



# 4Q / FY 2020 EARNINGS CALL



**Metrobank**  
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# Panelists



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



**FABIAN S. DEE**  
President



**BLIZ CUNA**  
Head,  
Enterprise Services

# Panelists



**MONJ DEL ROSARIO**  
Head, Consumer Business



**MINDA OLONAN**  
Head, Investor Relations



**MAYET CAPARAS**  
Head, Institutional  
Banking

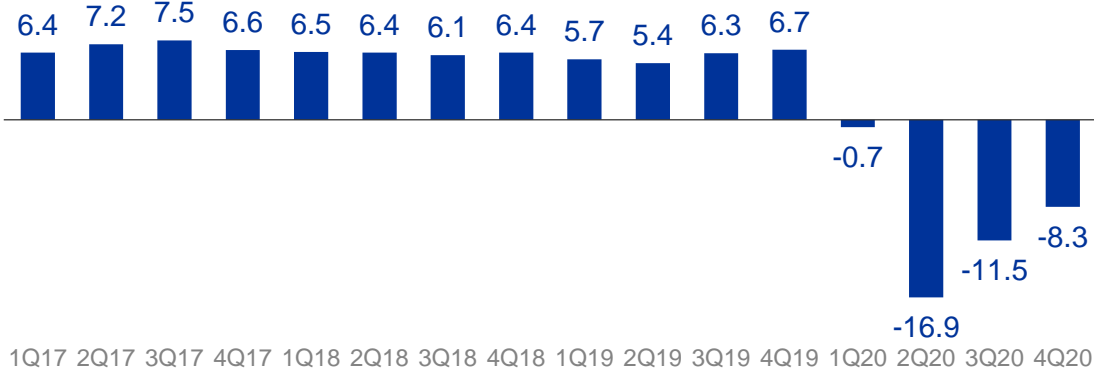




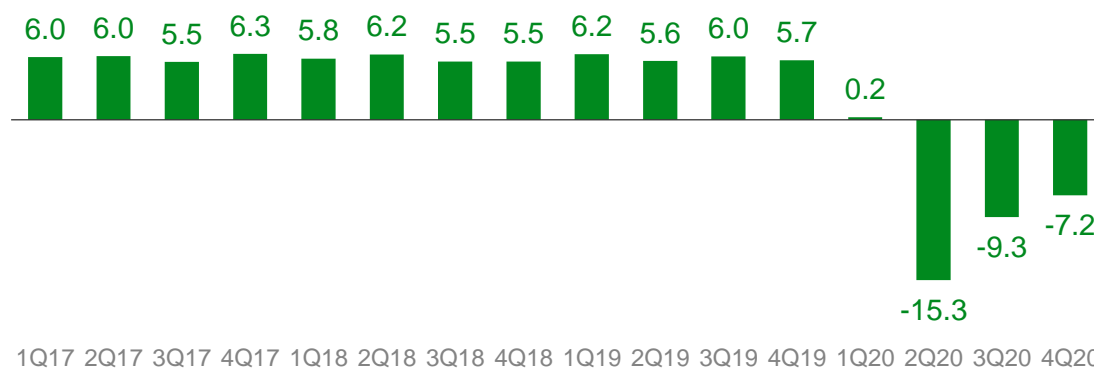
# MACROECONOMIC VIEW

# Shaking off the 2020 slowdown

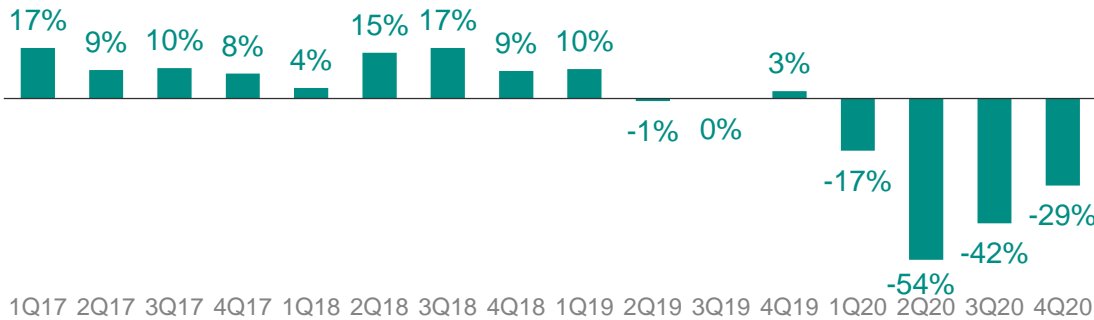
**Pandemic caused a steep 9.5% GDP decline in 2020**



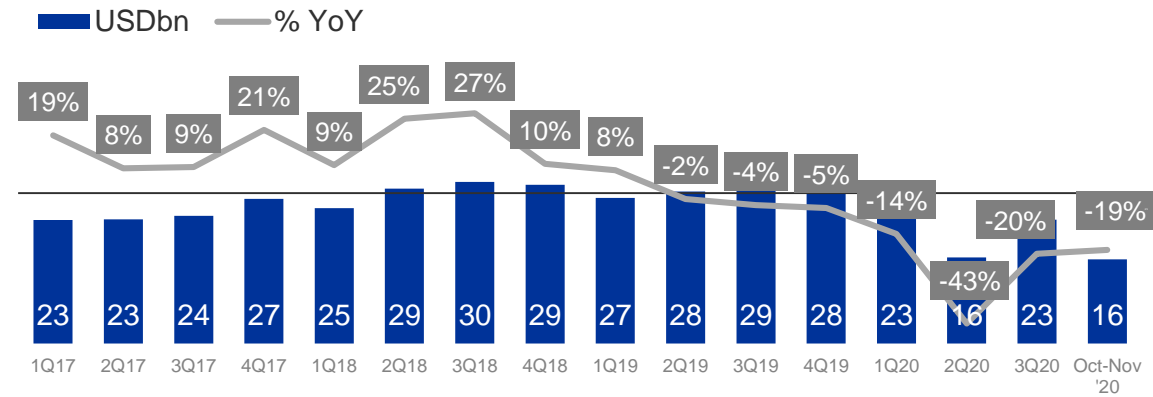
**Household spending contracted by 8%**



**Investment spending retreated by 35% ...**



**... reflected in merchandise drop in merchandise imports**

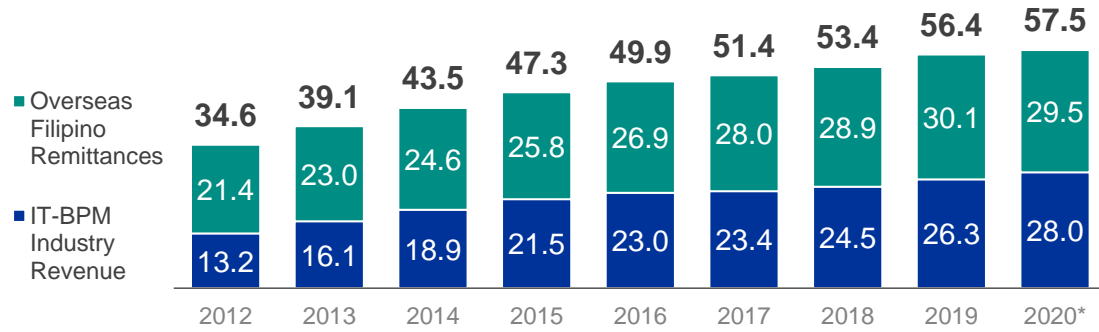


Source: Philippine Statistics Agency

# 2021: Modest Recovery Expectations

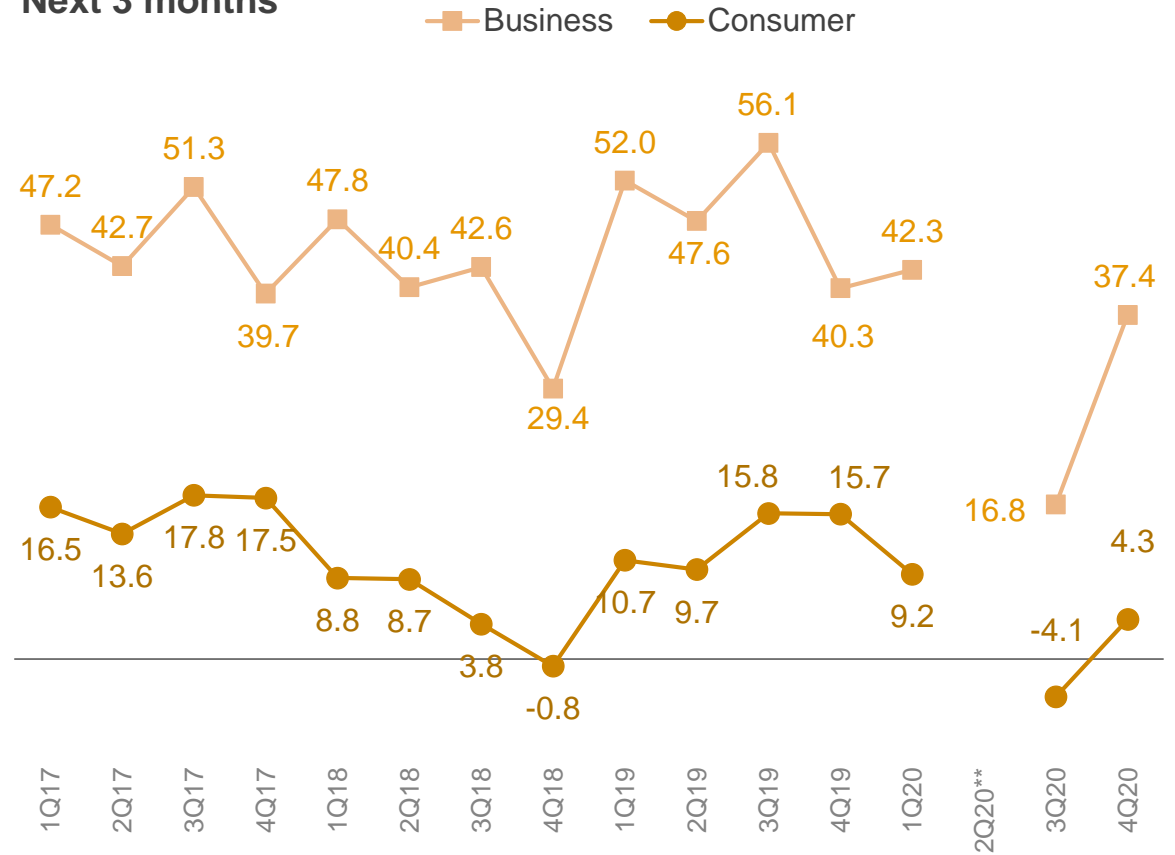
## Stable Dollar inflows from remittances and IT-BPM

USDbn

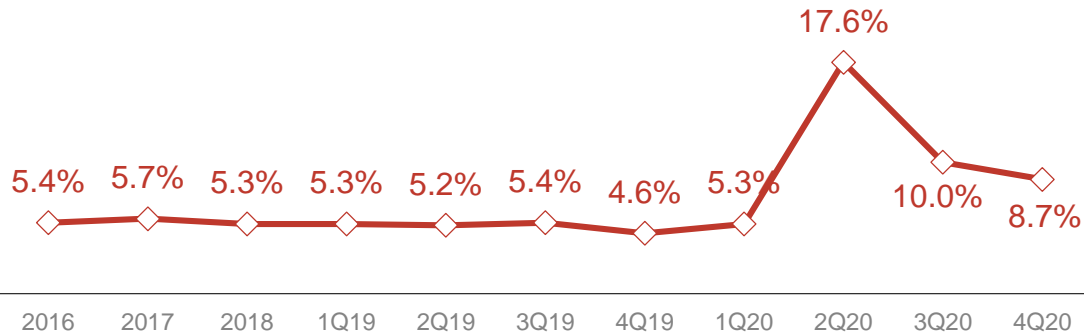


## Business & consumer confidence starting to recover

Next 3 months



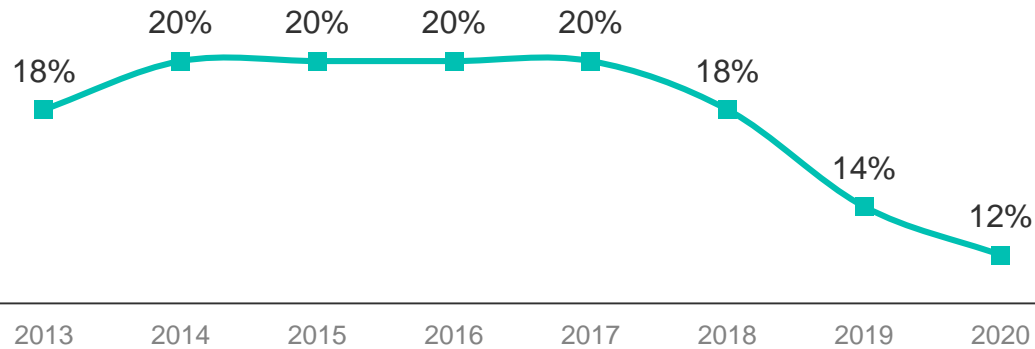
## Easing Unemployment rate



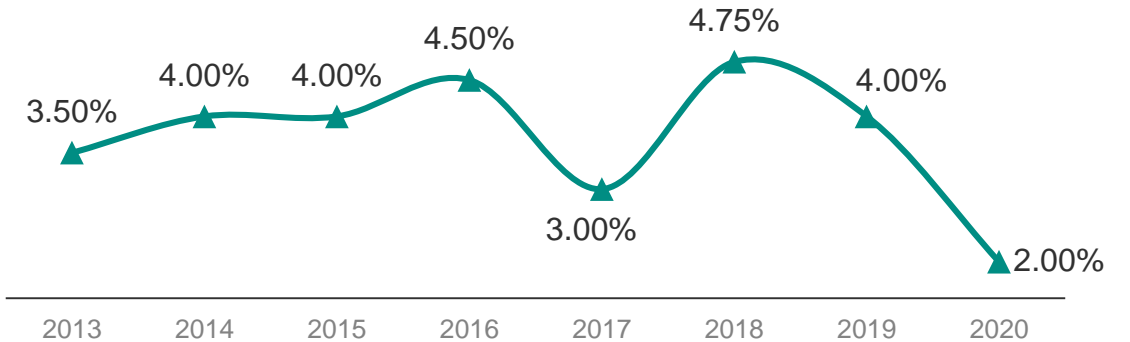
Notes:  
 \*OFW remittances: BSP forecast (as of June 2020); BPO revenues: recalibrated IT-BPM roadmap forecast (as of February 2020)  
 \*\* No confidence index data due to ECQ

# Accommodative monetary policy to support economy

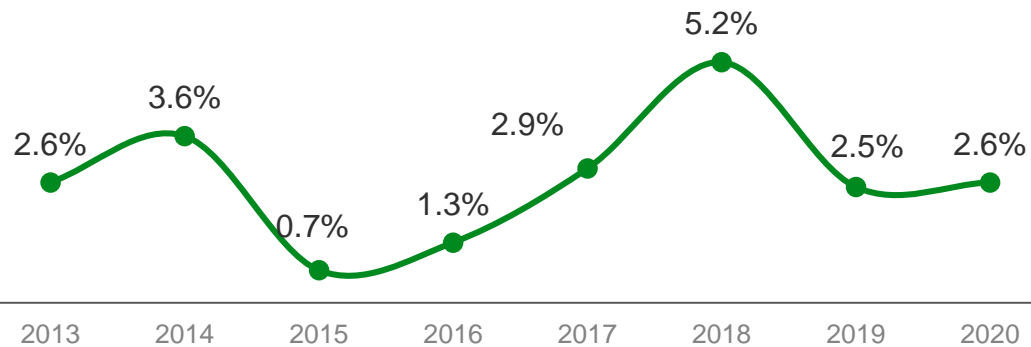
## RRR cuts boost liquidity



## Deep policy rate cuts to record-low level



## Supported by manageable inflation rate



## BSP expected to keep interest rates low

- BSP policy measures likely to stay unchanged in the near term
- Possible unwinding of accommodative monetary policy.

