Transport & storage, Construction, Agricultural, forestry and fishing; Accommodation & food service activities

# Customer CASA surges, implying wait-and-see mode

Parent Corporate and Commercial CASA to Loans ratio



Parent CASA to Loans ratio, selected industries

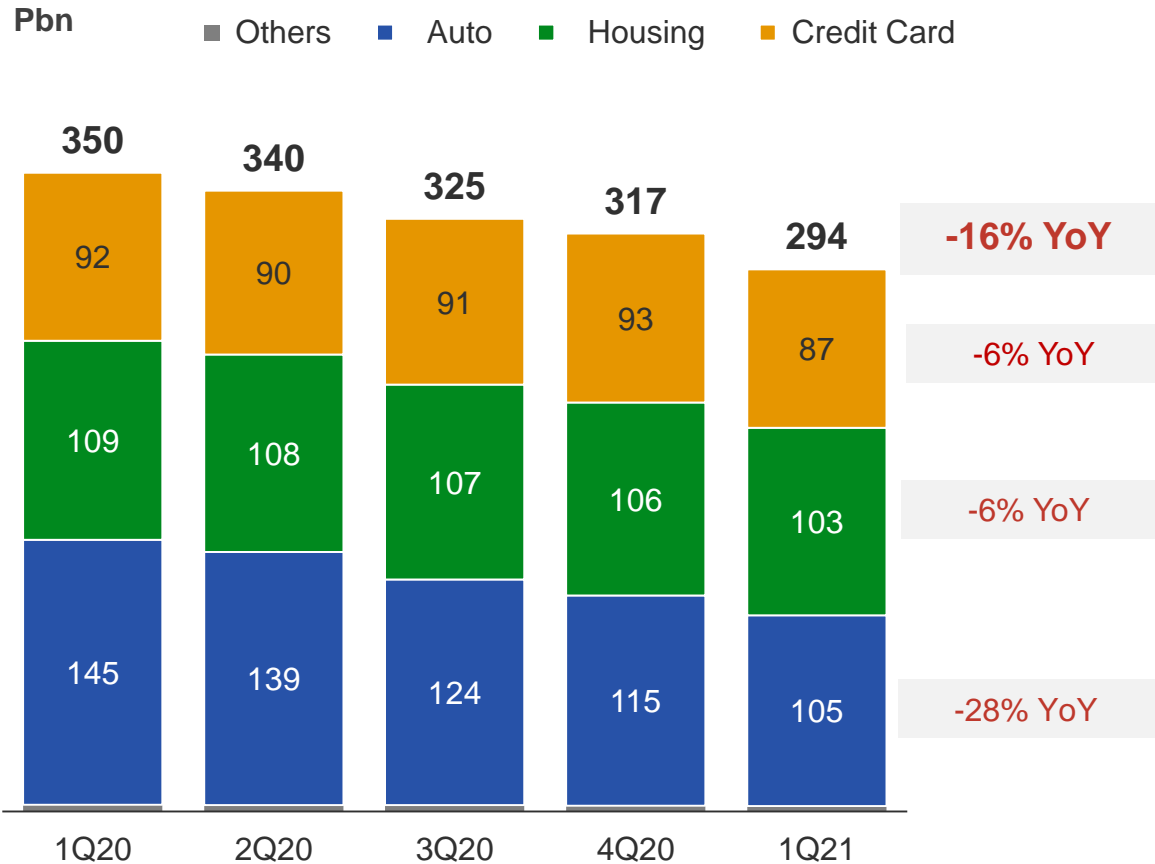




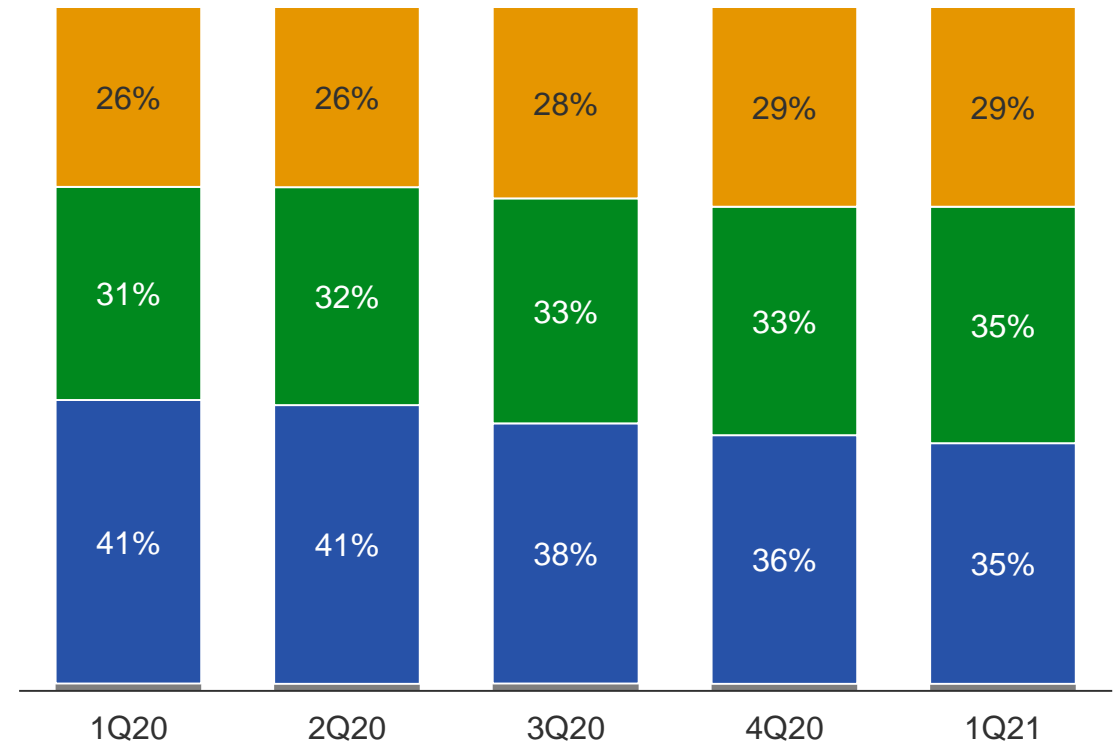
# Retail portfolio slows amid weak consumption spending

Economic uncertainty, high unemployment, and reduced mobility continue to constrain demand for big-ticket spending

## Consumer Loans Breakdown



## Consumer Loans By Product

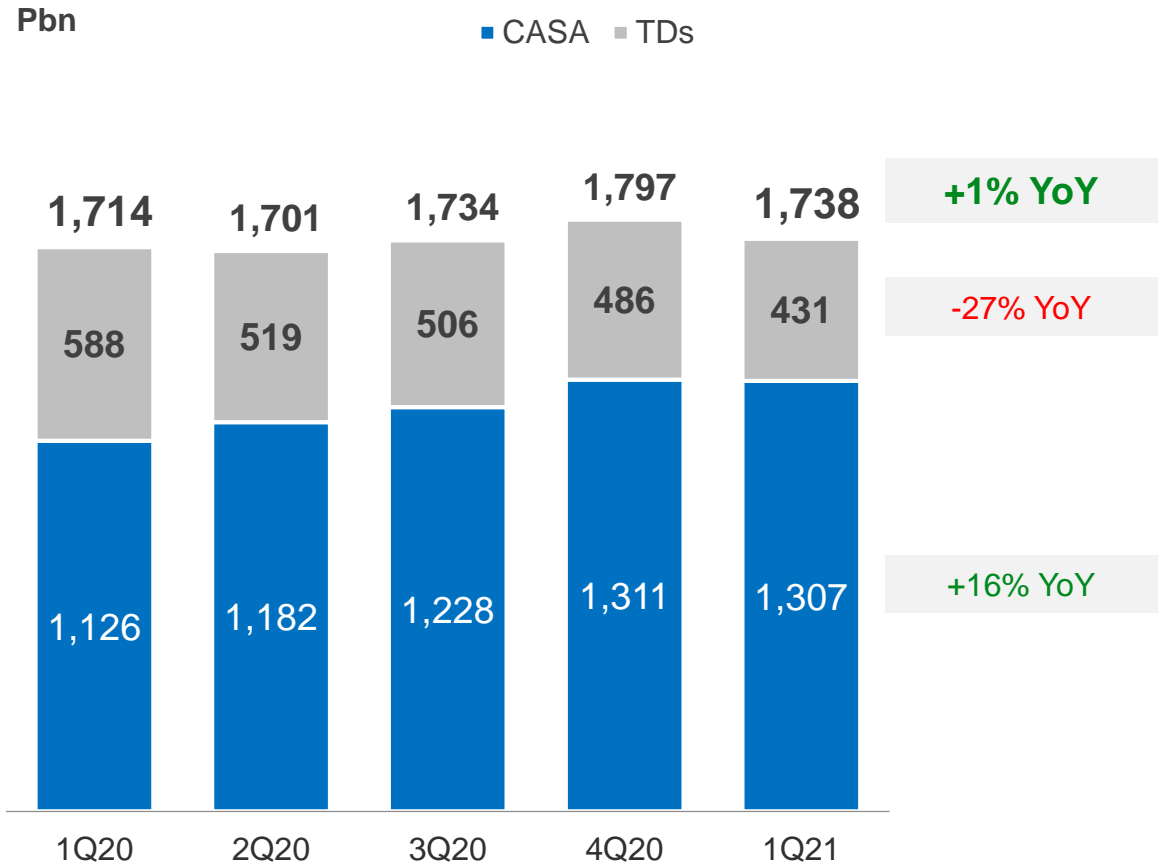


Note: Gross of Unearned Interest and Discount (UID)

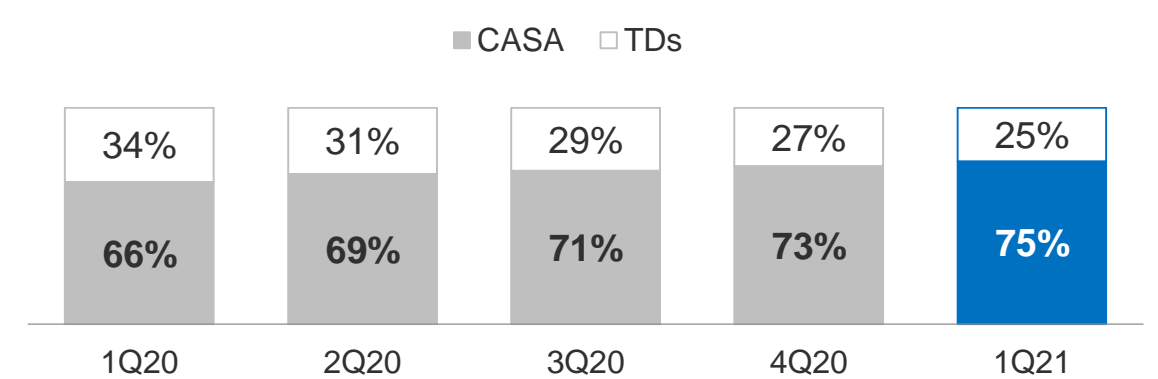
# Strong CASA growth reflects strong deposit franchise

Clients with lower borrowing demand maintained their excess funds in CASA deposits, driving CASA ratio higher

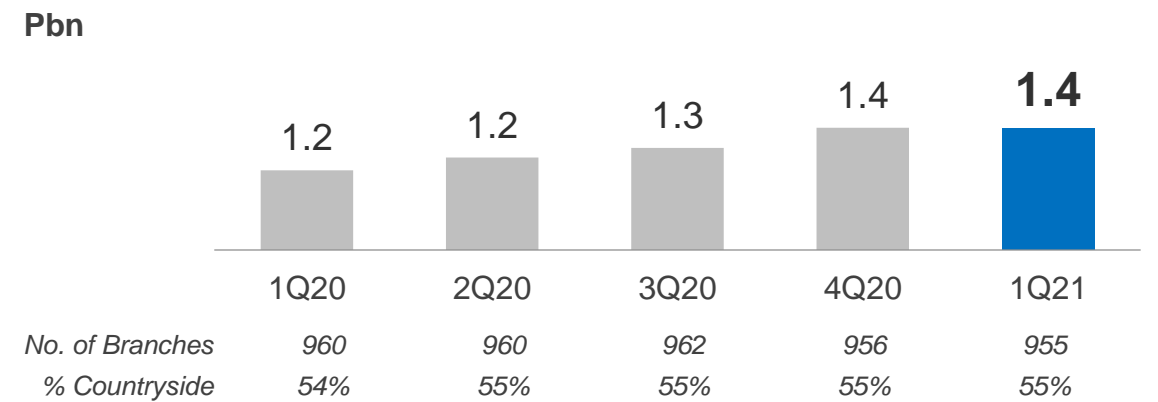
## Robust CASA enables decline in expensive TDs



## CASA Ratio



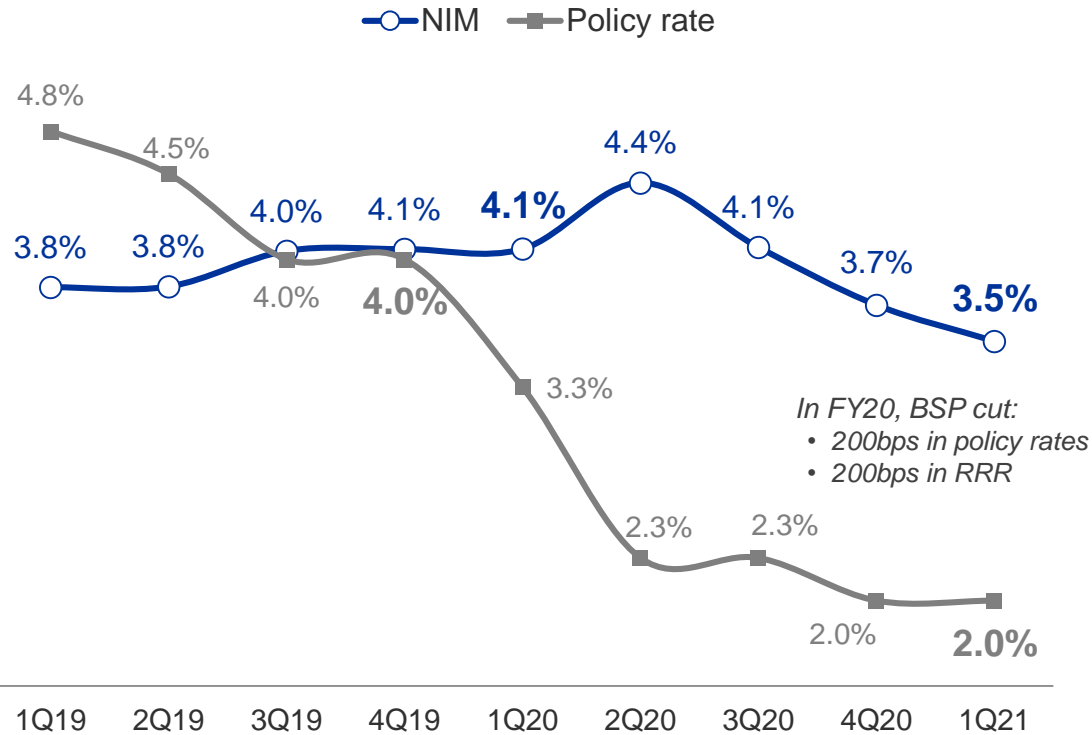
## CASA Deposits per Branch



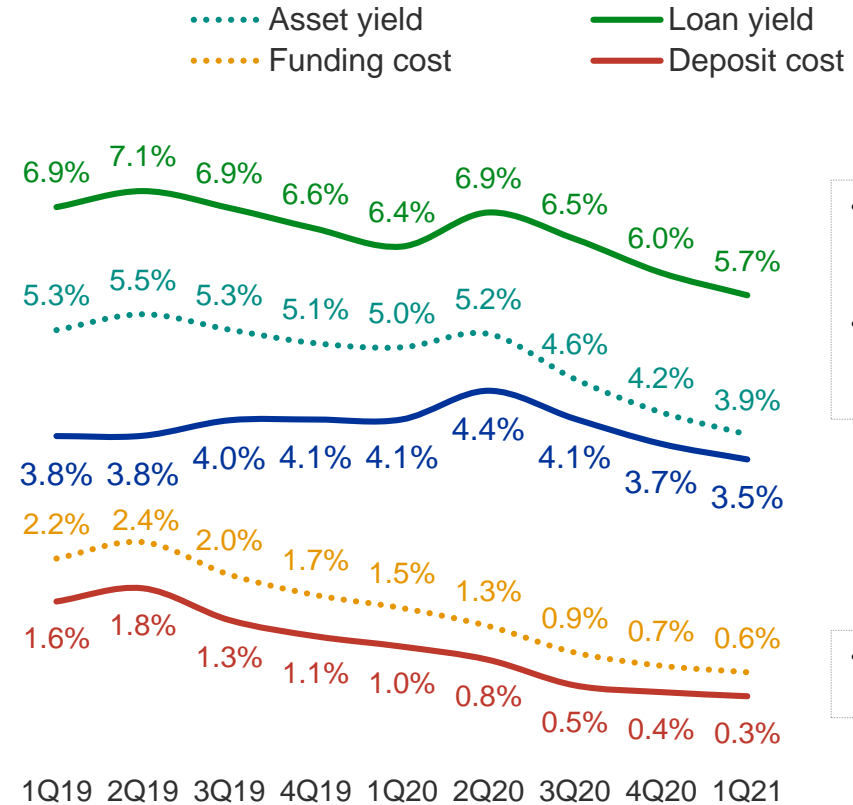
# Net interest margin declines on lower asset repricing

Continued low interest rates and short securities duration trim down asset yields, outpacing the reduction in funding cost

## Easing asset yield trims down NIM\*



## Declining asset yields, funding cost decline tapers off



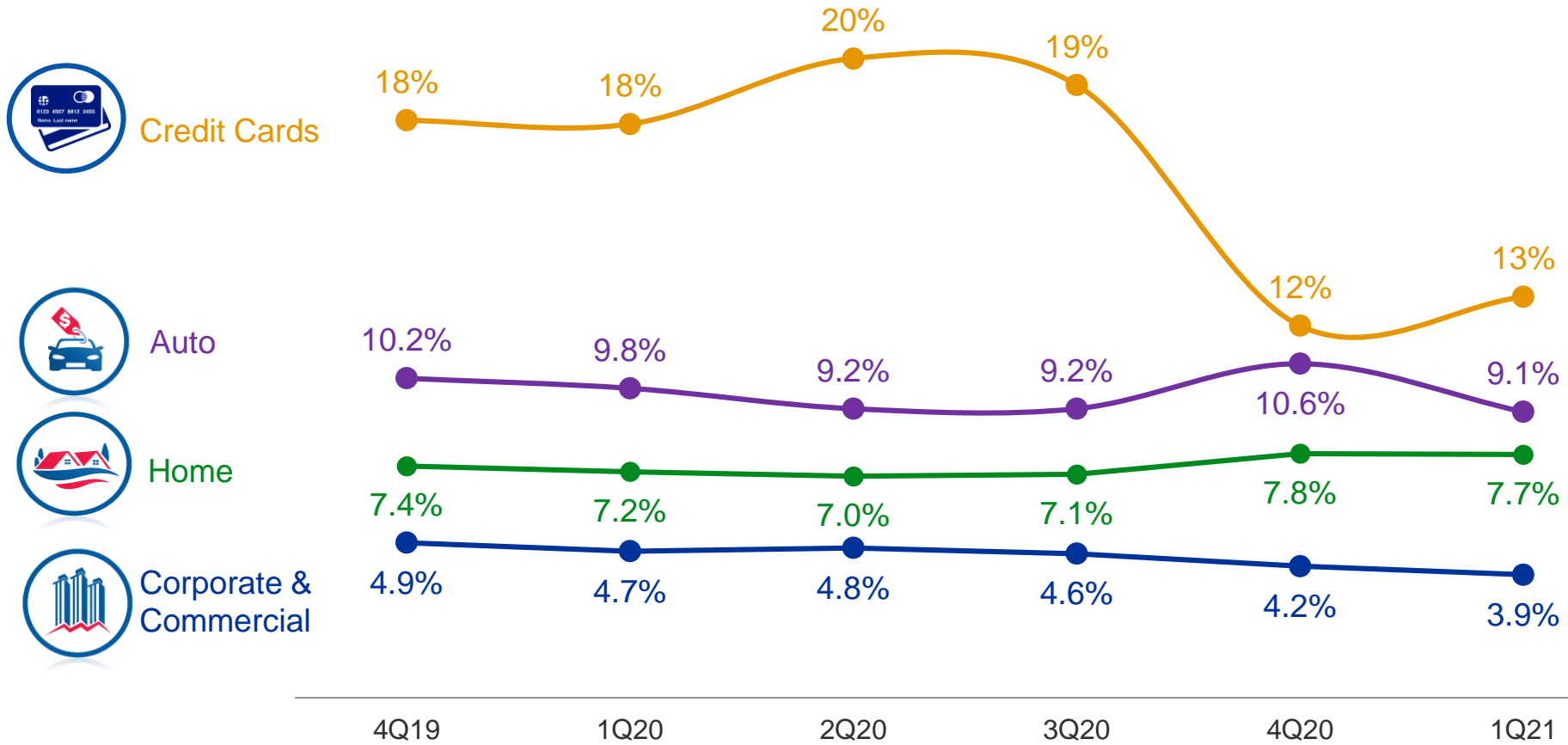
- Lower lending rates; credit card rate cap
- Shorter duration of investment securities

- Reduction in time deposits

Notes:

- NIM = Net Interest Income / Ave. Interest Earning Assets
- Asset Yield = Annualized Gross Interest Income / Ave. Interest Earning Assets
- Loan Yield = Annualized Gross Interest Income from Loans / Ave. Net Loans
- Funding Cost = Annualized Gross Interest Expense / Ave. Interest Bearing Liabilities
- Deposit Cost = Annualized Gross Deposit Expense / Ave. Deposits

# Easing loan yields from lower interest rates and paydowns



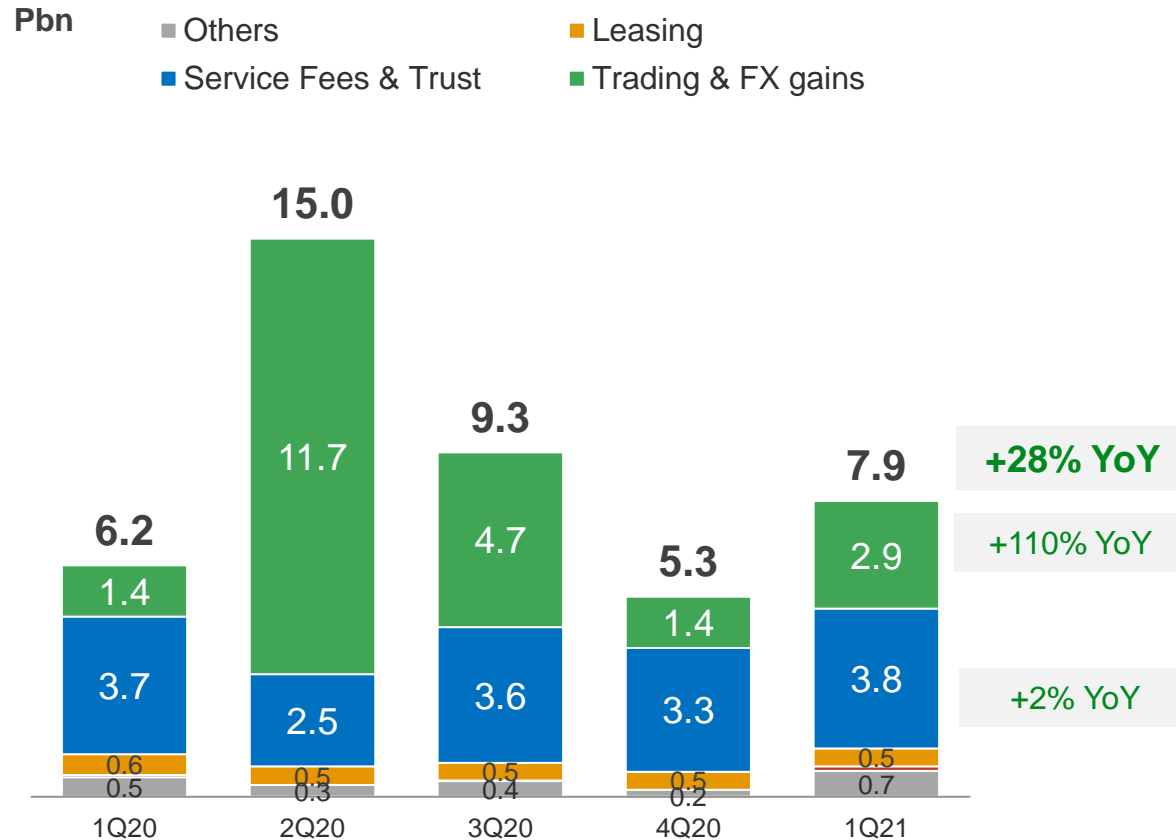
Credit card rate cap took effect on Nov 2020; retained on April 2021