# Metrobank Economic Research Forecasts

As of February 2021

	2019A	2020A	2021F
GDP	6.0%	-9.5%	6.4%
Inflation	2.5%	2.6%	4.1%
BSP RRP rate	4.0%	2.0%	2.50% - 2.75%
RRR	14%	12%	10%
USDPHP Trend	50.6	48.0	49.3

↑ *With directional bias*

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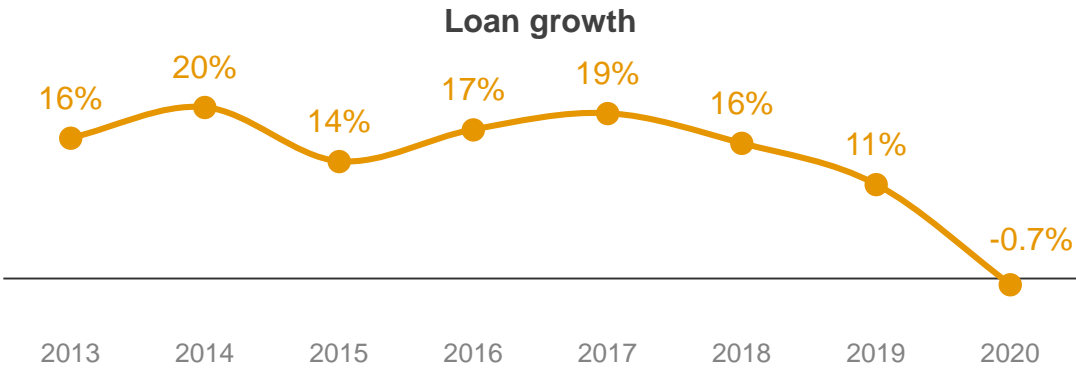
GDP Forecasts	DBCC*	6.5% - 7.5%
	ADB	6.5%
	WB	5.9%
	IMF	6.6%
	Moody's	7.0%
	Fitch	6.9%
	S&P	9.6%

\*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.

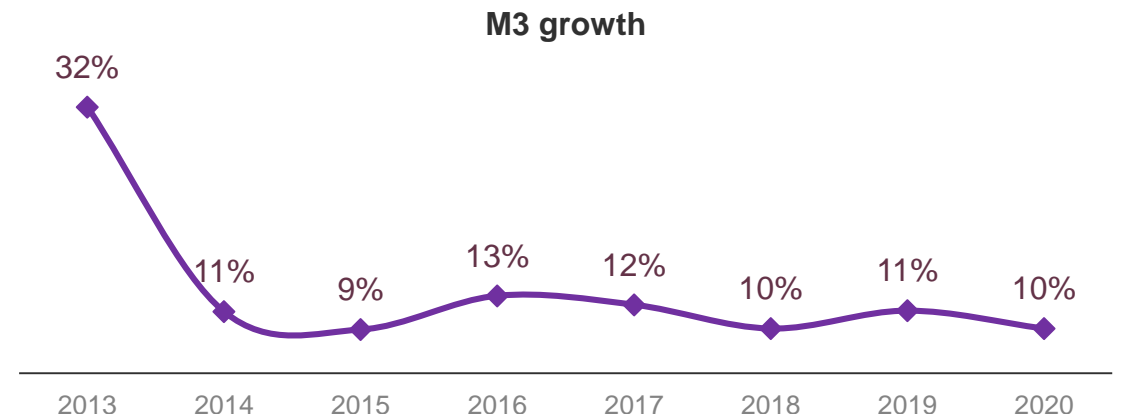
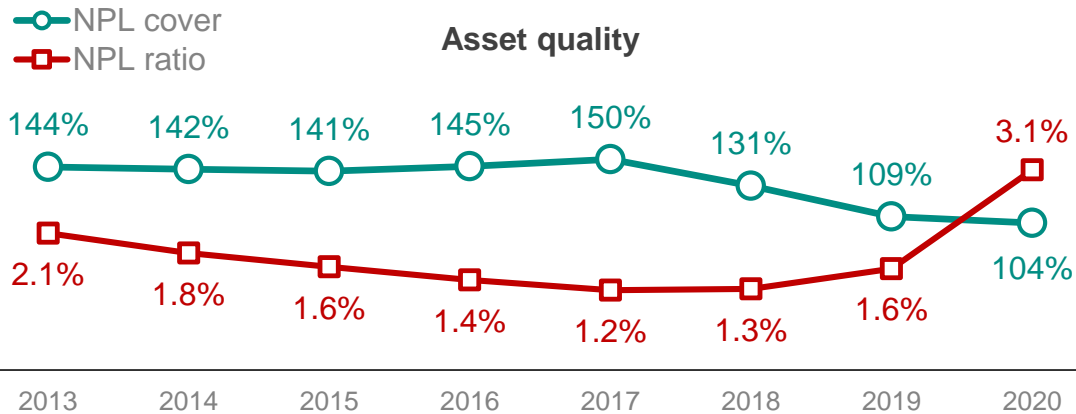
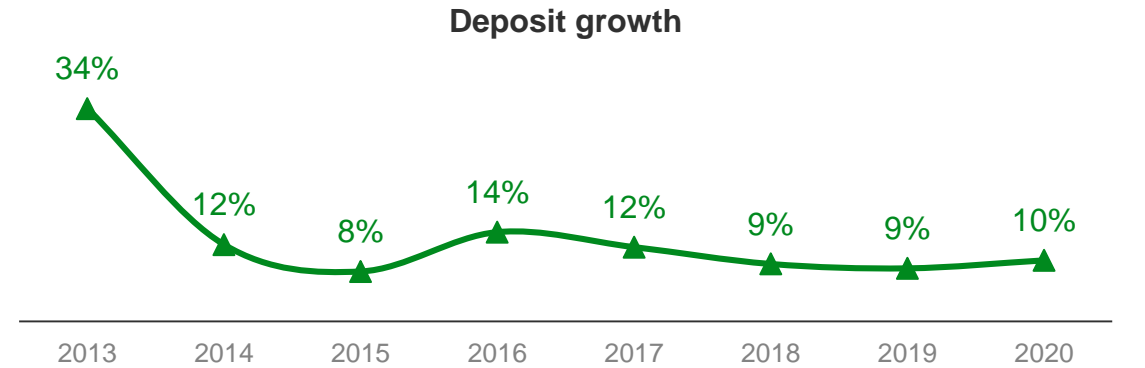


# Banking Industry: Loan slowdown amid ample liquidity

Loan growth significantly tempered by economic slowdown



Deposit and M3 growth sustained amid ample market liquidity





# FINANCIAL PERFORMANCE



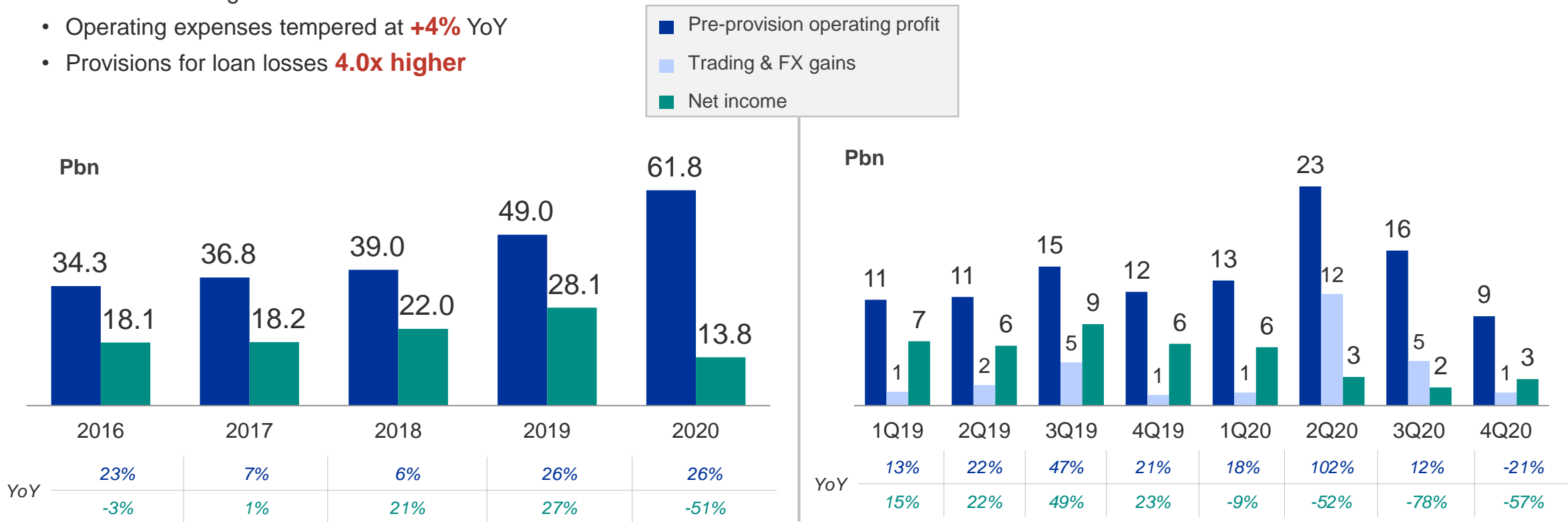
FY 2020

# Healthy core income growth support aggressive provisioning

Strong results across all metrics tempered by proactive provisioning and reserves build-up

## Resilient core business; continued build-up of reserves

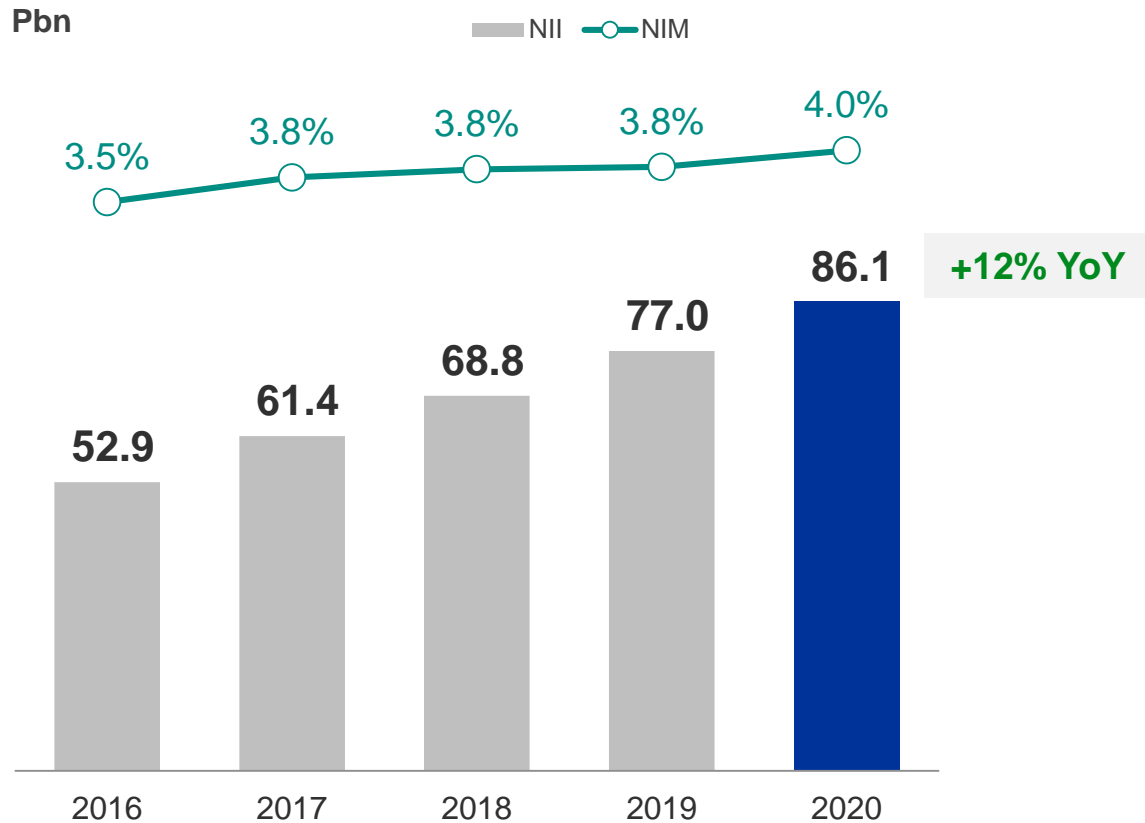
- Strong **+12%** NII growth
- Revenues **+14%** driven by NII and robust trading gains
- PPOP record-high **+26%**
- Operating expenses tempered at **+4%** YoY
- Provisions for loan losses **4.0x higher**



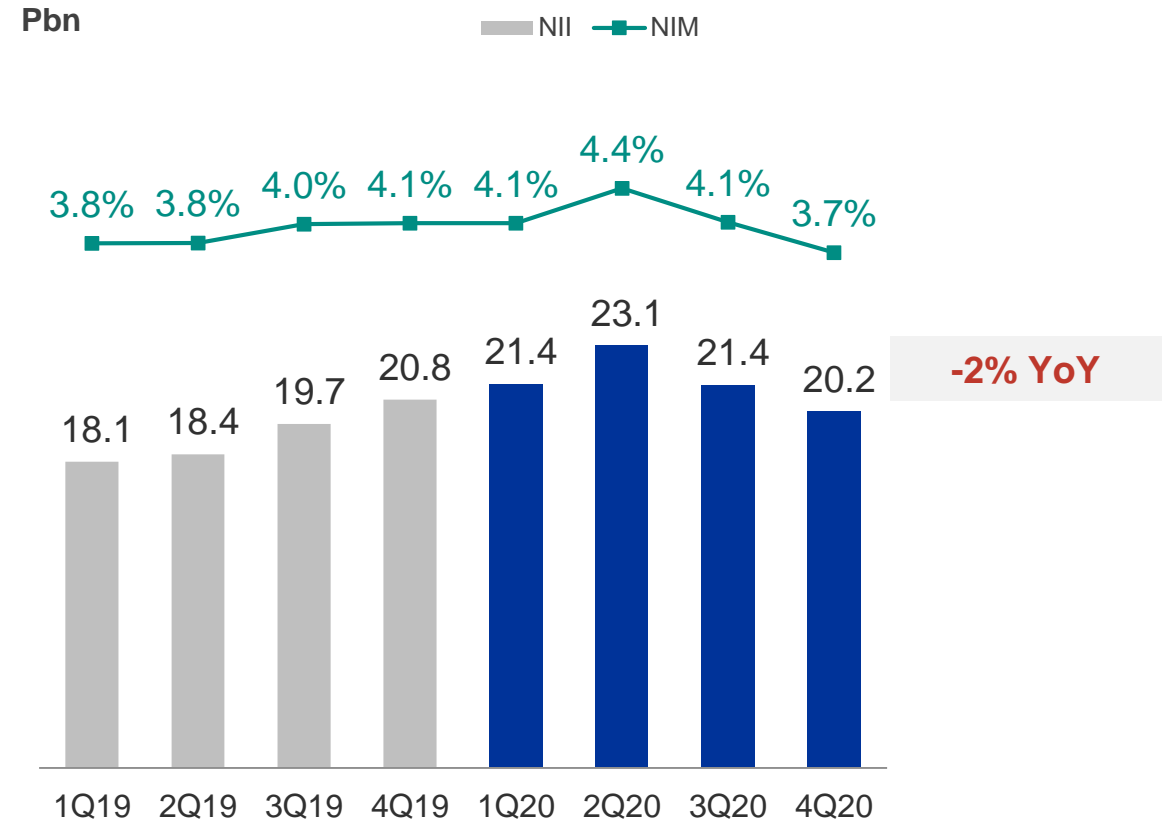
# Solid net interest income despite economic slowdown

Sustained growth in Net Interest Income propelled by strong CASA growth and lower funding cost

**Modest 2020 interest income growth supported by better margins**



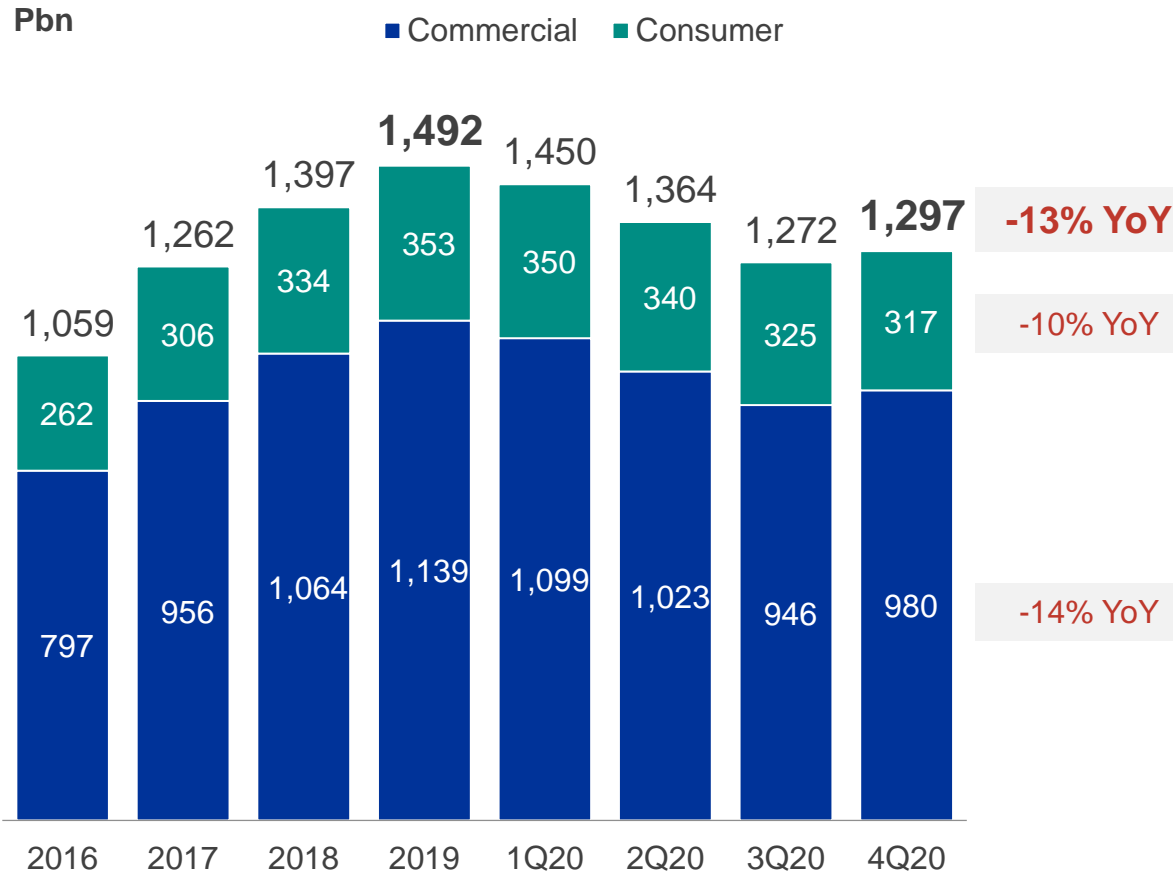
**...but trend is declining due to impact of rate cuts**



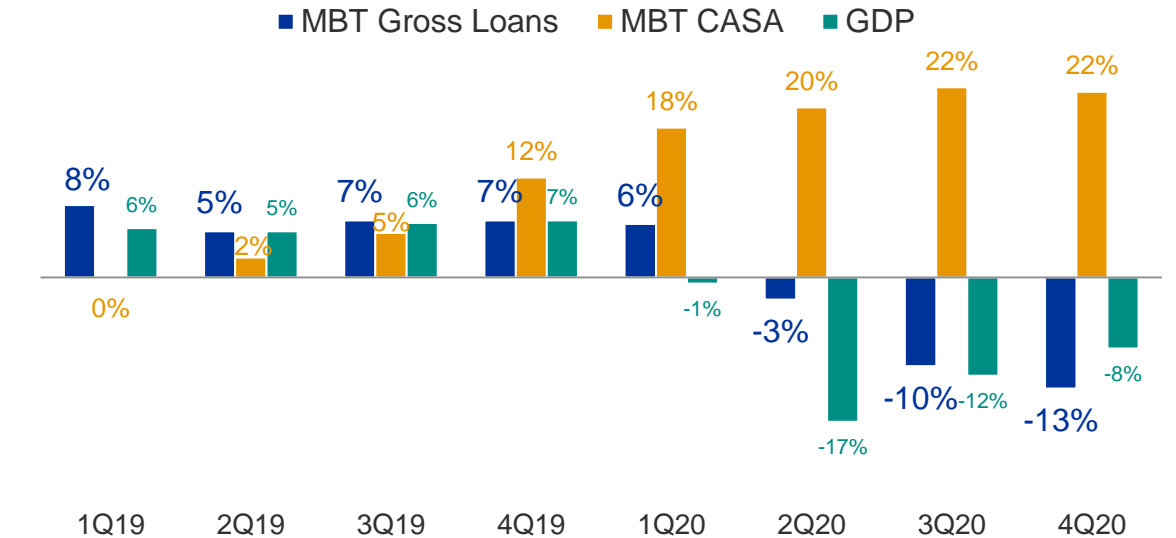
# Loan portfolio performance aligned with economic growth

Contraction in loan portfolio reflective of the slowdown across industries and gross capital formation

## Contraction in gross loan portfolio



## GDP weakness reflected in loan decline; funds parked in CASA



## FY 2020 Loan Portfolio by Industry



Based on BSP Reporting

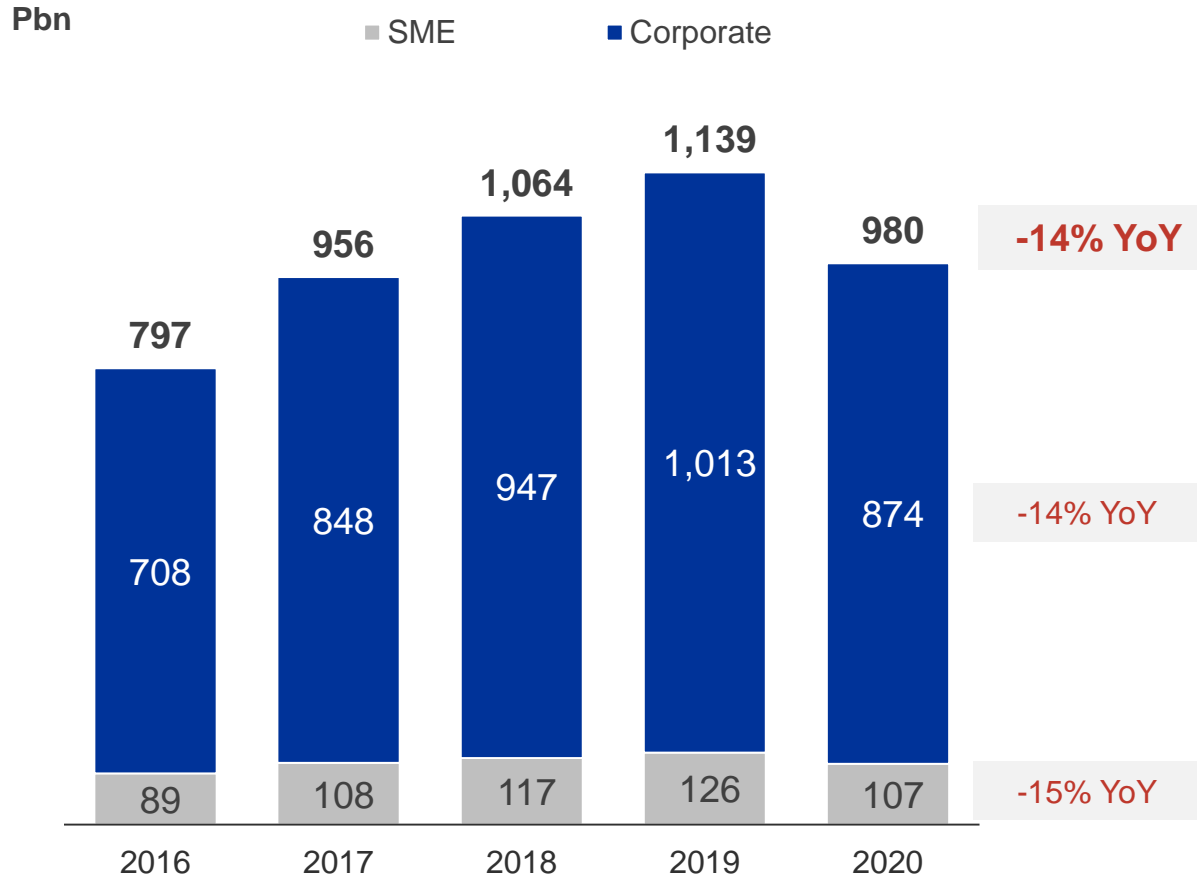
Others include Construction, Agricultural, forestry and fishing; Accommodation & food service activities

Note: Gross of Unearned Interest and Discount (UID) except for 2016-2017 Consumer Loans

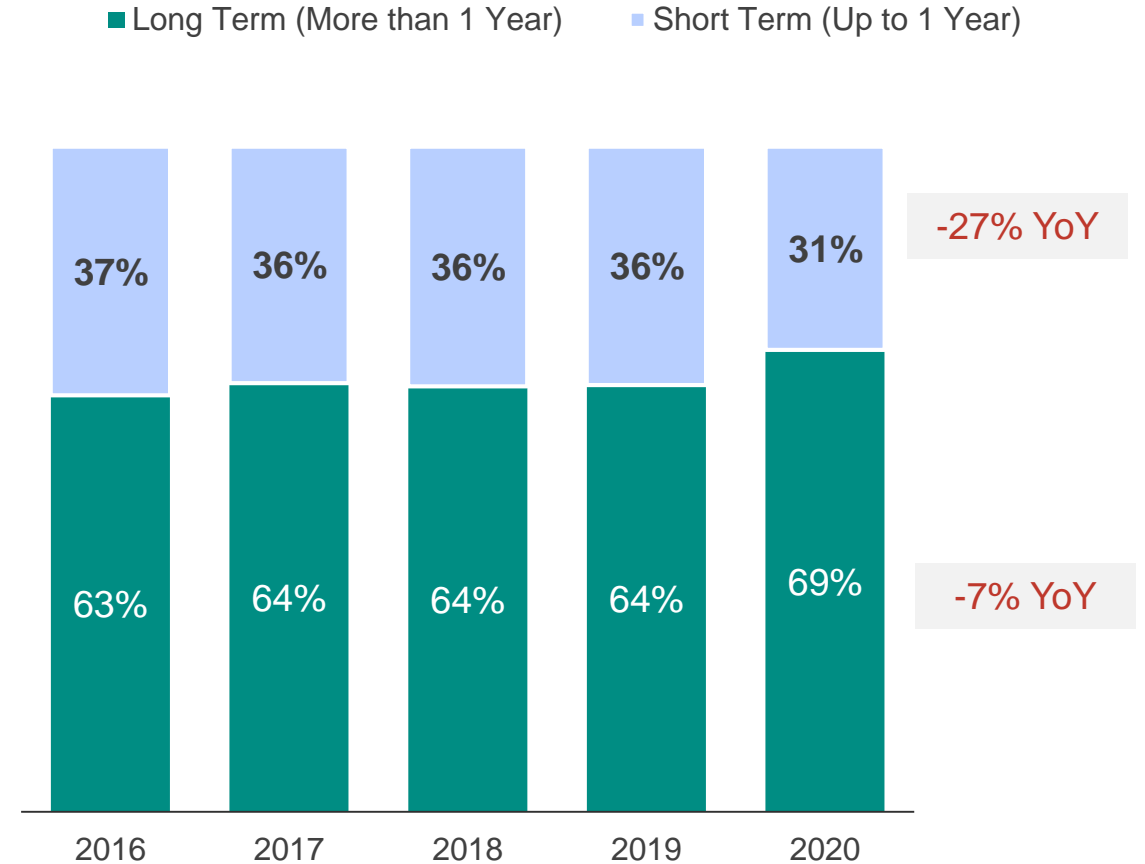
# Commercial lending reflective of GDP contraction