Paydowns usually occur in 1Q as businesses collect on receivables

# Steady fee income, opportunistic trading & FX gains

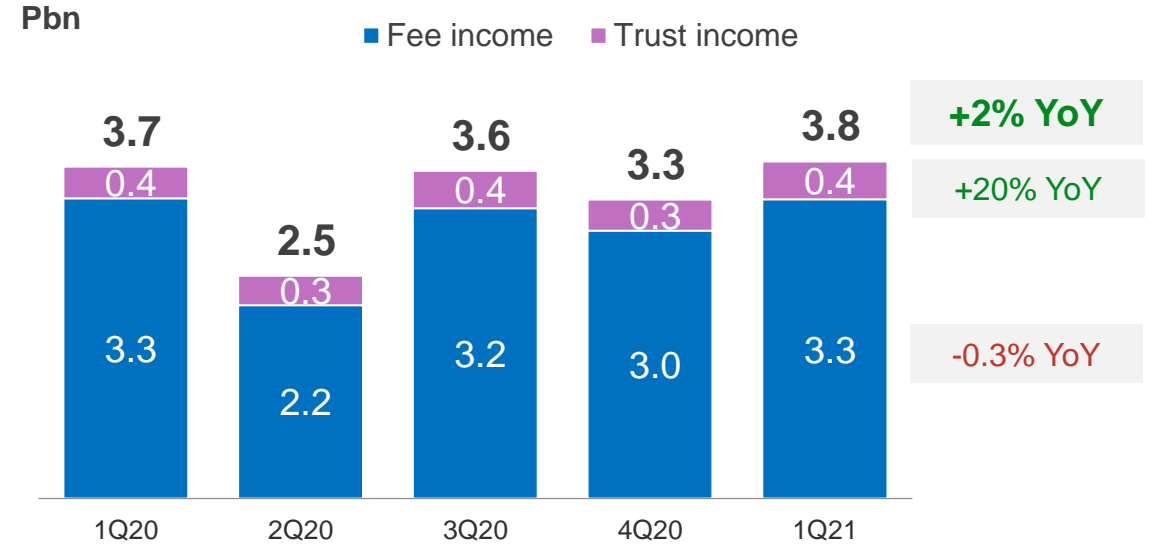
Stable fee income despite slow business volumes; strong trust fees; Trading & FX gains realized prior to higher bond yields

## Non-Interest Income Breakdown



Note: Others include Dividend income, Gain on recognition of investment properties, Recovery on charged-off assets, IT and other fees

## Strong trust fees pulled up weak volume-based fees



## Parent Bank Fee income breakdown

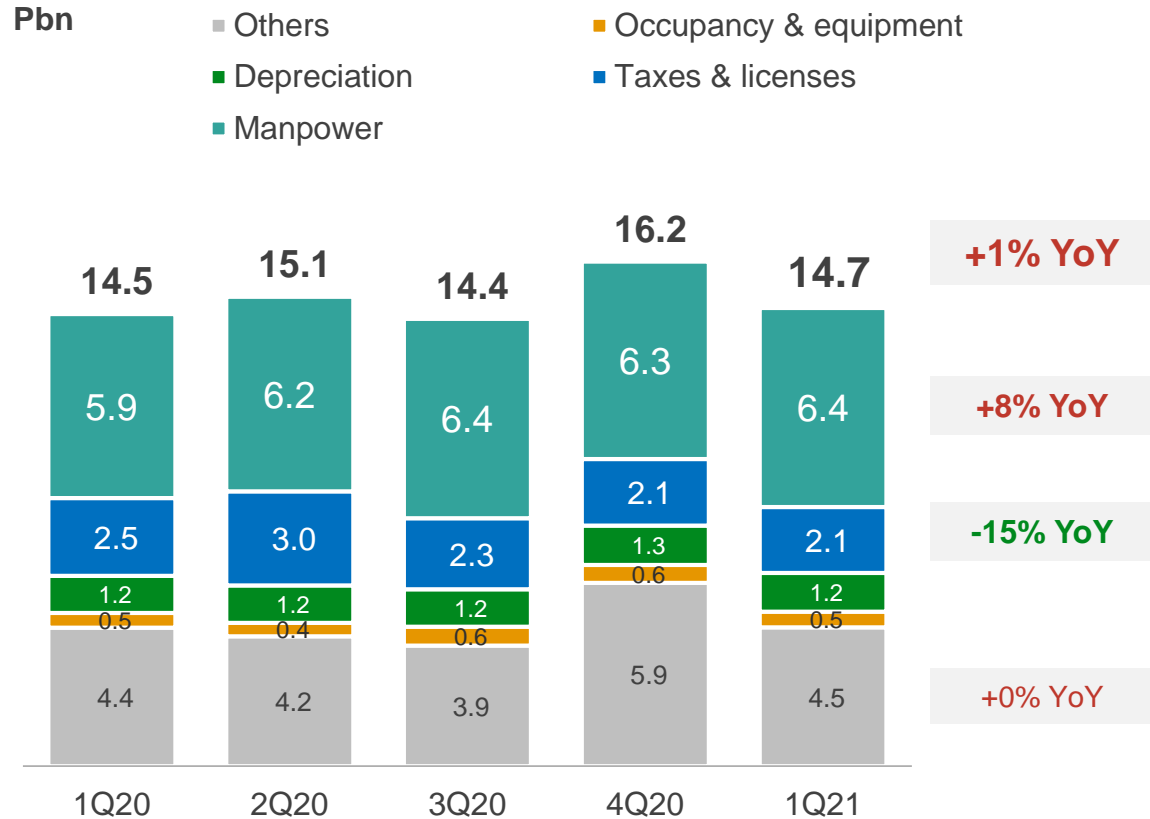


Note: Fee income includes credit card fees, trade and loan-related, fees from ATM or e-channel usage, remittance, deposit-related, product referral, etc

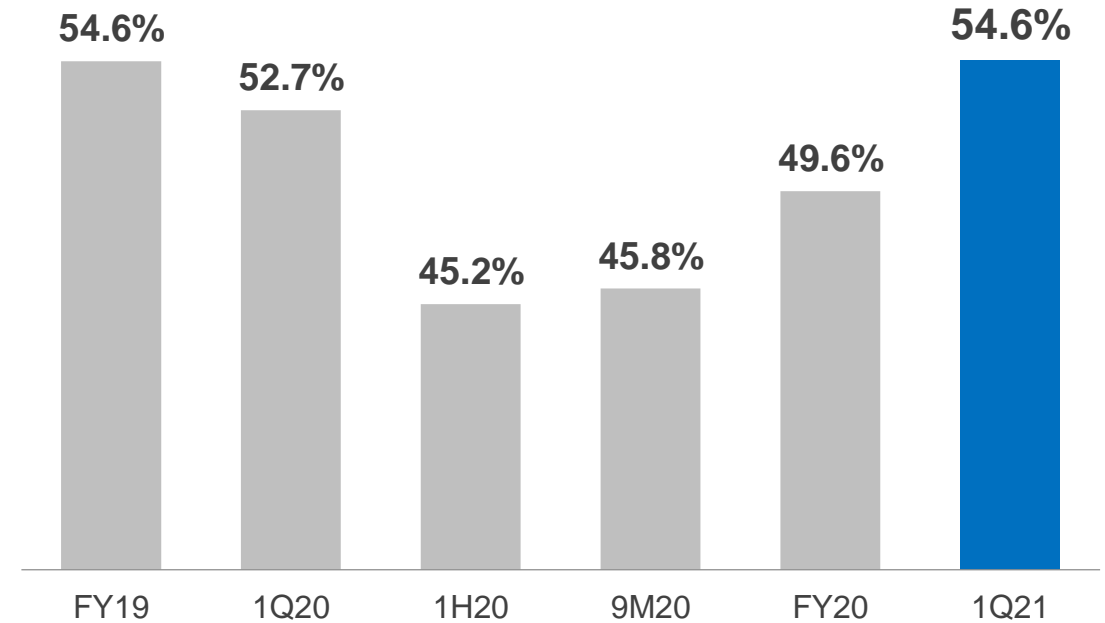
# Stable cost growth

Minimal uptick in expenses from sustained efforts to enhance productivity and operational efficiency

## Operating Expenses Breakdown



## Cost-To-Income Ratio



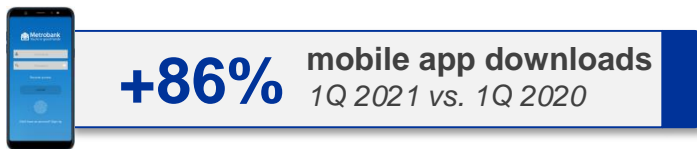
Note: Others include Insurance, Security, messengerial and janitorial services, Management, professional and supervision fees, Information technology, Advertising

# Rising digital transactions

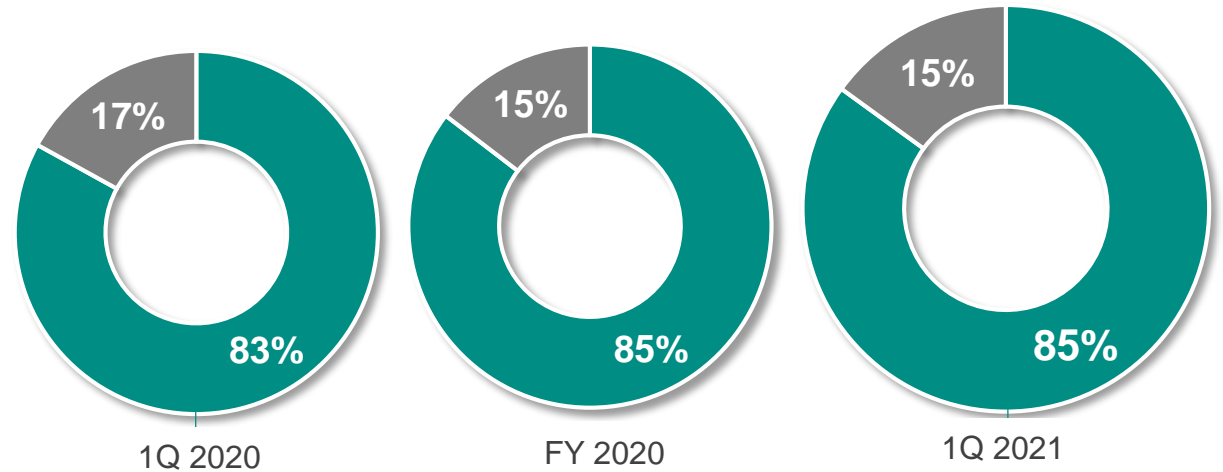
Active push for e-channels accelerated digital transactions under pandemic conditions



## Continued digitization post-ECQ



*Note: Tracked through Google Play and App Store*



## % E-Channels to Total financial transactions

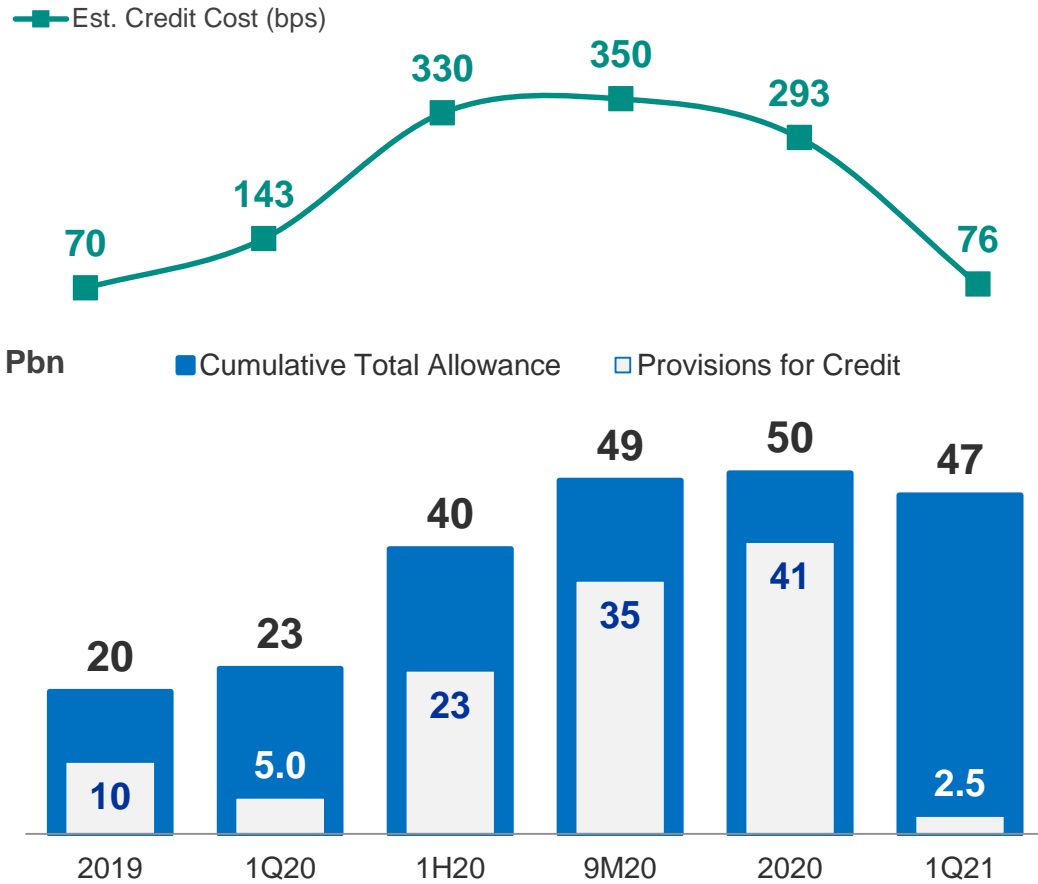


*Note: Refined tracking to both incoming and outgoing e-channel transactions*

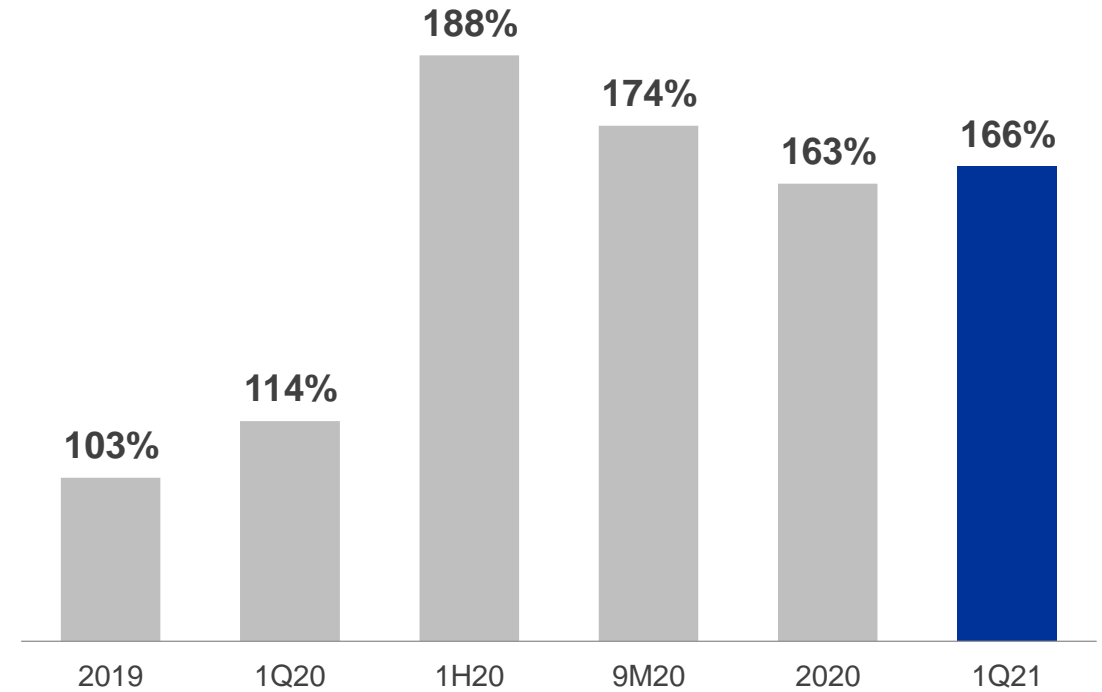
# Stable NPLs and ample reserves give room to lower provisions

Mindful of potential risks ahead despite manageable asset quality, the Bank continued to boost its reserves, albeit at a slower pace than last year

## Conservative provisioning stance



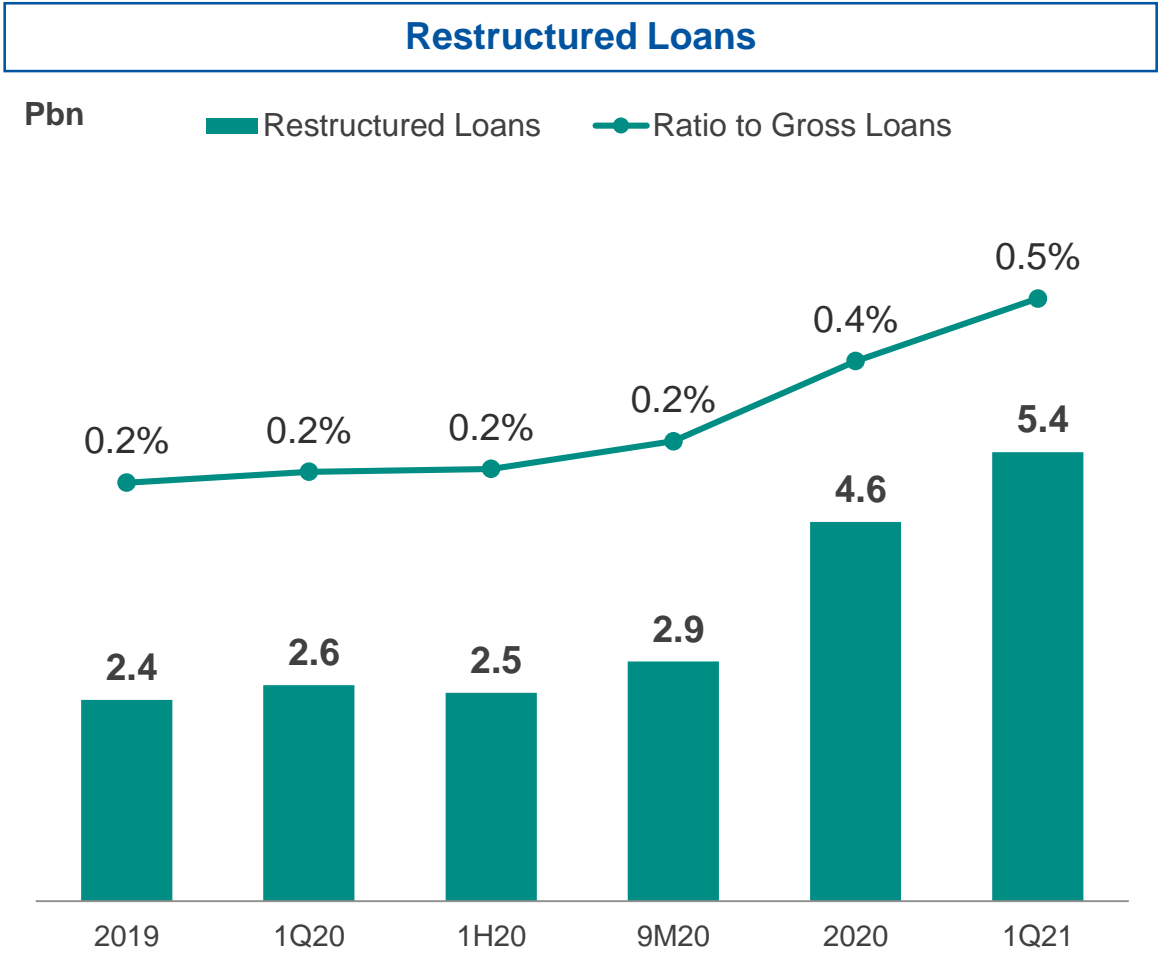
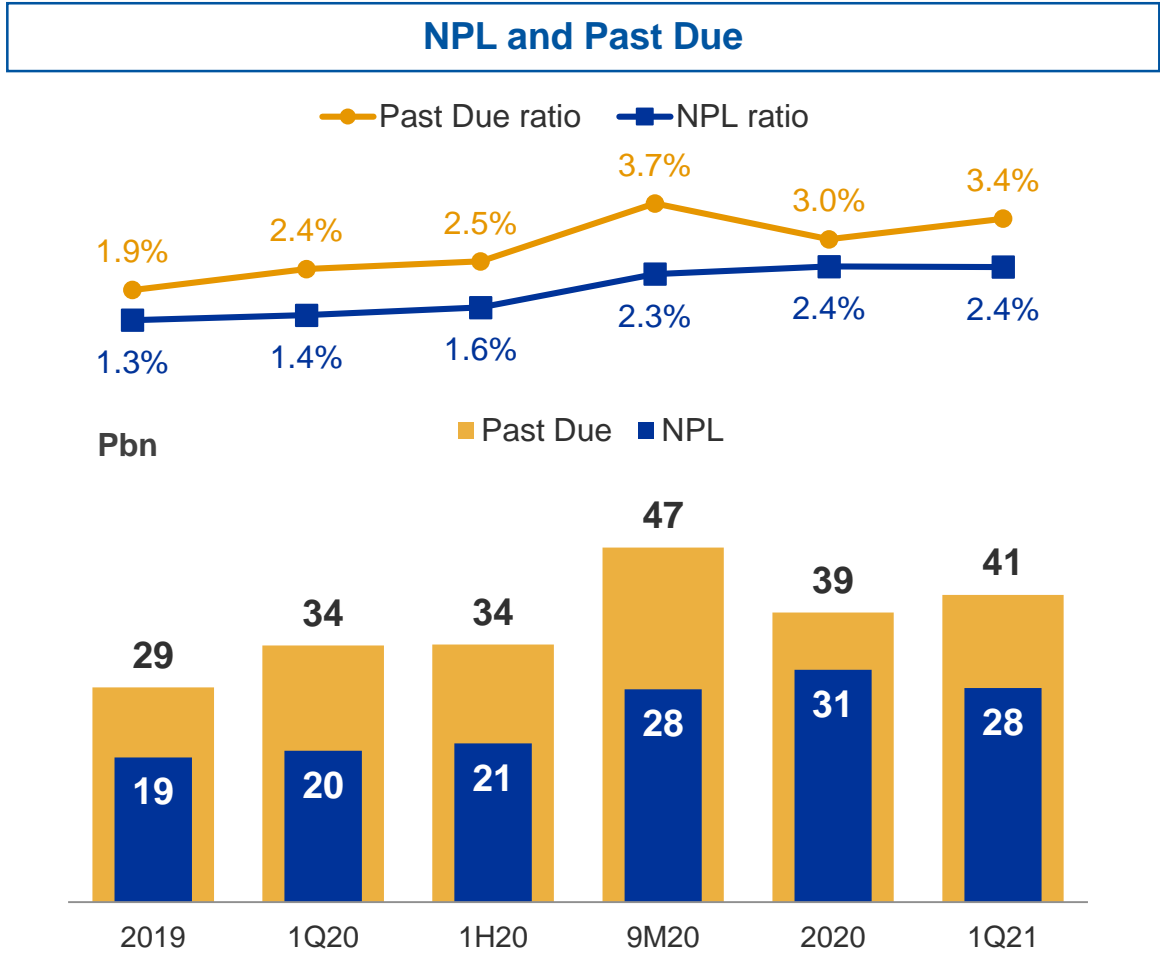
## Raising NPL cover to a high 166%



Note: Estimated credit cost = Annualized Provisions for Credit / Ave. Gross Loans & Receivables