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

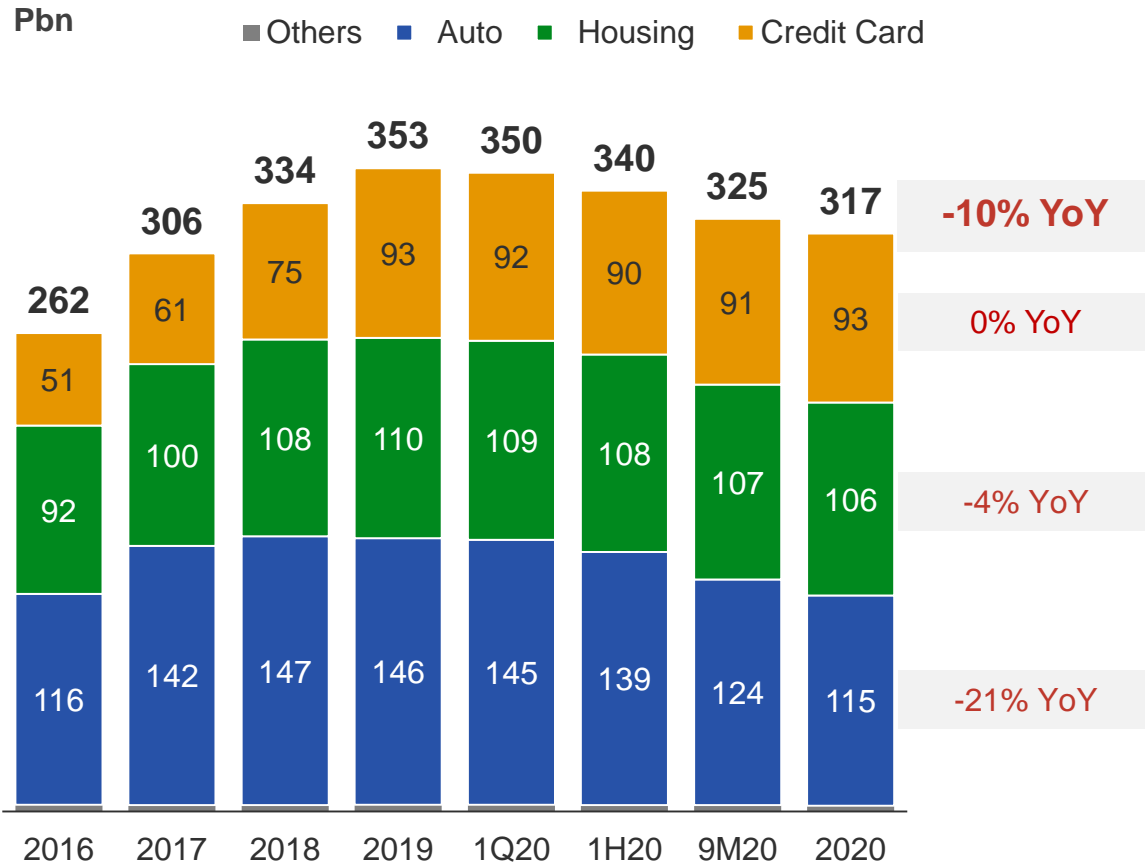


Note: SME definition as per BSP

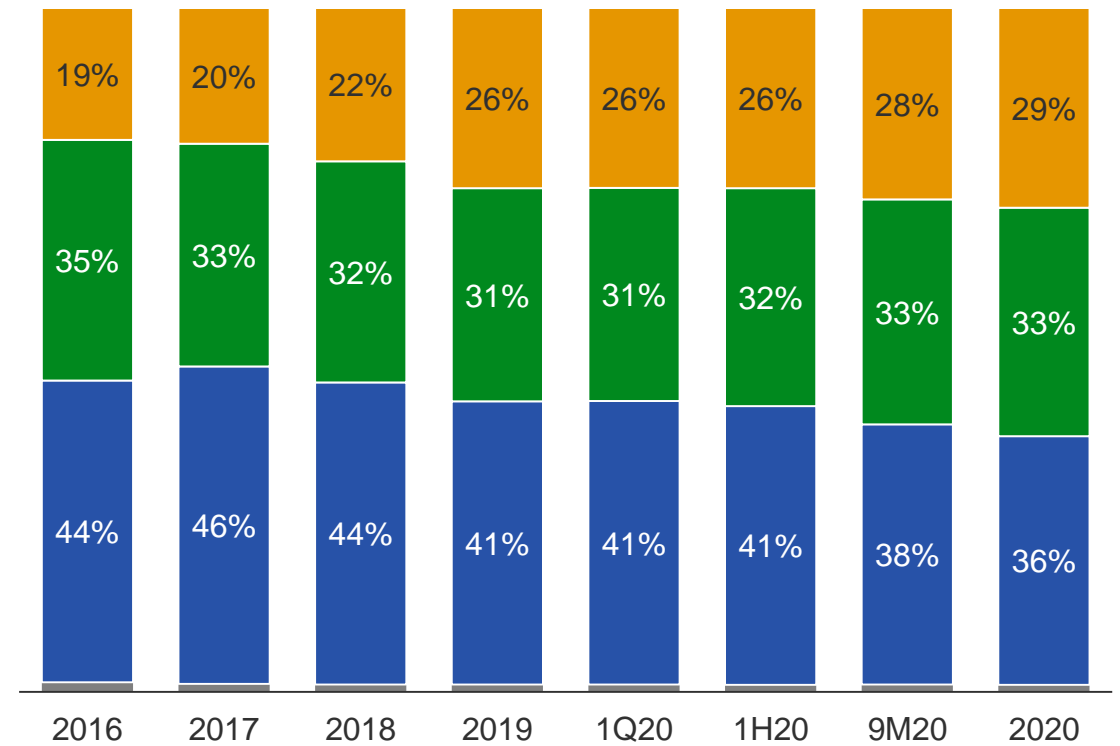
# Retail portfolio slows amid weak consumption spending

Economic uncertainty has constrained spending to essential goods and deterred big-ticket spending

## Consumer Loans Breakdown



## Consumer Loans By Product

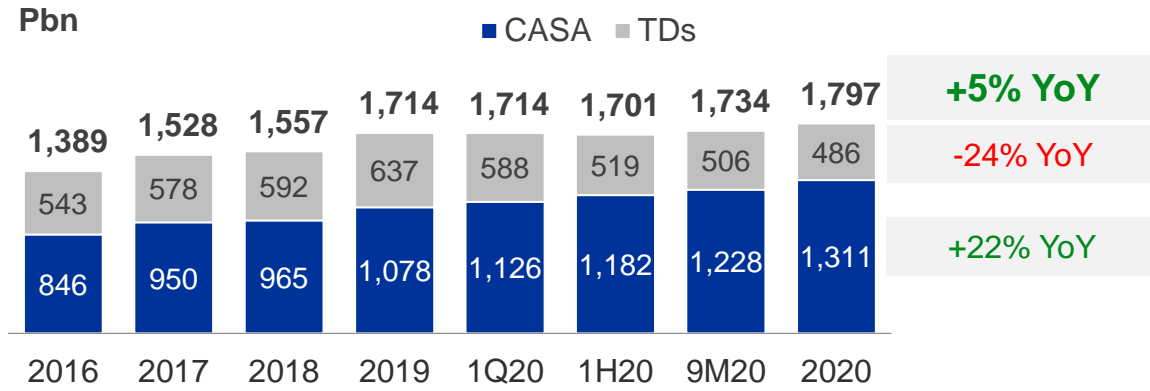


Note: Gross of Unearned Interest and Discount (UID) except for 2016-2017 Credit Cards

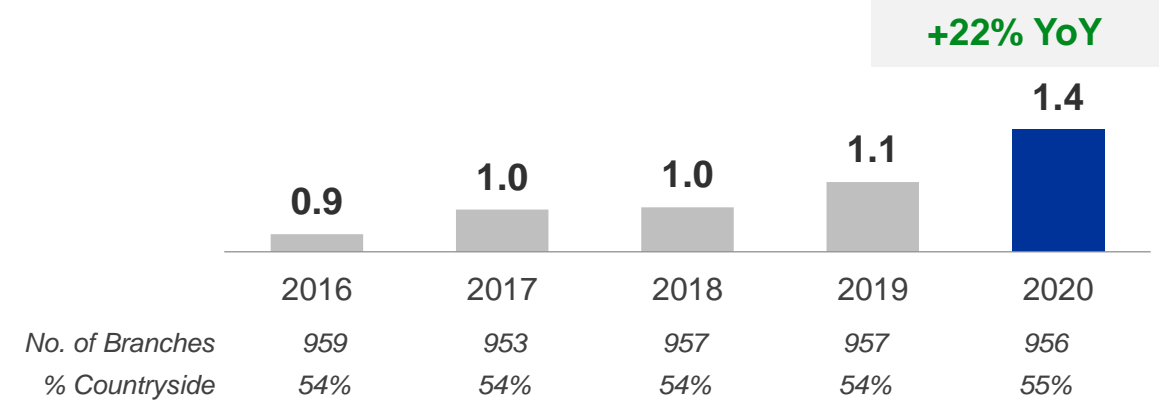
# Robust CASA growth reflects strong deposit franchise

CASA growth partly driven by borrowers parking their excess funds in CASA

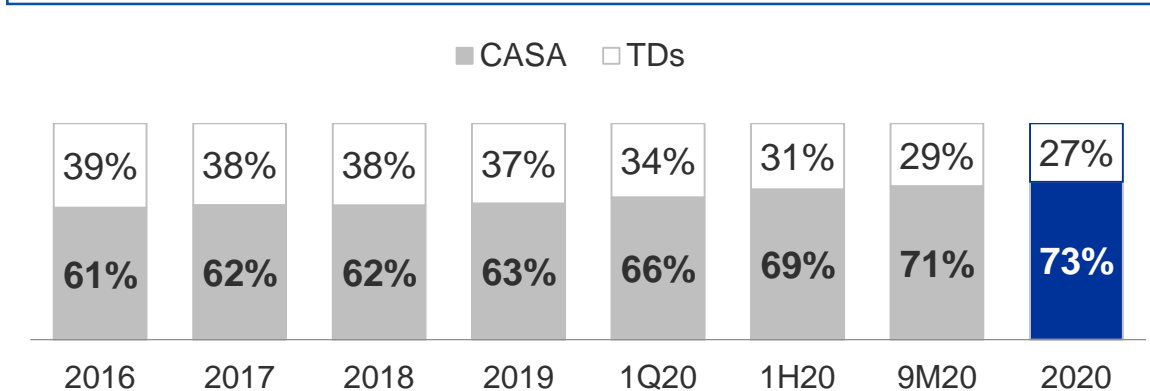
## Robust CASA enables TD decline



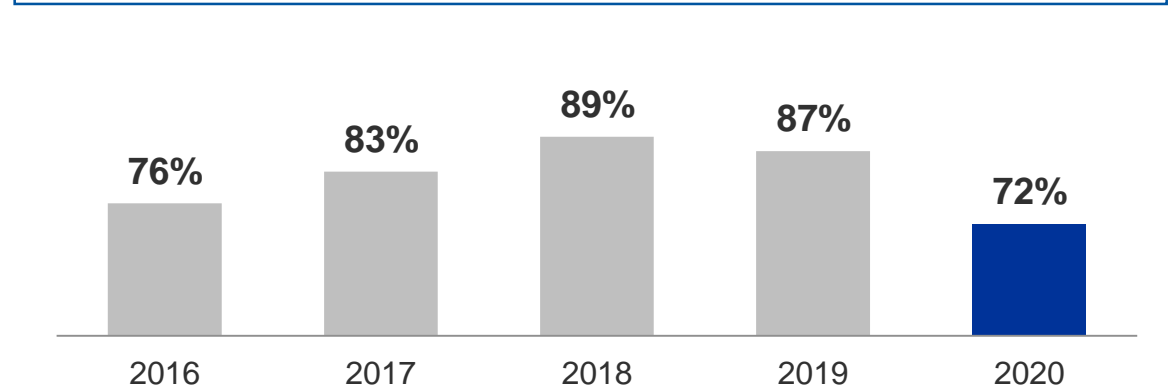
## CASA Deposits per Branch



## CASA Ratio



## Gross Loan-Deposit Ratio

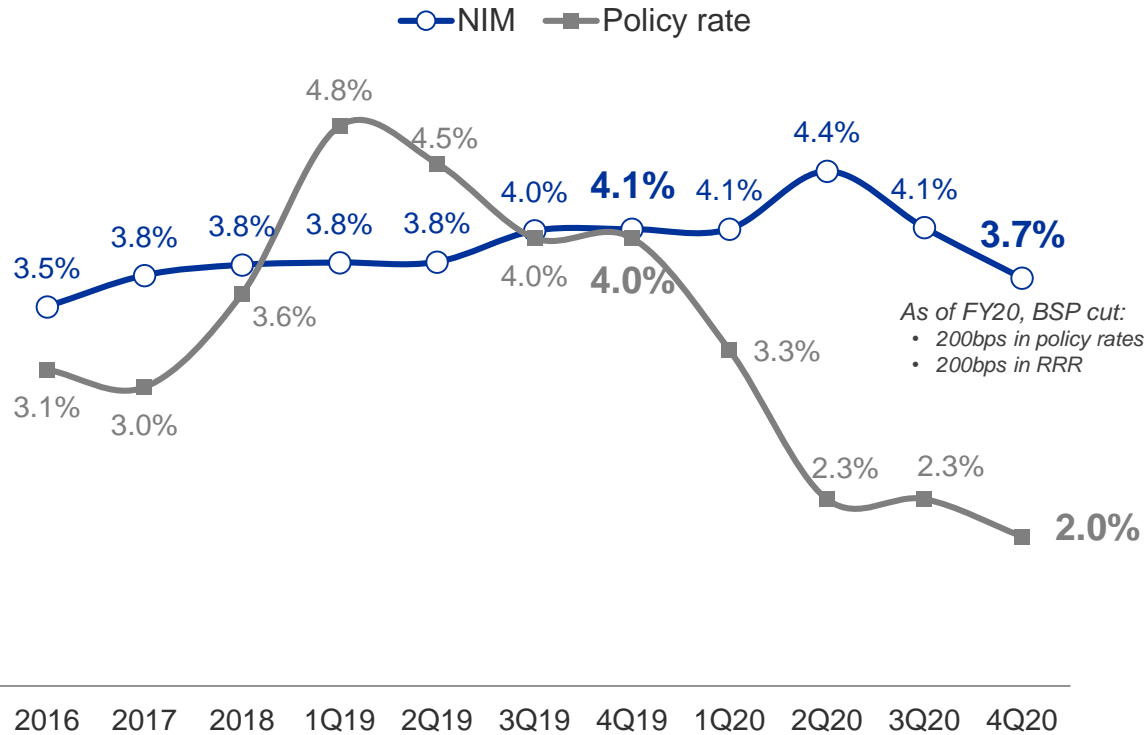




# Resilient net interest margin supported by low funding cost

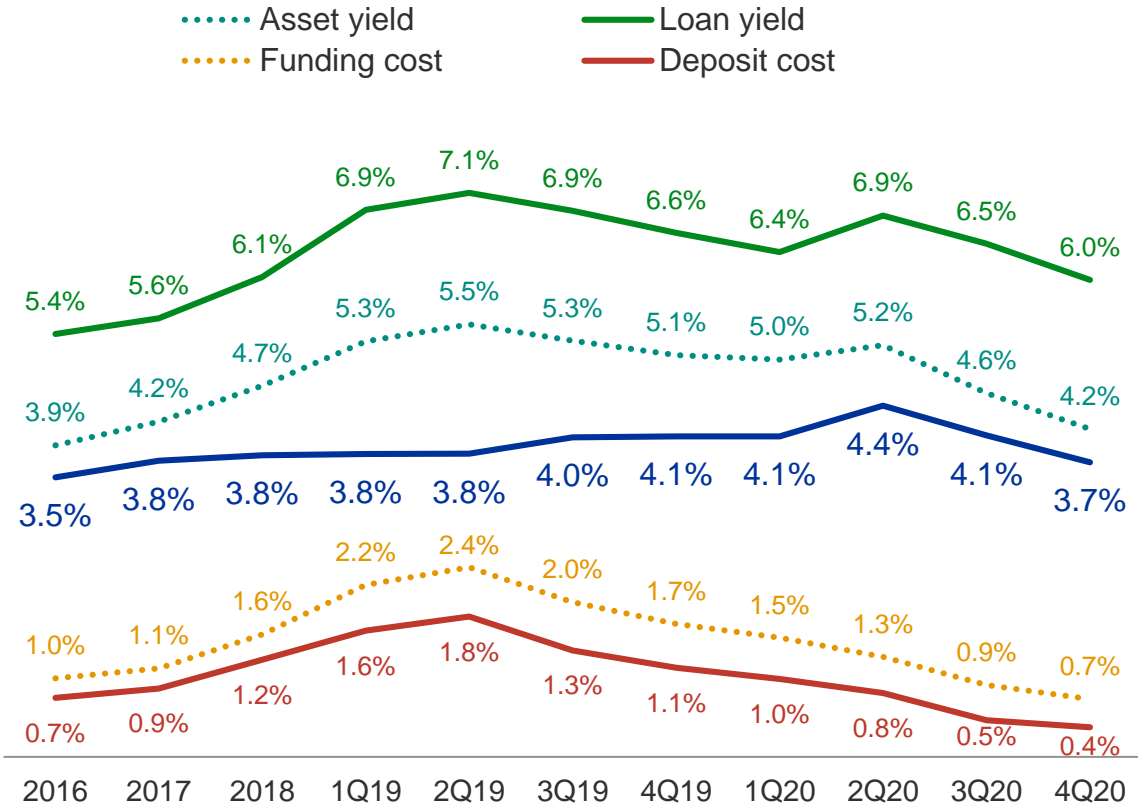
Sustained NIM expansion despite loan contraction on the back of stable loan yield and reduced funding cost