# Asset quality remains stable

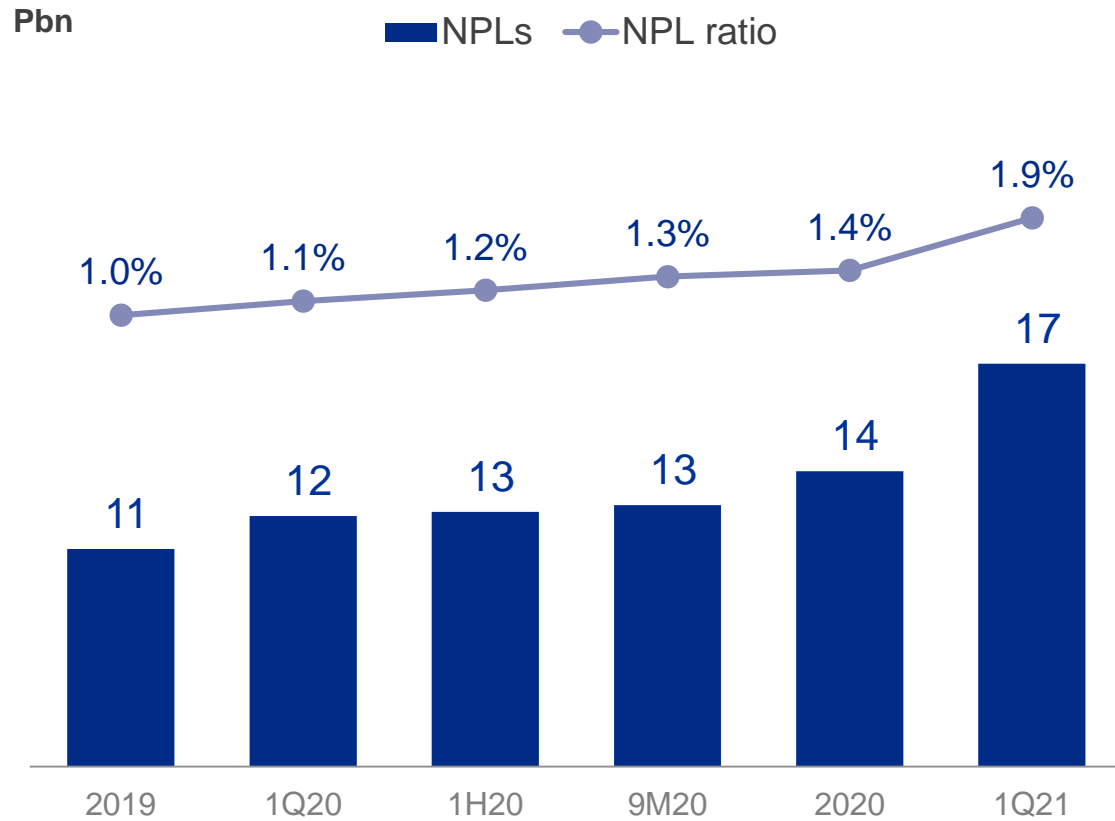


Note: Gross loans net of Unearned Interest and Discount (UID)

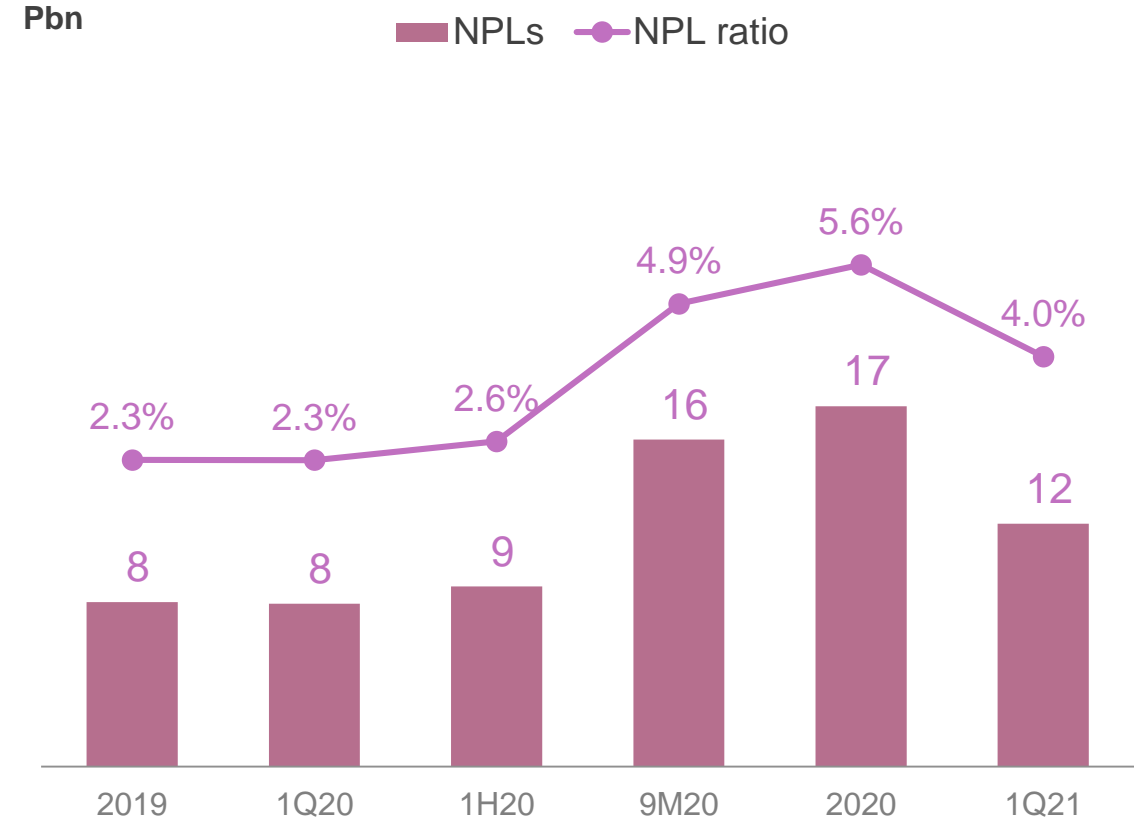
# Proactive asset quality management

Commercial NPLs inching up as ongoing pandemic limits business opportunities, while consumer NPL formation was proactively managed

**Commercial NPL ratio**



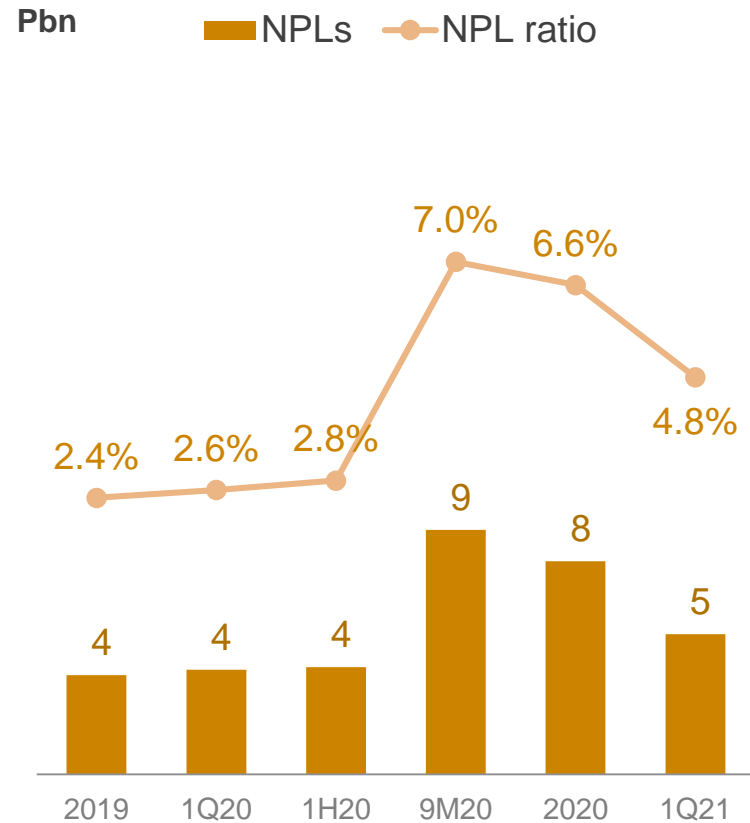
**Consumer NPL ratio**



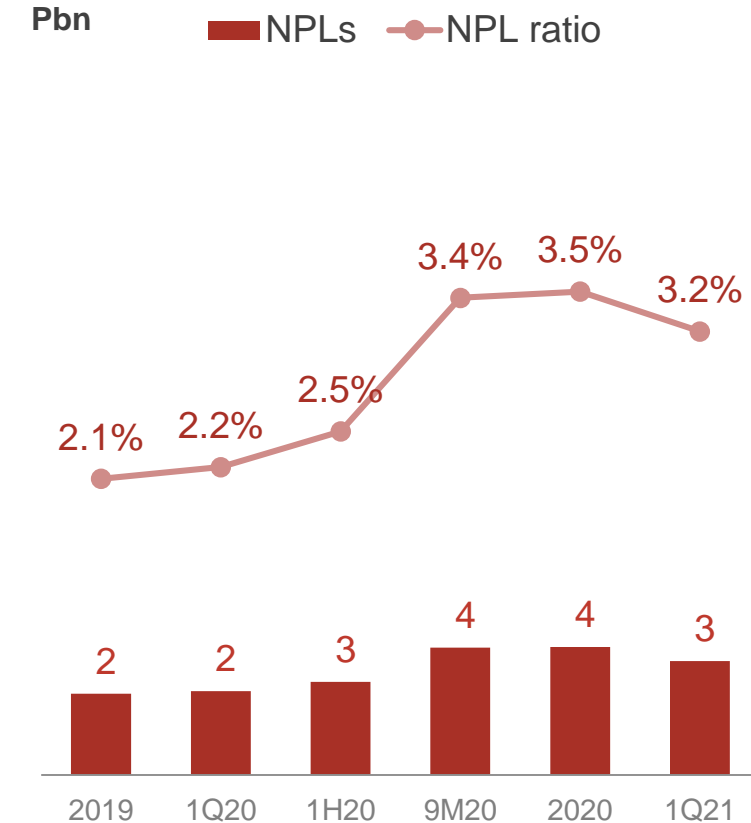
# Easing consumer NPLs

As consumer NPLs tend to show up faster than commercial, proactive NPL management pulled down bad retail loans

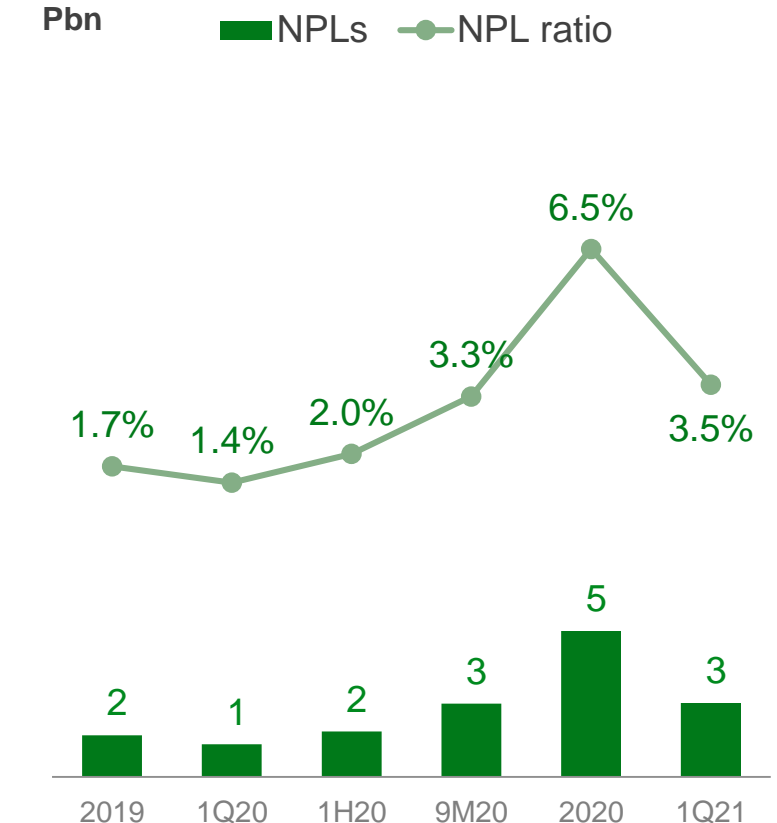
## Auto



## Home



## Credit Cards



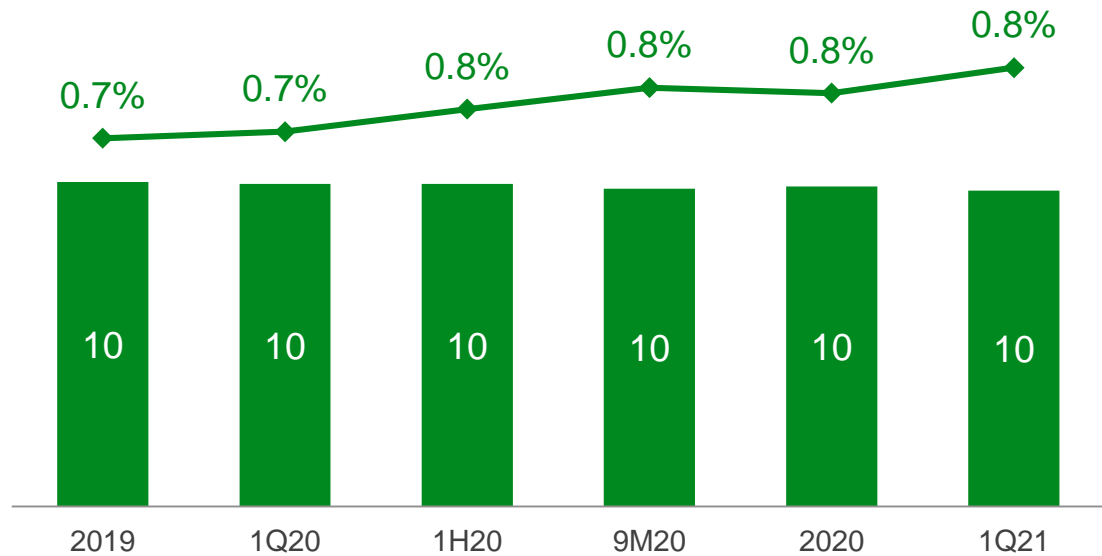
Note: NPL Ratios computed using Net of Unearned Interest and Discount (UID)

# Other asset quality indicators remain stable

## Real and other properties acquired (ROPA)

Pbn

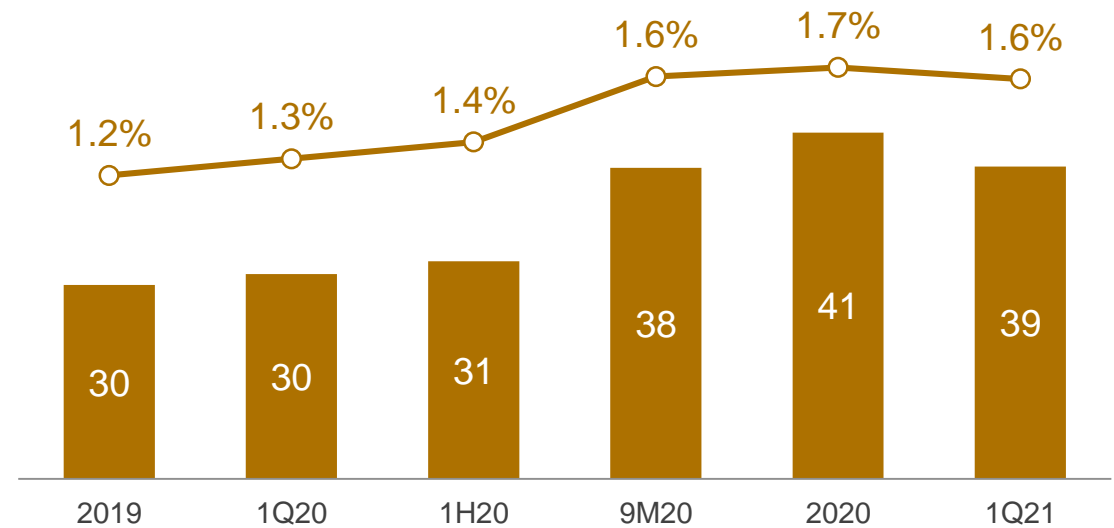
■ ROPA    ◆ Ratio to Gross Loans



## Non-Performing Assets (NPA)

Pbn

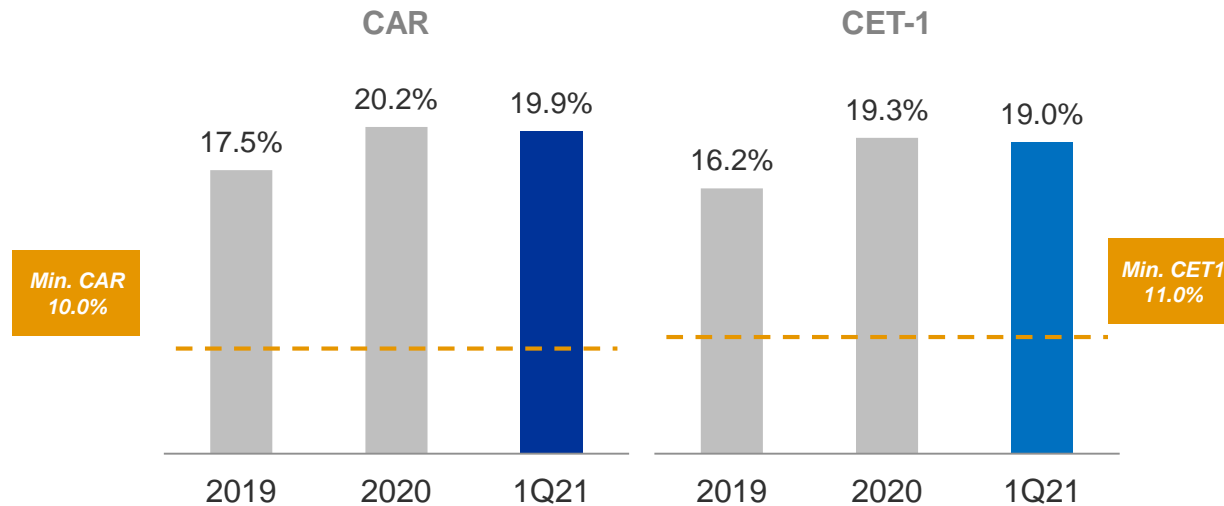
■ NPA    ○ NPA Ratio



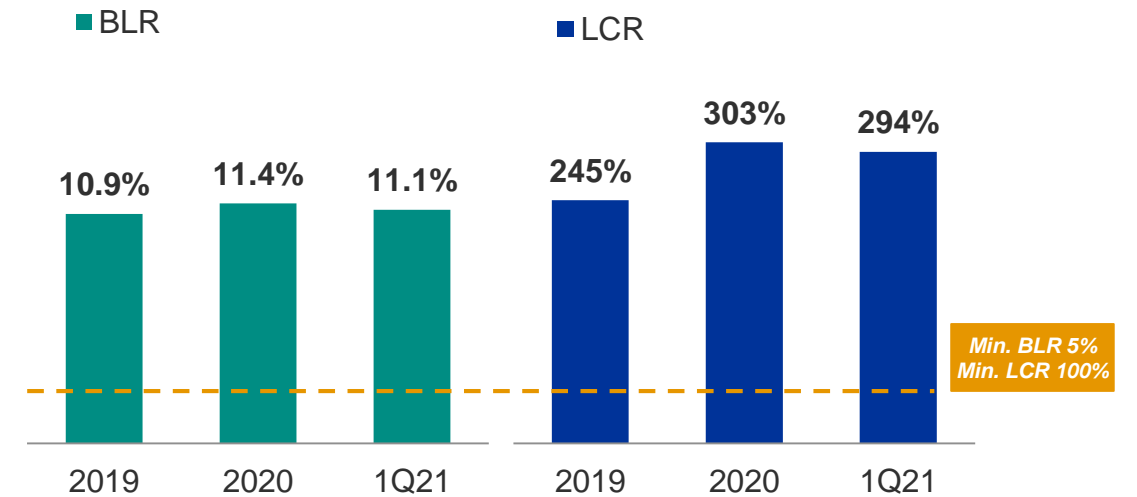
# Strong balance sheet, healthy capital levels provide ample support

The Bank is highly liquid and well-capitalized, with capital and liquidity ratios comfortably above the regulatory threshold

## Capital Ratios



## Basel III Leverage Ratio, Liquidity Coverage Ratio



# 2021 Outlook – Positives and Challenges Ahead



- Modest loan recovery in 2H21, in line with the expected GDP rebound
- Recovery in fee income from higher transaction volumes
- Trading income supported by expanding customer flows
- Cost management to sustain low single-digit opex growth
- Flexibility to trim credit costs should NPL formation remain manageable
- Lower effective tax rate from the CREATE Bill
- Strong CET1 ratio of 19% puts MBT in a strong position to take advantage of market opportunities



- Margin pressure as full impact of interest rate cuts (i.e. interest rate cap on credit cards; full-year policy rate cut transmission) take effect
- Less opportunity for exceptional trading income
- Peak NPL ratio exceeding 5% due to vaccine delays and recurrence of lockdowns resulting in business closures and sustained high unemployment level

# Key strategies to enhance returns

## Topline Growth Drivers

- **Maintain stronghold in commercial banking**
  - ✓ Capitalize on MBT's capacity to extend credit, based on client cash flows and investment needs
  - ✓ Improve fee-based income by expanding cash management /trade services and treasury flows
  - ✓ Maintain disciplined pricing approach
- **Gain momentum in consumer banking**
  - ✓ Expand consumer loan portfolio by leveraging on cross-selling opportunities
  - ✓ Increase fee income on transactions, remittances and asset management
  - ✓ Grow digital footprint
  - ✓ Optimize cost to serve

## Conservative Risk management

- ✓ Maintain proactive account reviews
- ✓ Prudent asset quality management
- ✓ Ensure buffer against anticipated regulatory measures



## Improving Efficiency

- ✓ Target cost-income ratio to low-50s
- ✓ Migration to e-channels to lower cost-to-serve; active usage of online transactions
- ✓ Digital strategy including use of CRM and Analytics
- ✓ Enhance employee productivity through branch process re-engineering

## Optimize Corporate and Capital Structure

- ✓ More efficient corporate structure (i.e. MCC consolidation)
- ✓ Dynamic capital management (i.e. stock dividend, dividend payout)
- ✓ Maintain sufficient capital buffer

# SUMMARY

- ✔ Operating environment remains challenging as the health crisis persists.
- ✔ We have managed to deliver robust earnings growth of 27% as the impact of weak loan demand and lower NIMs were outweighed by strong non-interest income growth, subdued opex growth and lower provisions.
- ✔ We will remain vigilant and will continue with our prudent risk management strategy despite stable asset quality trends
- ✔ High capital ratios ensure adequate buffers for potential risks and a strong position to seek opportunities and support client needs as the economy recovers.
- ✔ We will monitor economic conditions and implement strategies that will balance growth and improve returns and have a sufficient buffer to meet regulatory requirements on a sustainable basis.