## NIM\* kept stable despite interest rate volatility



As of FY20, BSP cut:  
 • 200bps in policy rates  
 • 200bps in RRR

## Funding cost falls faster than asset yields

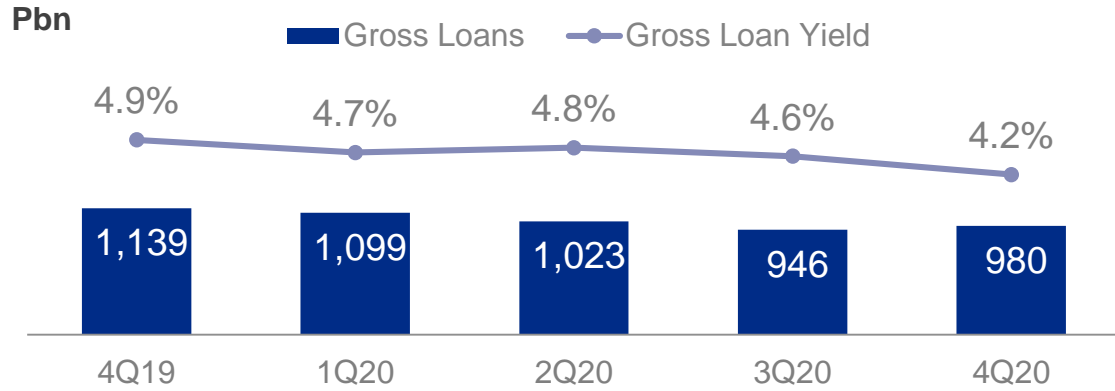


Note:  
 • P28 billion fixed rate bonds with rate of 7.15% interest rate matured in Nov 2020

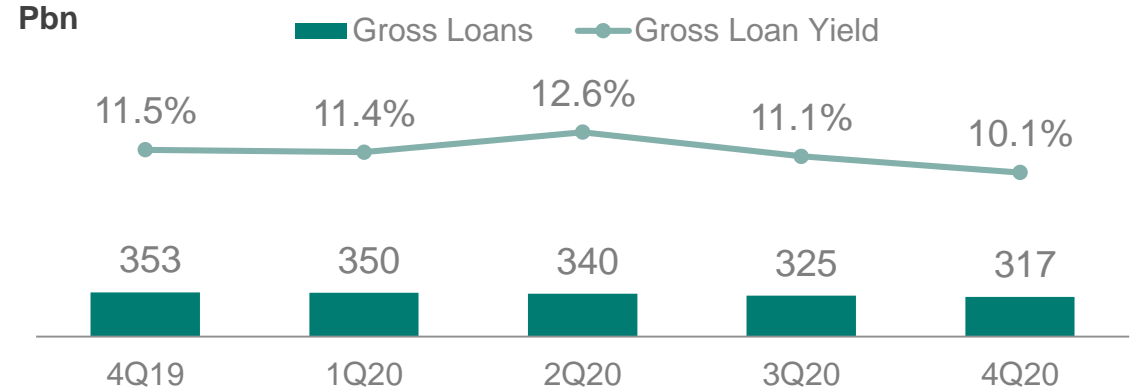
- Notes:
- Policy rate = weighted average RRR for 2016-2018
  - NIM = Net Interest Income / Ave. Interest Earning Assets
  - Asset Yield = Annualized Gross Interest Income / Ave. Interest Earning Assets
  - Loan Yield = Annualized Gross Interest Income from Loans / Ave. Net Loans
  - Funding Cost = Annualized Gross Interest Expense / Ave. Interest Bearing Liabilities
  - Deposit Cost = Annualized Gross Deposit Expense / Ave. Deposits

# Loan yield trends point to downside risk

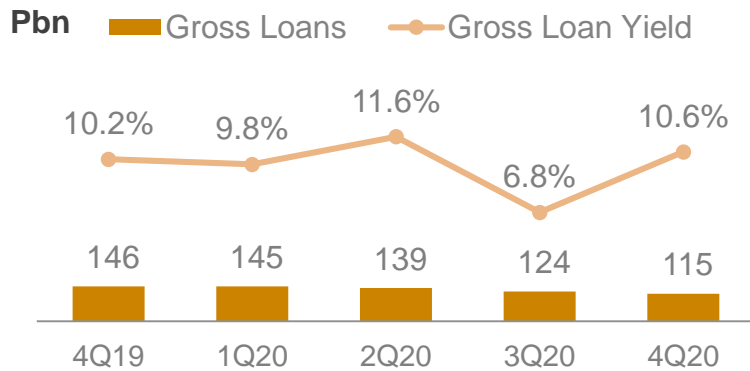
## Corporate & Commercial Loan Yields



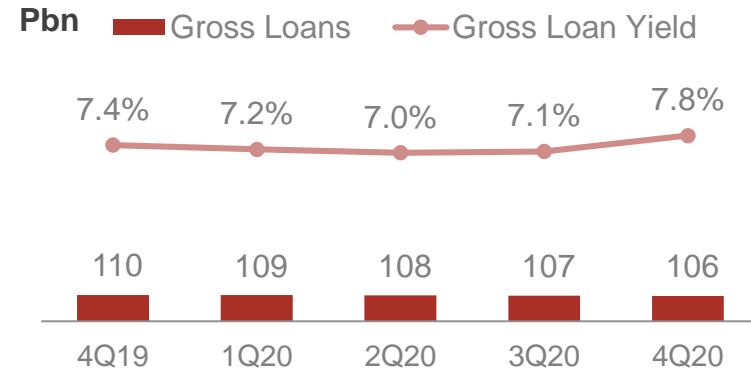
## Consumer Loan Yields



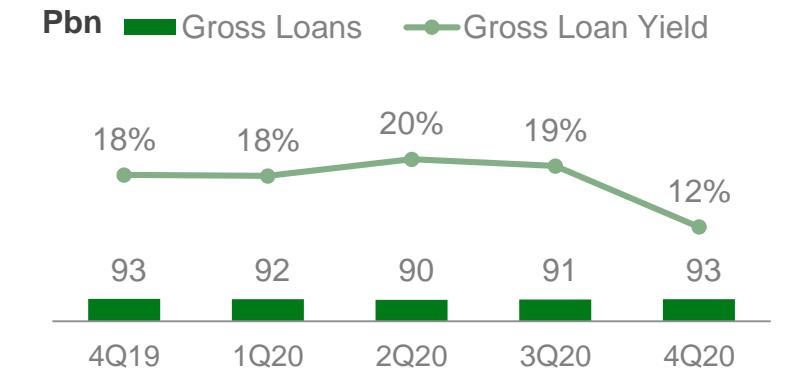
## Auto



## Home



## Credit Cards



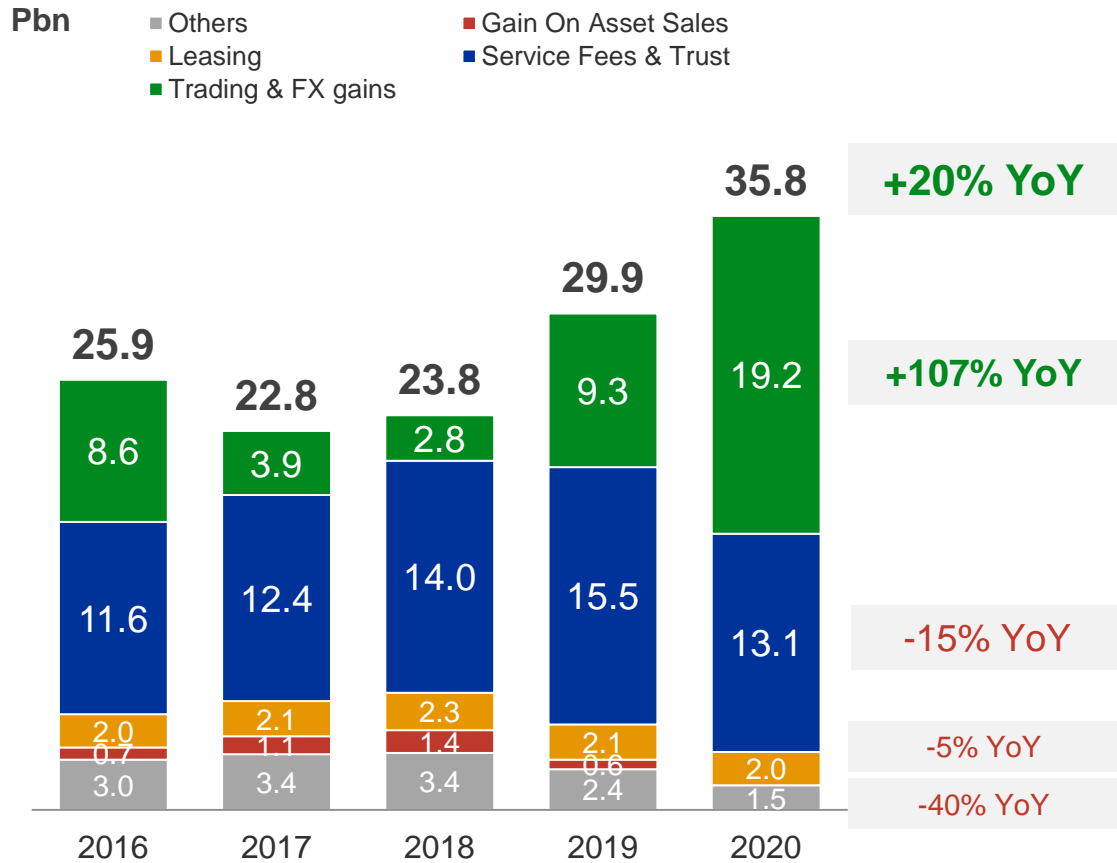
Note: Gross of Unearned Interest and Discount (UID)

Note: Credit card rate cap took effect on November 3, 2020

# Other income driven by robust trading gains

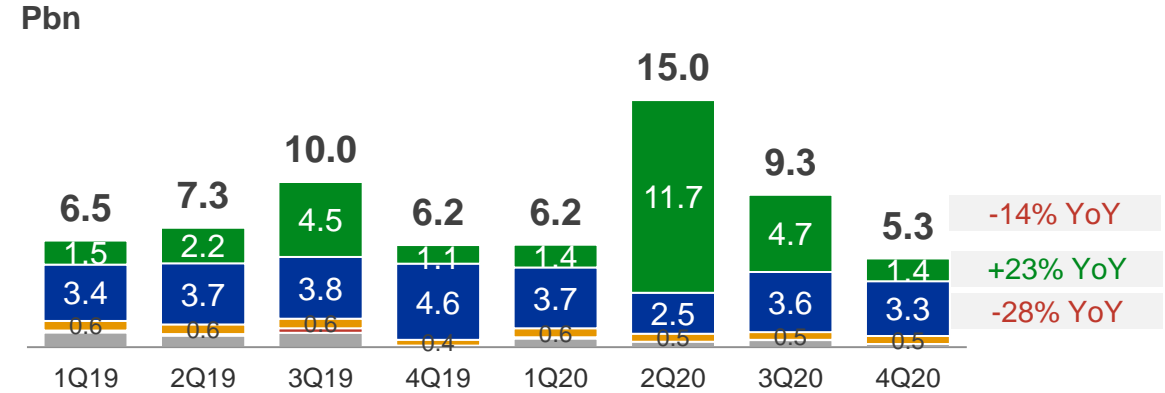
Realized strong trading gains which offset weak fee income due to decline in business volumes

## Non-Interest Income Breakdown

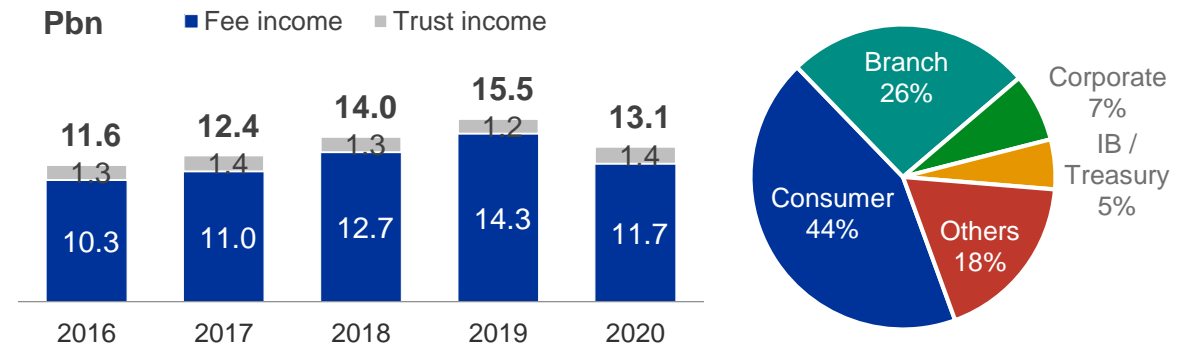


Note: Others include Dividend income, Gain on recognition of investment properties, Recovery on charged-off assets, IT and other fees

## Quarterly trading gains normalize



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

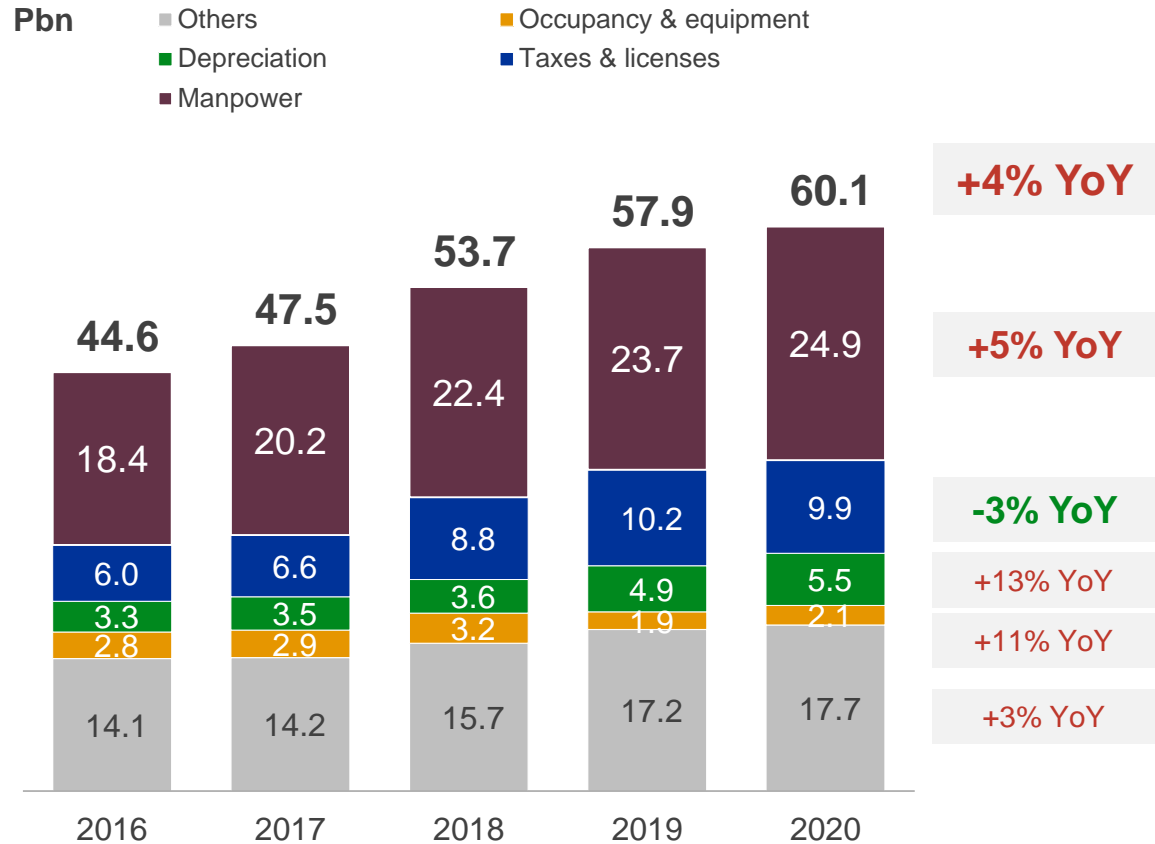


Note: Fee income includes credit card fees, trade and loan-related, fees from ATM or e-channel usage, remittance, deposit-related, product referral, etc

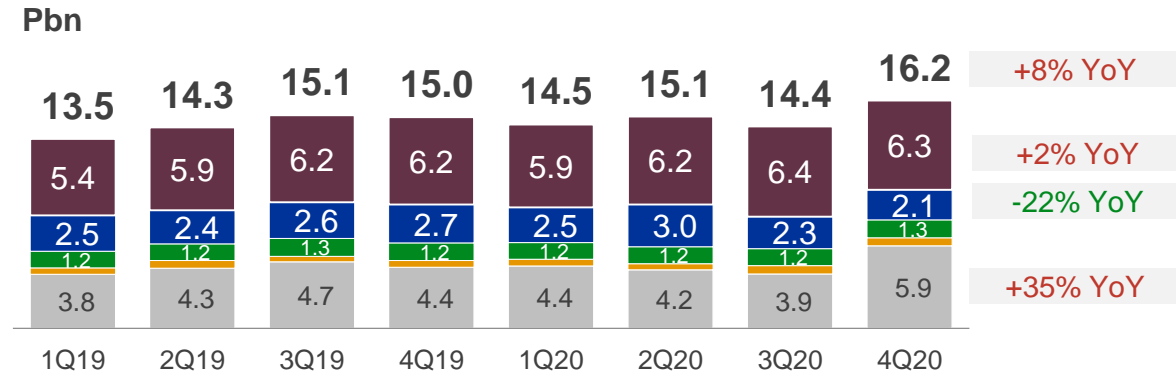
# Subdued cost growth

Revenue growth has consistently outpaced cost growth, leading to improved cost-income ratio

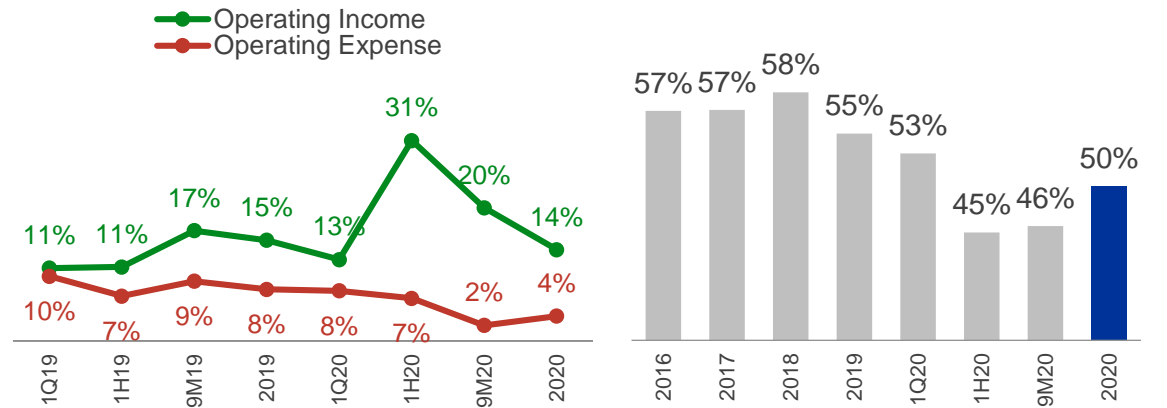
## Operating Expenses Breakdown



## 4Q20 opex uptick driven by delayed billings



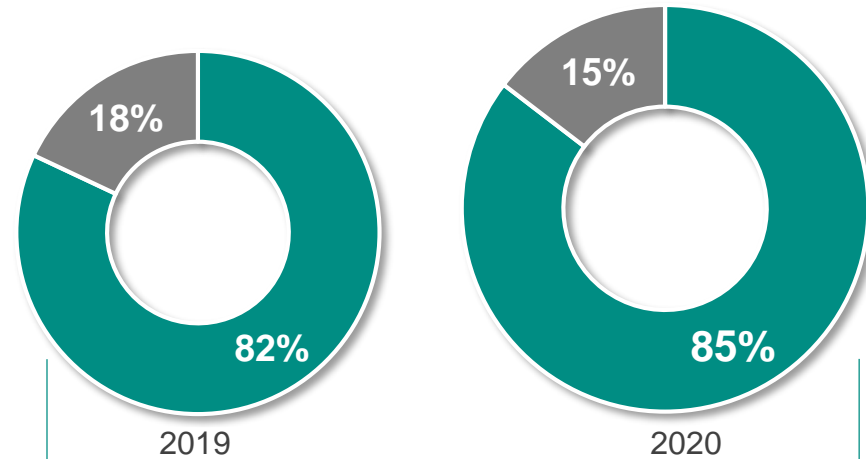
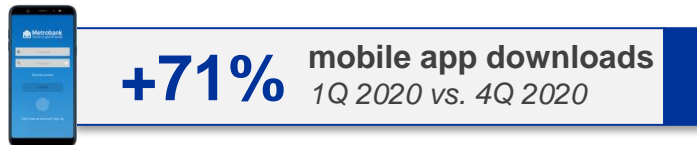
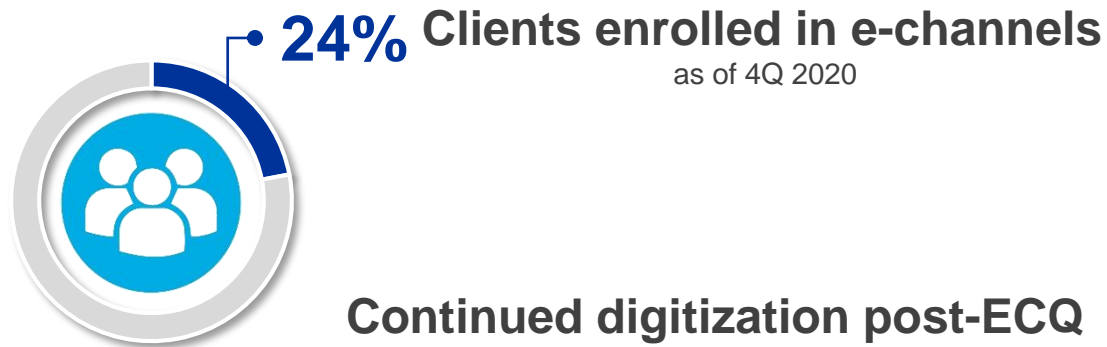
## Revenue Growth Outpaces Opex, Improving CIR



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



**% E-Channels to Total financial transactions**

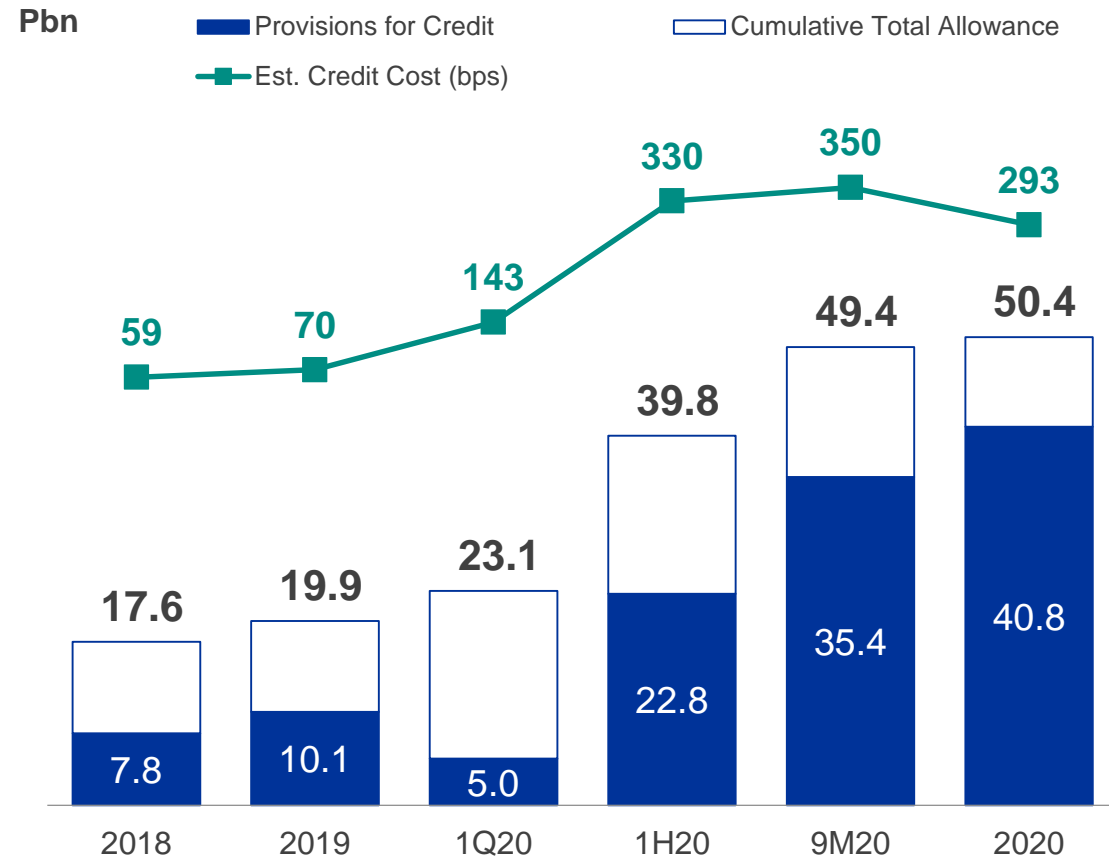


*Note: Refined tracking to both incoming and outgoing e-channel transactions*

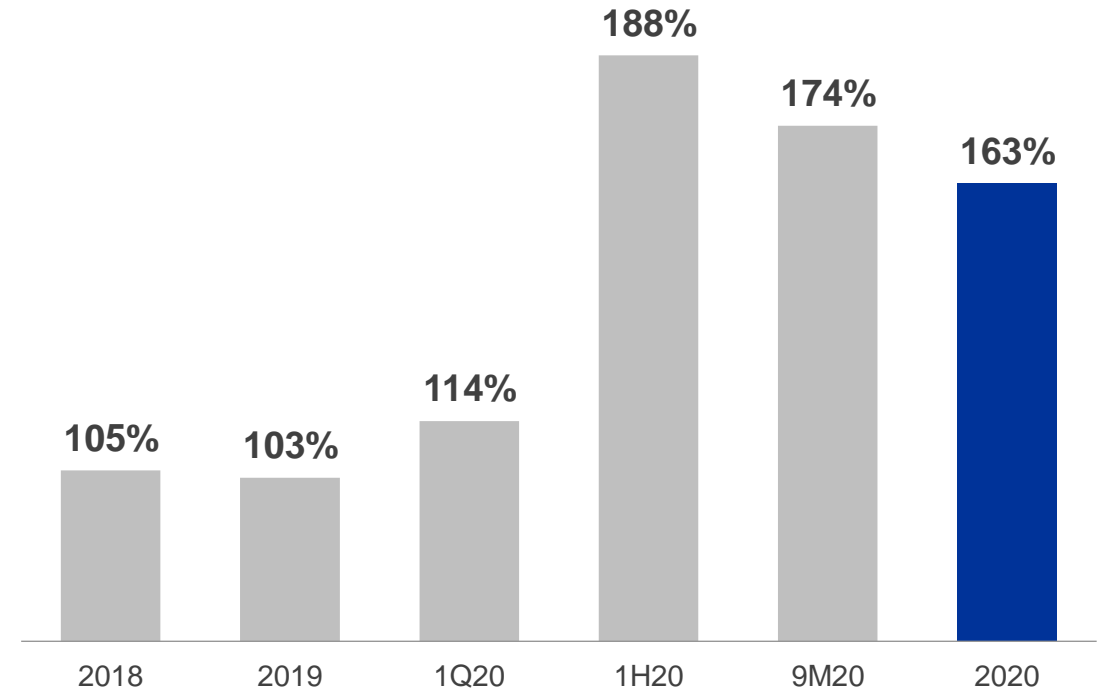
# Proactive provisioning provides buffer for anticipated risks