# Financial Summary

In PHP billion

Income Statement	1Q 2020	1Q 2021	YoY
Net Interest Income	21.4	19.0	-11%
Non Interest Income	6.2	7.9	+28%
Operating Income	27.6	27.0	-2%
Operating Expenses	14.5	14.7	+1%
<b>PPOP</b>	<b>13.1</b>	<b>12.3</b>	<b>-7%</b>
Provision for Credit	5.0	2.5	-50%
Provision for Taxes	1.8	1.9	+9%
<b>Net Income</b>	<b>6.1</b>	<b>7.8</b>	<b>+27%</b>

Balance Sheet	1Q 2020	1Q 2021	YoY
Total Assets	2,377	2,372	+0%
Loans and Receivables, Gross	1,450	1,203	-17%
Total Deposits	1,714	1,738	+1%
CASA	1,126	1,307	+16%
Equity	314	316	+1%

Financial Ratios	1Q 2020	1Q 2021	YoY
NIM	4.06%	3.52%	-0.5 ppt
CIR	53%	55%	+1.9 pts
NPL Ratio	1.4%	2.4 %	+1.0 ppt
NPL Cover	114.5%	166.0%	+51 pts
CAR	17.6%	19.9%	+2.3 pts
CET-1	16.3%	19.0%	+2.7 pts
Gross LDR	84.6%	69.2%	-14.5 pts



# Additional Information

# Metropolitan Bank & Trust Company (Metrobank)

## Overview

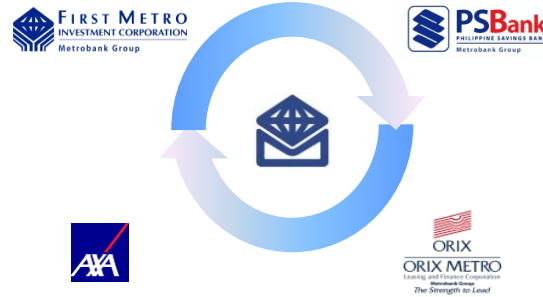
# 50+

YEARS OF MULTI-AWARDED  
SERVICE EXCELLENCE

Founded in 1962 by a group of  
Filipino-Chinese businessmen  
led by Dr. George S. K. Ty

Listed in 1981 on the  
Philippine Stock Exchange

## DIVERSIFIED FINANCIAL CONGLOMERATE



## TRADING INFORMATION

MBT PM | MBT.PS Ticker

USD 4.1 Bn Market cap

USD 4.4 Mn 3M Avg Daily Value TO

21.4% Foreign Ownership

48.2% Public Float

As of 30 April 2021

## Financial Data (PHP bn)

## 1Q21

Total Assets	2,372
Loans and Receivables, Net	1,158
Total Deposits	1,738
CASA	1,307
Equity	307
CAR	19.9%
CET-1	19.0%

## BIG 3 BANK WITH LEADING MARKET POSITIONS

**#1**      **#2**      **#3**      **#3**

Auto Loans    Credit Card Receivables    Mortgage Loans    Trust AUM

## STRATEGIC PRESENCE AND COVERAGE

### DOMESTIC

955 branches      2,304  
55% outside NCR    ATMs

### OVERSEAS

30+ branches, subsidiaries, offices  
140+ remittance tie-ups  
140+ remittance agents

## INVESTMENT GRADE

### CREDIT RATINGS

MOODY'S    Baa2    Stable

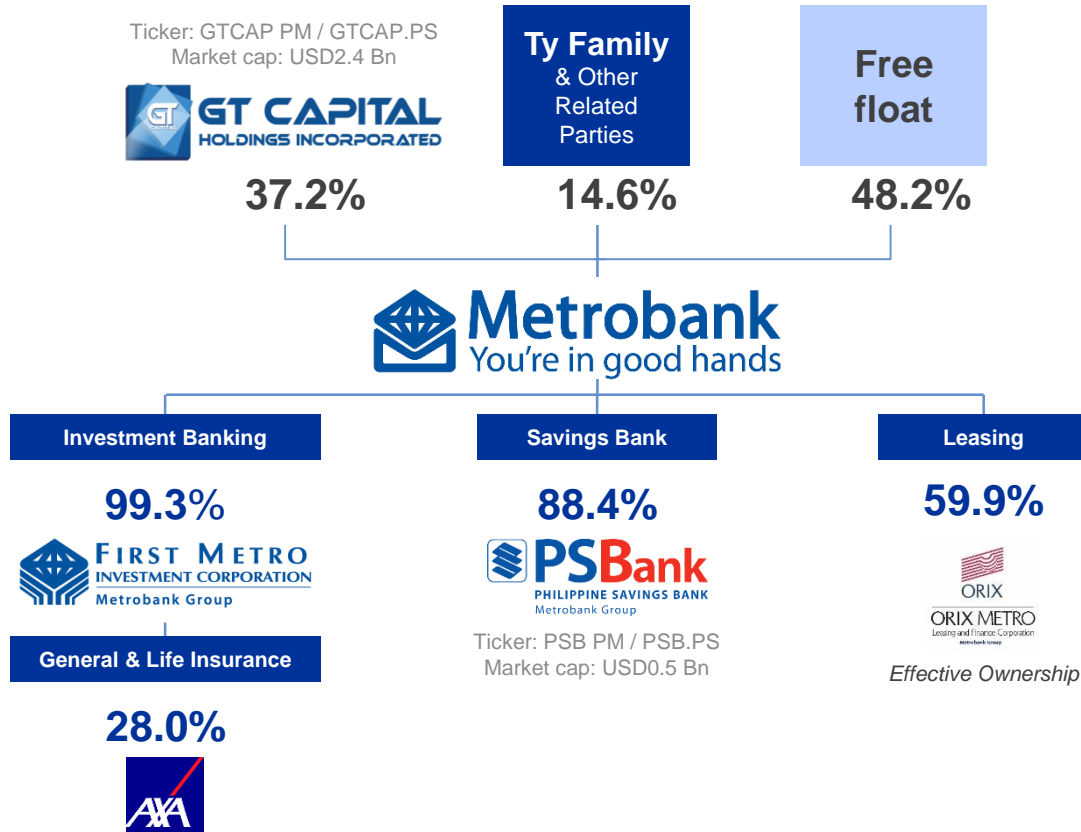
FitchRatings    BBB-    Stable

**Best Bond Bank in the Philippines**  
*PDS Best Securities House (Bank)*  
(2014 to 2021)

**FY20 Largest Trader of  
PHP Fixed Income Securities**  
**33.6%** market share in trading volume  
**56.4%** market share in number of trades

# Ownership and Investment Information

## CORPORATE STRUCTURE



## MARKET DATA

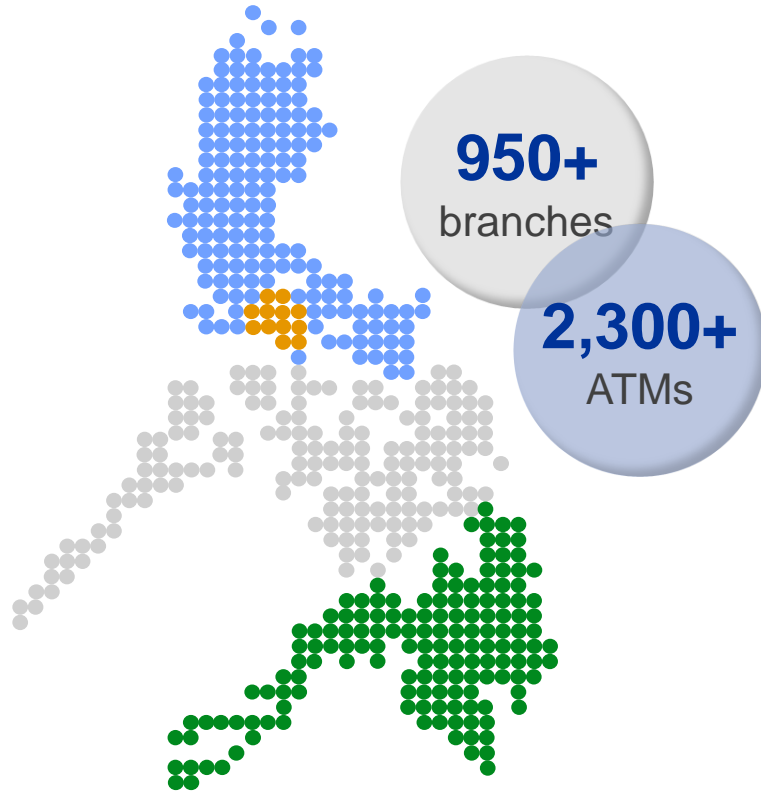
### Trading information

Ticker (Bloomberg   Reuters)	MBT.PM   MBT.PS
Par value (PHP)	20.00
Outstanding shares	4,497,415,555
Stock price as of 30 April 2021	44.00
52-Week Range (Low   High)	33.05   52.20
Market cap (USD Mn)	4,118.51
3-Month Avg Daily Trading Value (USD Mn)	4.42
3-Month Avg Daily Trading Volume	4,453,759
Public Float	48.2%
Foreign Ownership	21.4%

	2019	2020	1Q21	
BVPS (PHP)	68.84	72.10	68.19	
EPS (PHP)	6.24	3.08	6.92	<i>Annualized</i>
Trailing P/BV (x)	1.0	0.7	0.7	<i>Based on EOP share price</i>
Trailing P/E (x)	10.6	15.8	6.5	
DPS (PHP)	1.00	1.00	4.00	

# Extensive Domestic and Overseas Coverage

## Domestic Branch and ATM Networks



## Overseas Network Coverage

**30+**

Branches,  
subsidiaries,  
offices

**140+**

Remittance  
tie-ups

**140+**

Remittance  
agents

# Outstanding Debt Issuances & Investment Grade Credit Ratings

Debt Issuance Details					Debt Maturity Profile (PHP Bn)					
Type	Issue Date	Coupon Rate	Maturity Date	Amount (PHP Bn)	2021	2022	2023	2024	2025	2026
LTNCD	Nov-14	4.250%	Nov-21	6.25	6.25					
	Sep-16	3.500%	Sep-23	8.65			8.65			
	Jul-17	3.875%	Jul-24	3.75				3.75		
	Oct-18	5.375%	Apr-24	8.68				8.68		
PHP Bond	Apr-19	6.300%	Apr-22	17.50		17.50				
	Jul-19	5.500%	Jul-21	11.25	11.25					
	Oct-19	4.500%	Apr-23	13.75			13.75			
	Jun-20	3.000%	Sep-21	10.50	10.50					
	Jun-21	3.600%	Sep-26	19.00						19.00
MTN	Jul-20	2.125%	Jan-26	USD500Mn						25.00*
					<b>28.00</b>	<b>17.50</b>	<b>22.40</b>	<b>12.43</b>	<b>-</b>	<b>44.00</b>

\* Assuming USDPHP 50.00

MOODY'S

**Baa2  
Stable**

**Dec-20**

- Very high likelihood of support from the Philippine government in times of need
- Robust capitalization, with a proven history of support from shareholders
- Strong funding and liquidity, supported by a dominant domestic franchise

FitchRatings

**BBB-  
Stable**

**Oct-20**

- High likelihood of extraordinary support from the sovereign, if needed
- Sound capital buffers, with capital ratios likely to remain above peer average
- Funding and liquidity remain a rating strength

# COVID-19 Initiatives



## For Employees

### Flexible work arrangements

*Shifting schedules, remote work, redeployment to nearer worksite*

### Additional allowances and benefits

*Provided shuttle services, meal and transportation allowances  
To employees who reported on-site during the lockdowns*

### Safety as our top priority

*Enforcement of health and safety protocols*

### Promotion of free online courses

*In-house and external training for upskilling*

### Free webinars for mental health and well-being

*To offer support and empower our people*

### COVID-19 Vaccination Program

*Procurement of vaccines for employees, their dependents,  
and their non-family household members*

## For Clients

### Waived Interbank Fund Transfer Fees

*Until 30 June 2021  
Through InstaPay and PESONet*

### Loan Payment Moratorium

*In response to the Bayanihan to Heal as One Act and the  
Bayanihan to Recover as One Act*

### At least 90% of NCR branches open during MECQ

*With shortened banking hours  
Daily list of branch schedules are posted online*

### Mobile ATMs

*Travelled around Metro Manila and nearby provinces  
To reach clients during the lockdowns*

### Accelerated digital channel enrolments and online account opening

*Through Earnest, Metrobank mobile app, Metrobank Online  
To provide convenient banking services*

## For Communities



### P321.5 million donation

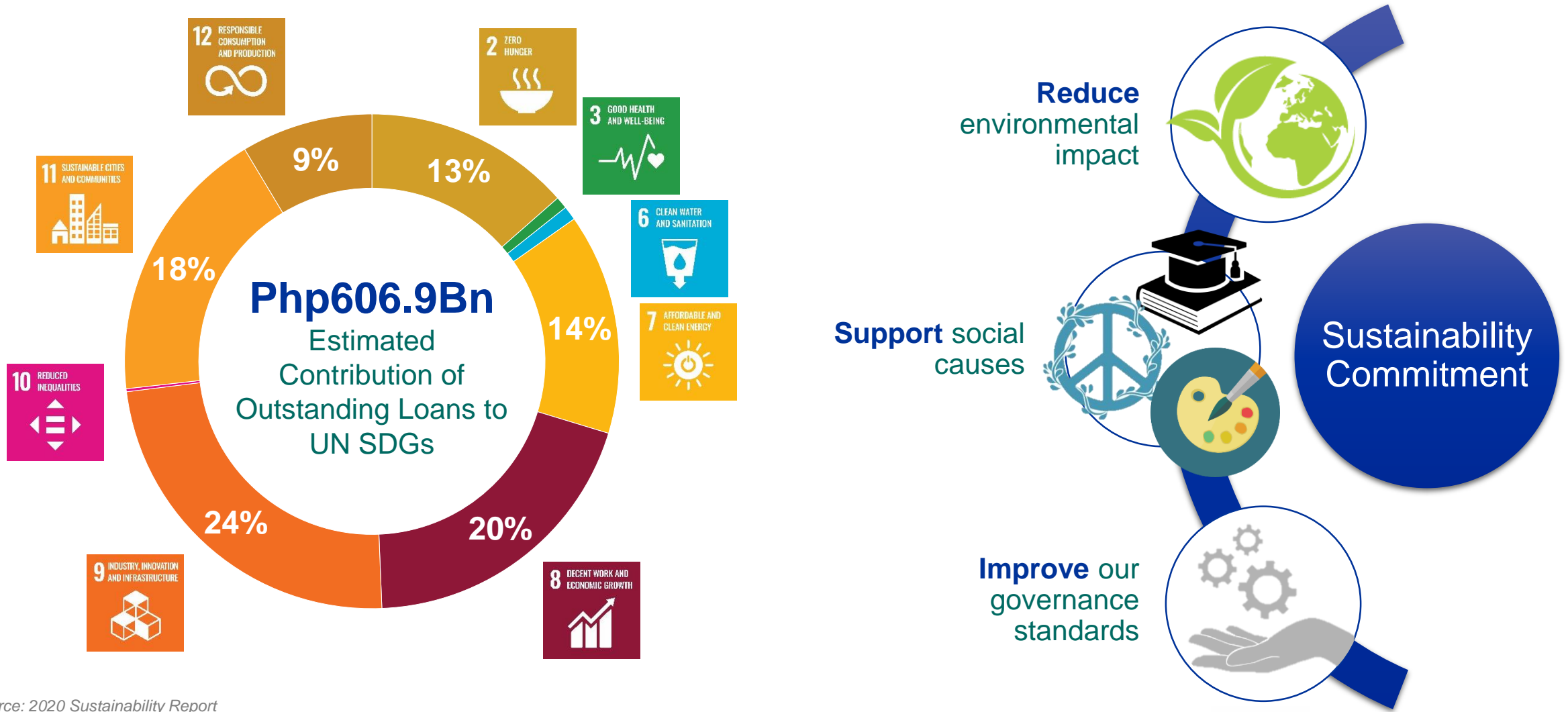
*in support of the efforts to combat COVID-19  
PPEs for health care and security front liners, COVID-19  
testing kits and molecular laboratories, food relief packages,  
laptops and tablets for students, etc.*



### P2.4 million donation

*Metrobankers gave their meal  
allowances to help feed those  
who are most in need  
In celebration of Metrobank's  
58<sup>th</sup> anniversary*

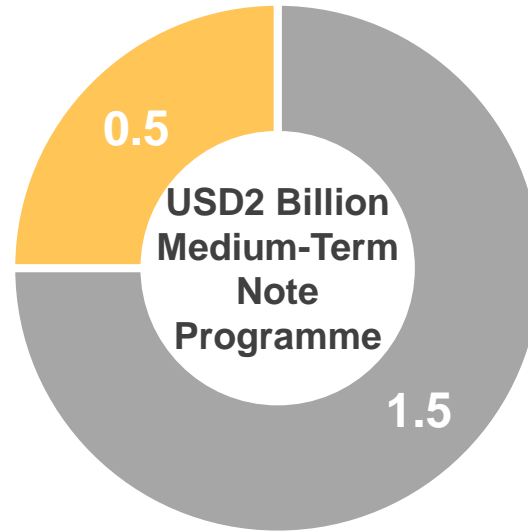
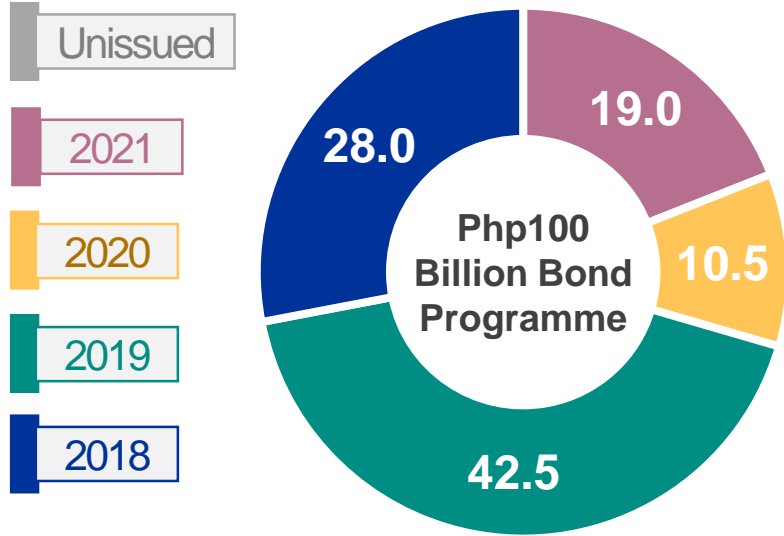
# 2020 Sustainability Measures



Source: 2020 Sustainability Report



# Debt Issuances



Bond offer

**Php19.0 billion  
5.25Y Peso Notes**

*Offer period: May 6 – 18, 2021*

1.9x oversubscribed  
3.60% interest rate, 35bps above benchmark rate

Exercise of call option

**Php6.5 billion 2025  
Peso Notes**

*August 2020*

# MBT 5.5Y MTN Bond Spread Over 5Y US Treasuries

Tighter spread may be due to a better outlook for the country and good investor confidence on the issuance

Credit Spread (in bps)



Note: as of 26 May 2021

# Recent Awards and Recognition



**Best Securities House Bank Category**

2014 - 2021




**PDS Group**  
The Complete Capital Market Infrastructure




**Best Local Currency Bond Individuals**  
#1 in Trading,  
#2 & #3 in Sales,  
#4 in Research

2021

**Top Sellside - Corporate & Government Bonds; Investors' Choice for Primary Issues - Government Bonds**

2020




**Top Investment House in Asian G3 Bonds; 4<sup>th</sup> in Asian Local Currency Bonds**

2020




**Most Recommended Retail Bank in the Philippines; 4<sup>th</sup> in Asia Pacific**

2020



**BANKQUALITY.COM**  
RATE YOUR FINANCIAL SERVICE PROVIDER TODAY



**Corporate Governance Award**

2018 - 2020



**ICD**  
Institute of Corporate Directors



**Best Investment Bank - Philippines**

2020



**FinanceAsia**



**Best M&A House - Philippines**

2020



**Alpha**  
Southeast Asia



**Most Innovative Wealth Manager**

2020



**INTERNATIONAL FINANCE**




**Best Broker - Philippines**

2020




**FinanceAsia**



**1 Gold, 2 Silver Anvils**

2021



**56<sup>th</sup> ANVIL AWARDS**



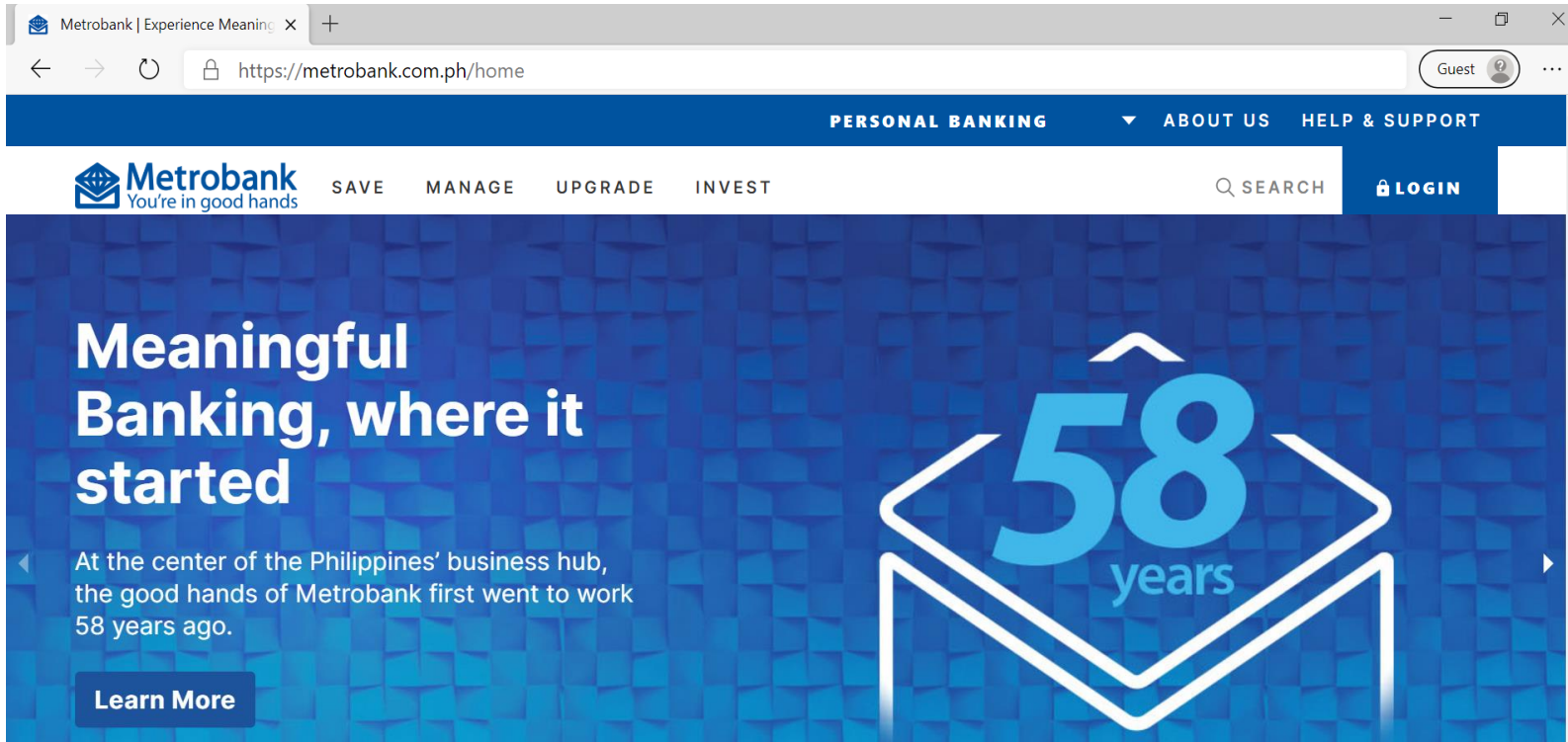
**Top Division, 4 Excellence, 2 Merit Awards**

2021



**PHILIPPINE QUILL AWARDS**

# For more information, please visit our website:



For your comments and queries contact us via:

**investor.relations@metrobank.com.ph**

**Tel: (632) 8857 5348**

DISCLAIMER: This material was produced by Metrobank Investor Relations Department for information purposes only and is intended to be used in presentations by the Bank at investor meetings and does not constitute a recommendation regarding the securities of the Bank or any of its affiliates. The information contained herein (including, among others, the market data, industry data and other industry statistics included in this presentation derived from public or third party sources) has not been independently verified and thus no representation or warranty, express or implied, is made as to the fairness, accuracy, currency, completeness or correctness of the information, opinions and conclusions contained in this presentation by the Company. Accordingly, no reliance should be placed on the fairness, accuracy, currency, completeness or correctness of this presentation, nor any inferences drawn from the manner in which the contents have been compiled and presented. Unauthorized distribution, alteration, or reproduction, whether in whole or in part in any form, is strictly prohibited by the Company. Data presented here was taken from publicly available sources (PSE, SEC, BSP). In case of any discrepancy, the information from the public sources will prevail.

## Latest Annual Reports



## Financial Reports

[SEC 17-A](#)

[SEC 17-Q](#)

[BSP SOC](#)

## Investor Relations

<https://metrobank.com.ph/about-us/investor-relations-program>

## Annual Corporate Governance Report

<https://metrobank.com.ph/about-us/corporate-governance-report>

# Meaningful Banking

by