Aggressive provisioning despite manageable NPL formation

## Conservative provisioning stance



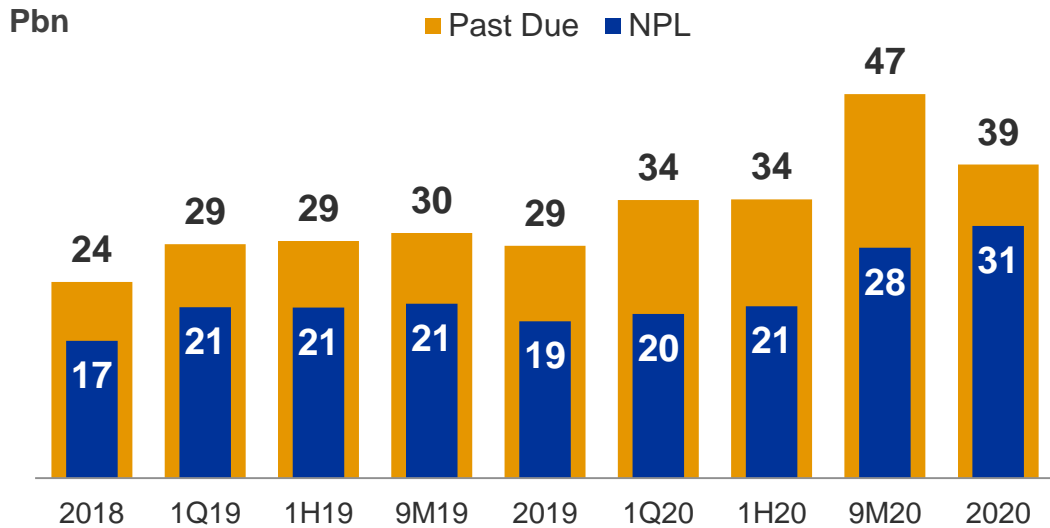
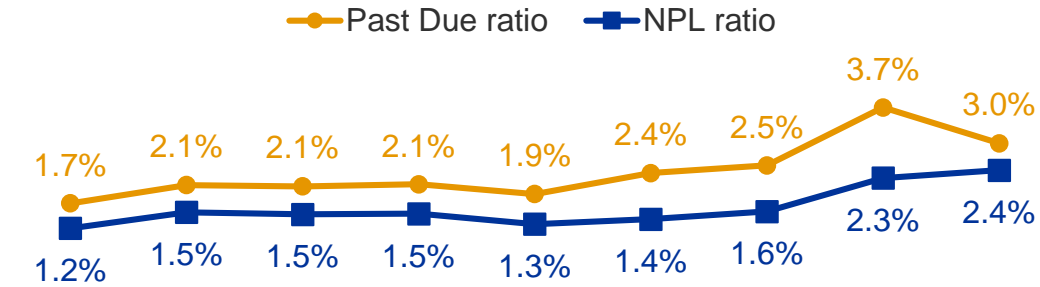
## Raising NPL cover to a high 163%



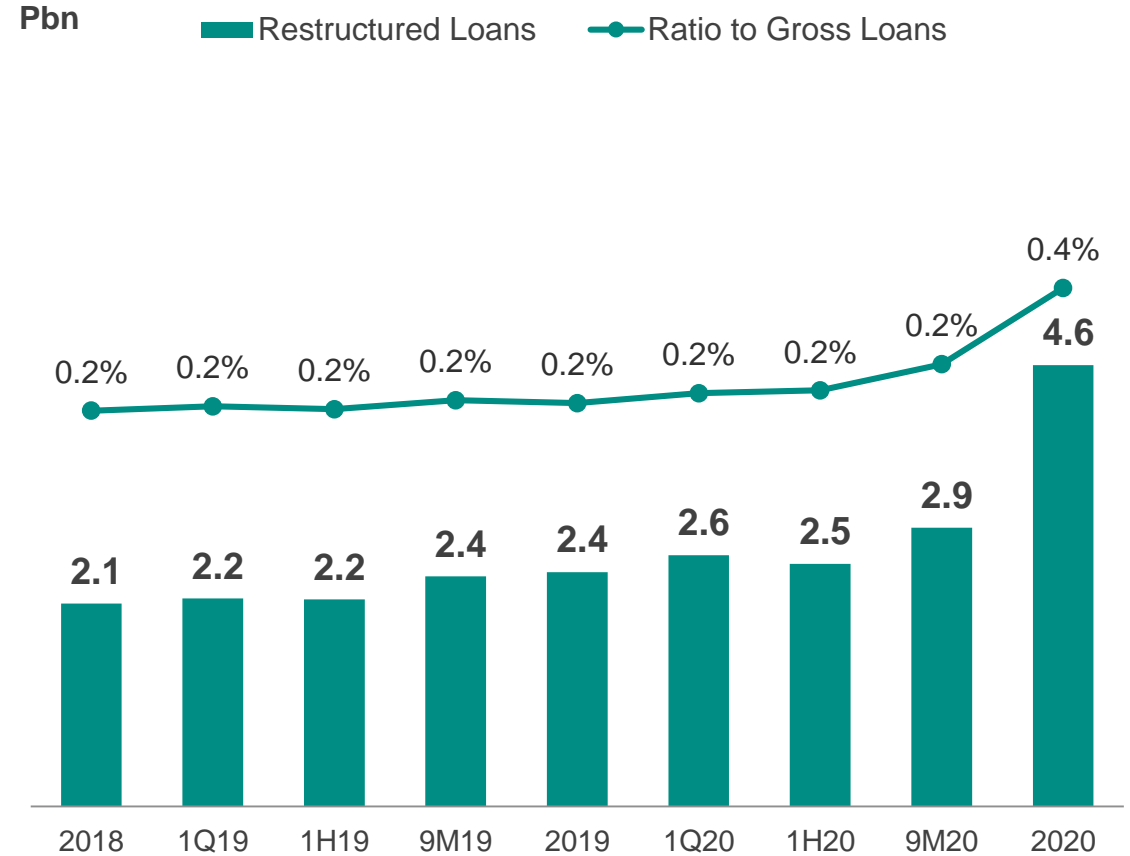
Note: Estimated credit cost = Annualized Provisions for Credit / Ave. Gross Loans & Receivables

# Asset quality remains manageable

**NPL and Past Due**

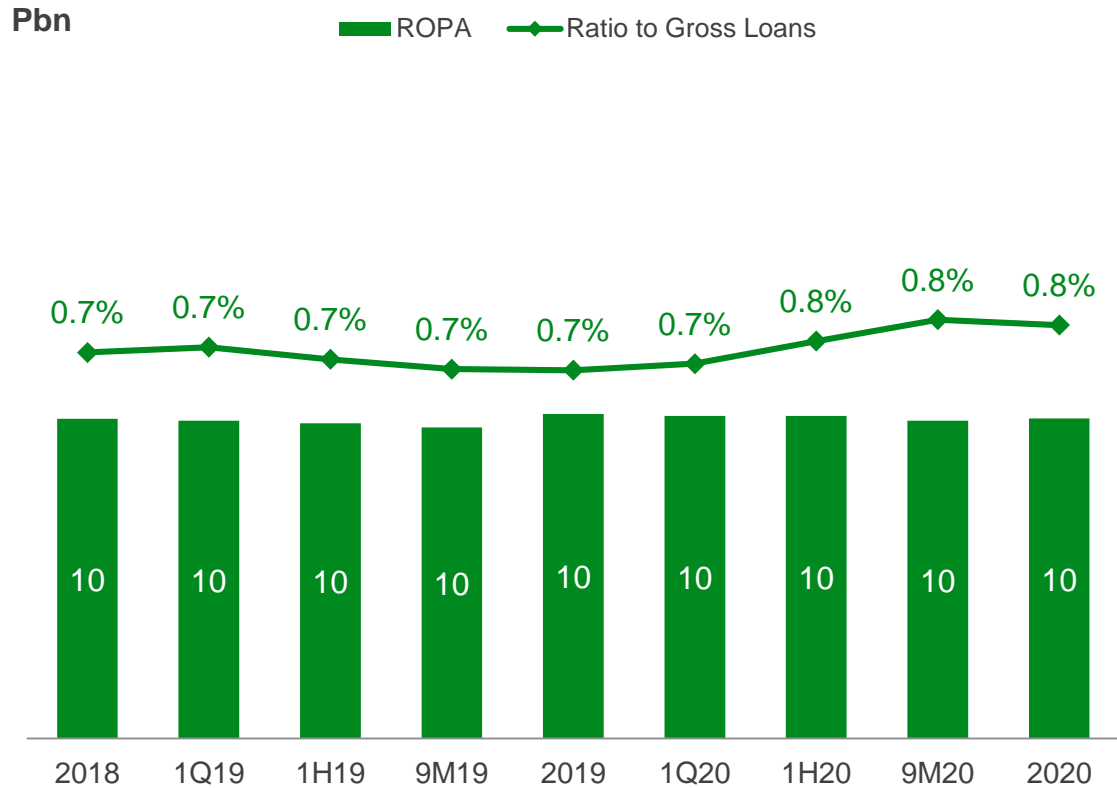


**Restructured Loans**

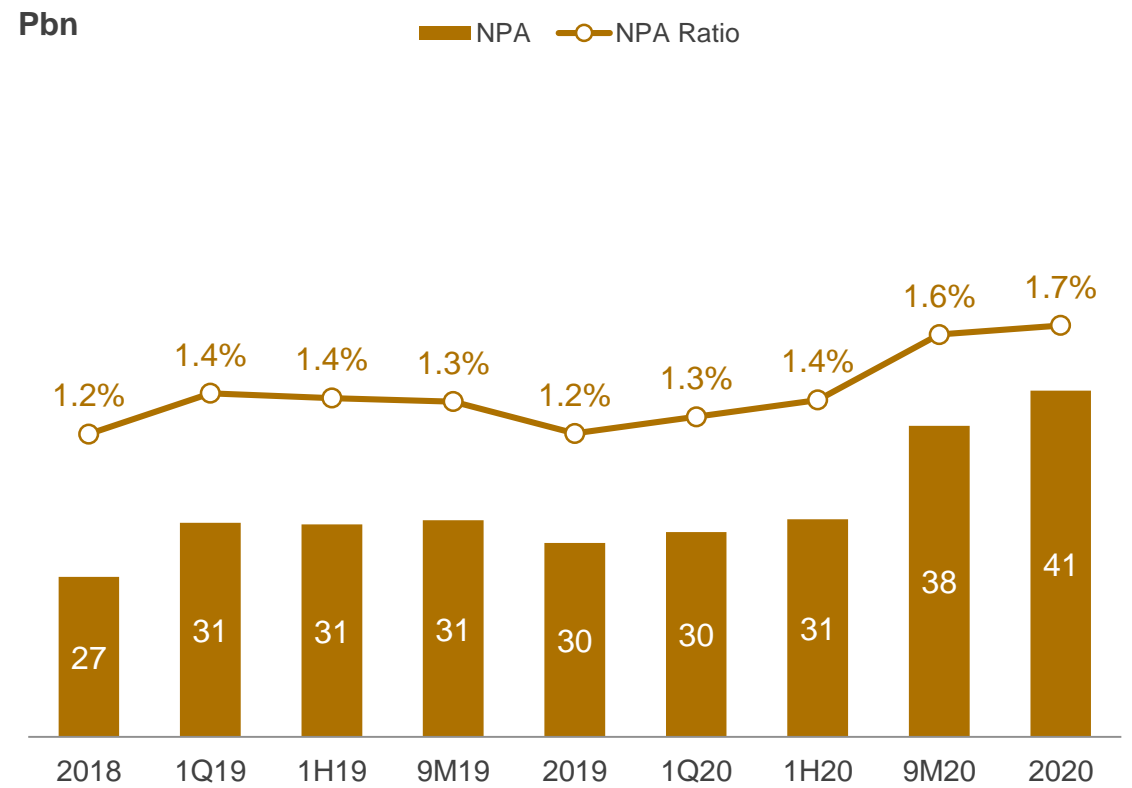


# Other asset quality indicators remain stable

## Real and other properties acquired (ROPA)



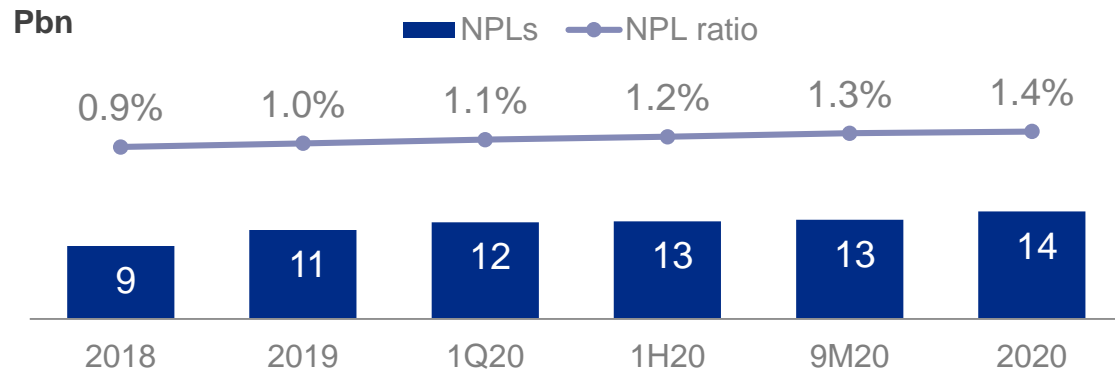
## Non Performing Assets (NPA)



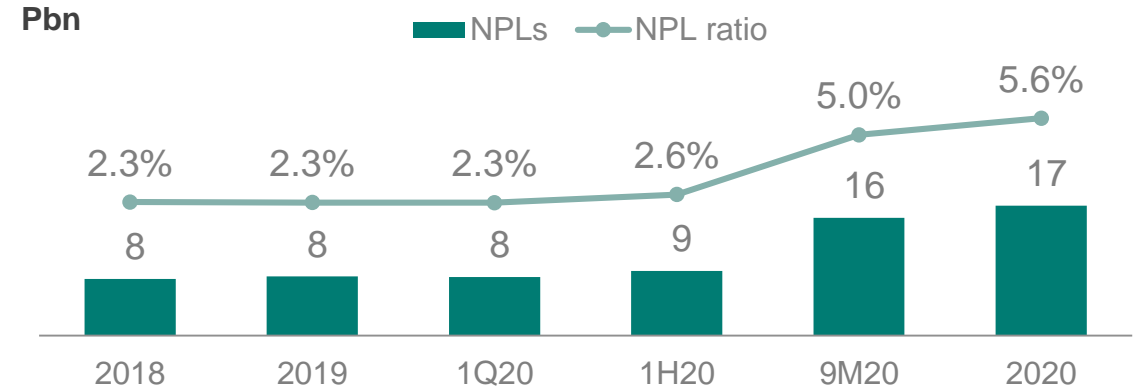


# Consumer segment drives NPL formation

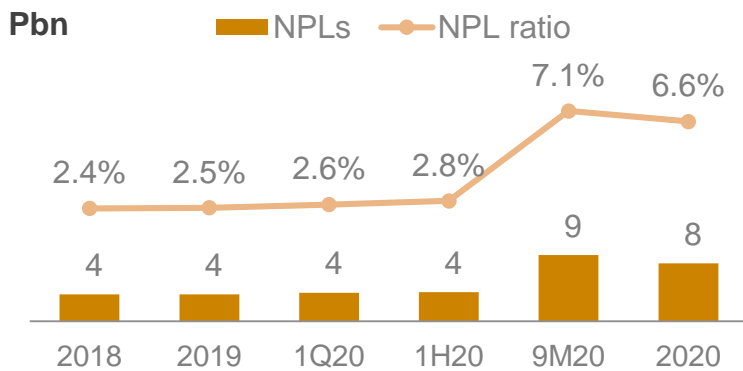
**Corporate & Commercial NPL ratio**



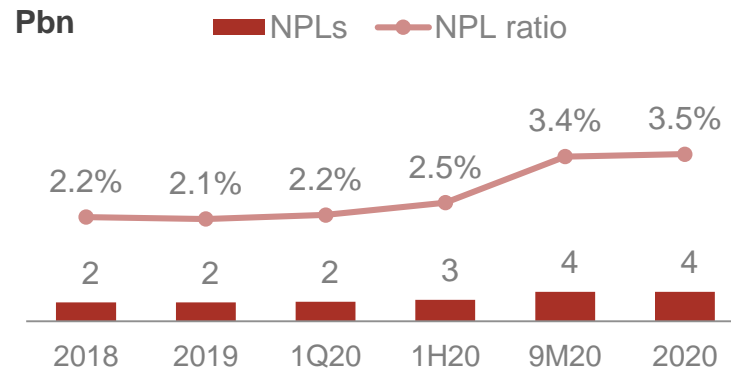
**Consumer NPL ratio**



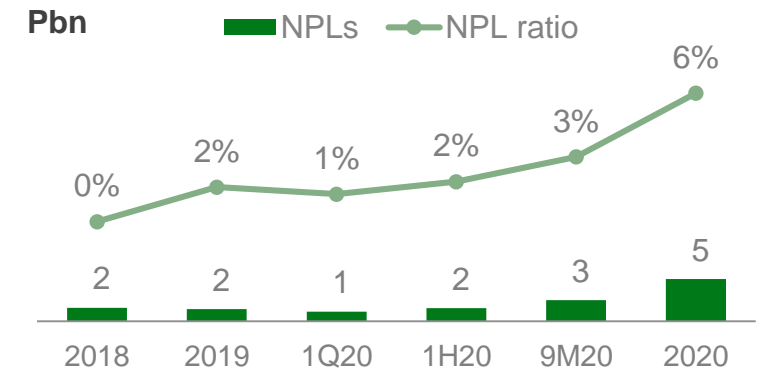
**Auto**



**Home**



**Credit Cards**

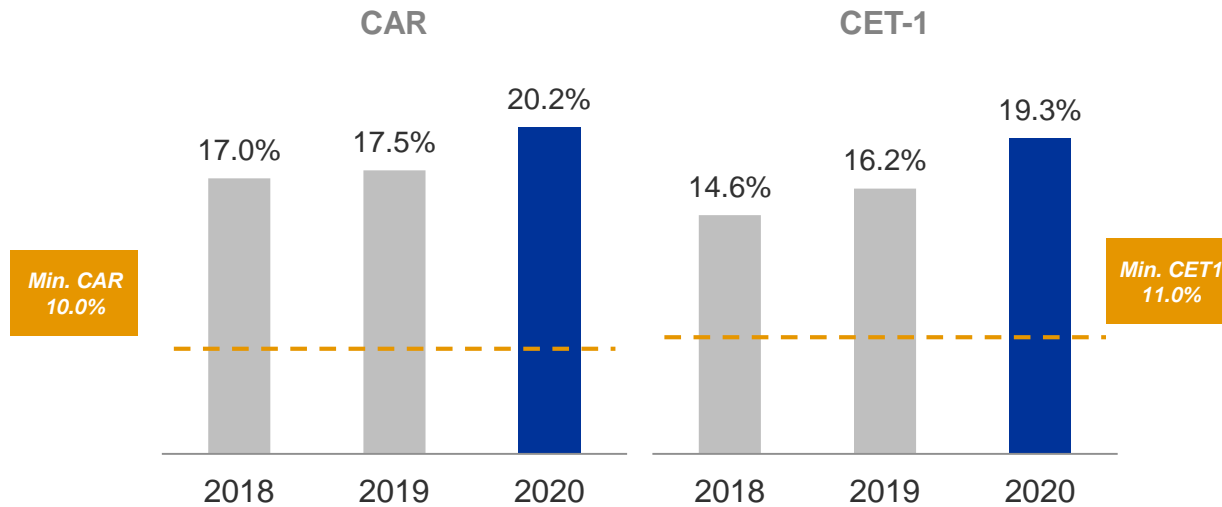


Note: NPL Ratios computed using Net of Unearned Interest and Discount (UID)

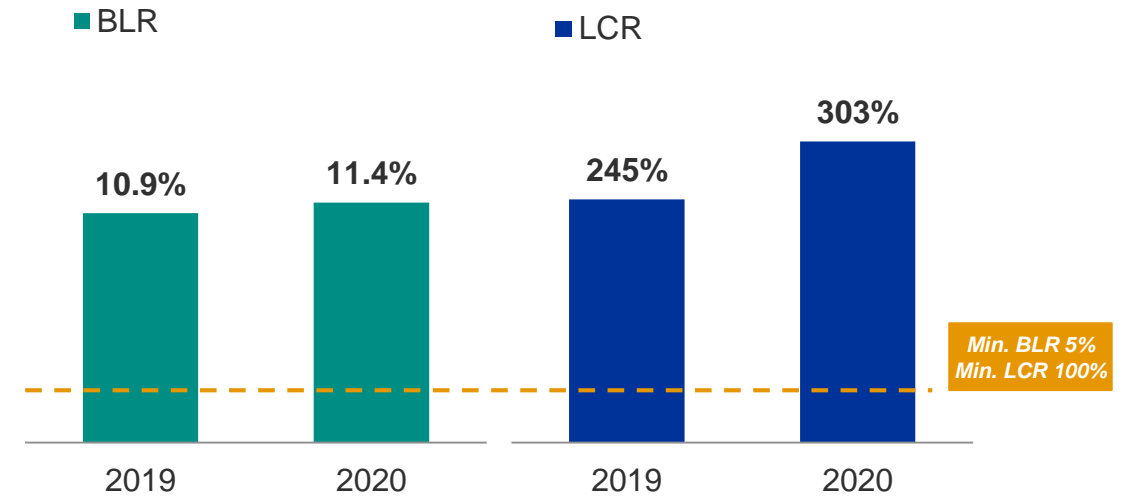
# Strong balance sheet, healthy capital levels provide ample support

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



# Special Dividend Declaration

Key information:	
Dividend per share	PhP4.00 (PhP1.00 regular & PhP3.00 special)
Total Dividend Amount	PhP17,989,662,220
Record Date	March 5, 2021
Payment Date	March 18, 2021

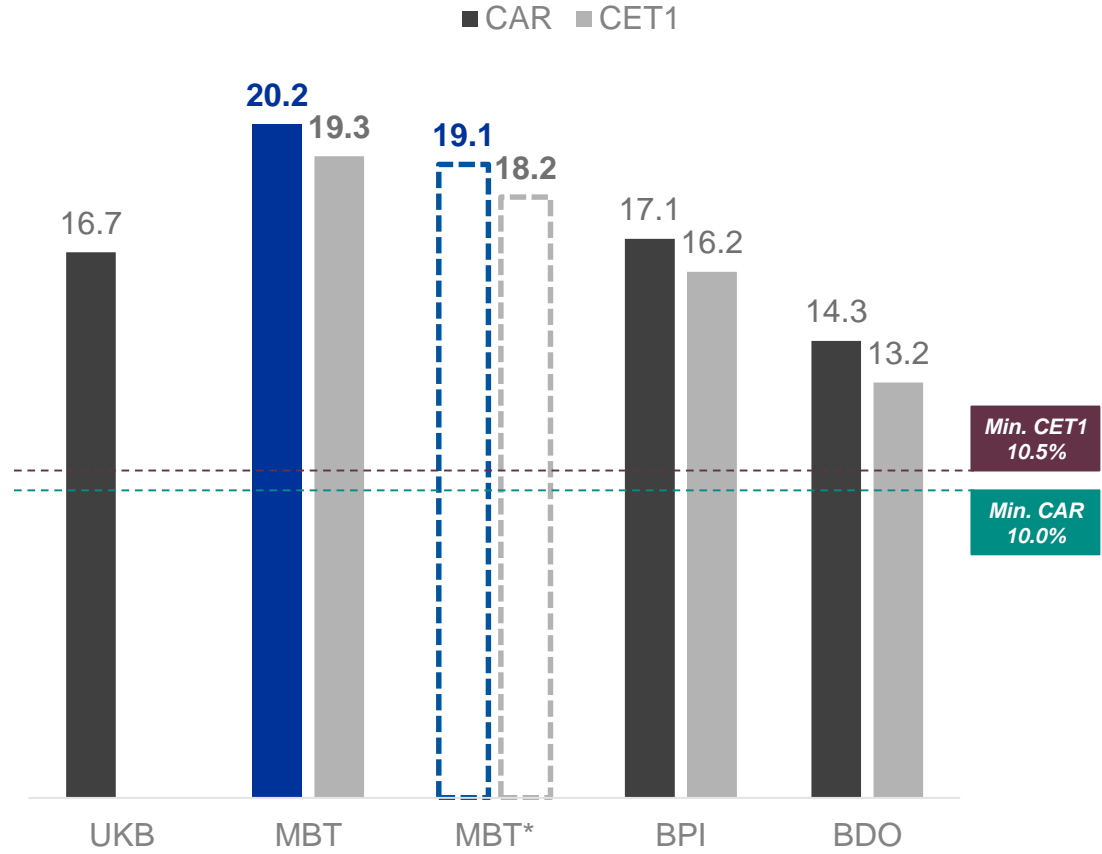
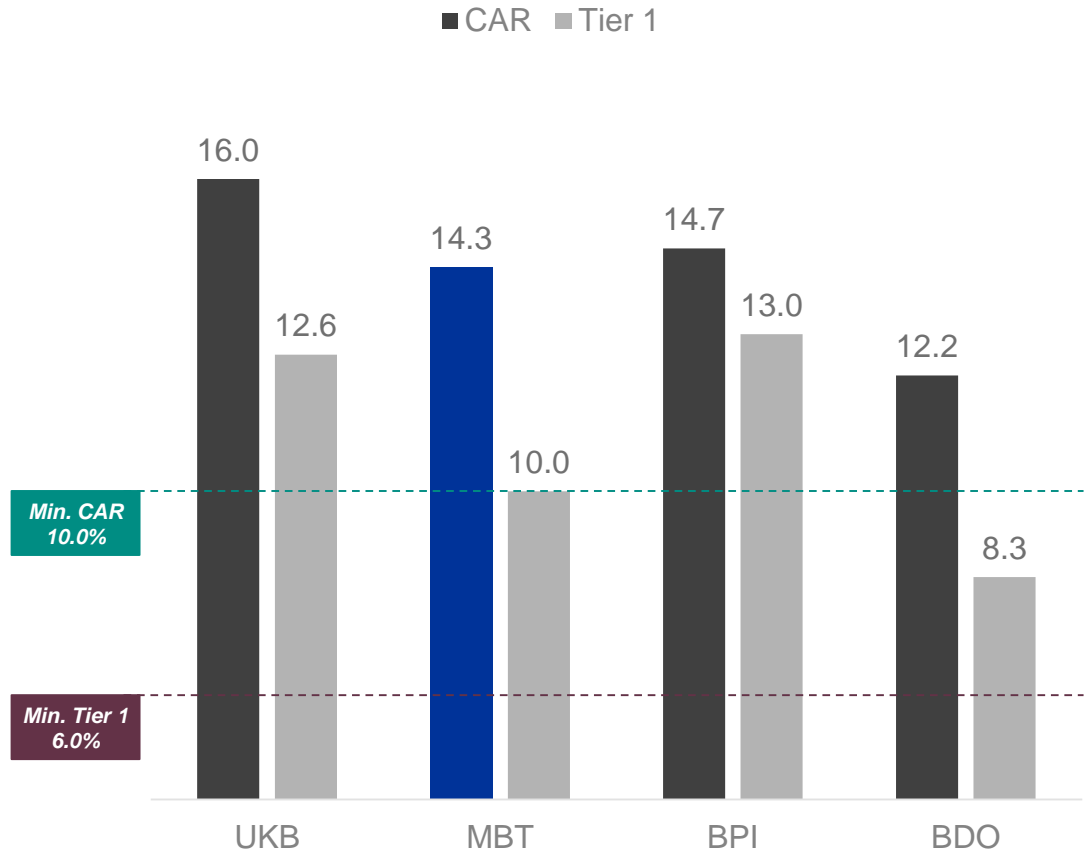
- **Pandemic has tempered near-term growth prospects.** Capital planning indicate that demand for risk assets will likely remain muted
- **Strong NPL risk buffers in place.** Aggressive provisioning in 2020 has raised NPL cover to 163% providing buffer vs. risk of rising NPLs
- **Ability to generate internal capital.** Medium-term earnings drivers are intact .
- **Post-special dividend, CET1 Ratio is still high at 18.2%**
  - ❖ Well clear of 11.0% CET1 Ratio minimum for D-SIBs
  - ❖ Still significantly better than peers
- **ROE lift.** Higher payout is supportive of ROE recovery

# Capital Ratios Lead Peers and Industry

After special dividend pay-out, MBT still has ample capitalization above peers and the minimum threshold set by the BSP

**31 December 2009**

**31 December 2020**



As of 30 June 2020

Post-Special Cash Dividend

Sources: BSP, banks' disclosures

# 2021 Outlook – Positives and Challenges Ahead



- Modest loan recovery in 2H21, in line with 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 once CREATE Bill is signed into law
- Strong CET1 ratio of 18% 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% vaccine delays and recurrence of lockdowns resulting in business closures and high unemployment levels.

# 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

- ✓ The COVID-19 pandemic has disrupted the economy, adversely affecting business expansion plans and consumption spending.
- ✓ Despite challenges, Metrobank's core business performance is resilient : solid NII growth, stable NIMs, strong CASA, robust trading income, and subdued opex growth leading to better CIR.
- ✓ Guided by lessons from past crises, our proactive provisioning strategy in 2020 has provided us with a healthy buffer to cover asset quality risks. With high capital ratios we are best positioned to support our client needs when the economy starts to recover.
- ✓ We have a track record of steadily improving our efficiency levels.
- ✓ We will continue to review all options to make our capital structure more efficient. 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	FY 2019	FY 2020	YoY
Net Interest Income	77.0	86.1	+12%
Non Interest Income	29.9	35.8	+20%
Operating Income	106.9	121.9	+14%
Operating Expenses	57.9	60.1	+4%
<b>PPOP</b>	<b>49.0</b>	<b>61.8</b>	<b>+26%</b>
Provision for Credit	10.1	40.8	+304%
Provision for Taxes	10.1	7.0	-30%
<b>Net Income</b>	<b>28.1</b>	<b>13.8</b>	<b>-51%</b>

Balance Sheet	FY 2019	FY 2020	YoY
Total Assets	2,450	2,455	+0%
Loans and Receivables, Gross	1,492	1,297	-13%
Total Deposits	1,714	1,797	+5%
CASA	1,078	1,311	+22%
Equity	310	324	+5%

Financial Ratios	FY 2019	FY 2020	YoY
NIM	3.91%	3.98%	+0.1 ppt
CIR	55%	50%	-5.0 ppts
NPL Ratio	1.3%	2.4 %	+1.1 ppt
NPL Cover	103%	163%	+60 ppts
CAR	17.5%	20.2%	+2.7ppts
CET-1	16.2%	19.3%	+3.1ppts
Gross LDR	87%	72%	-14.5 ppts





# Additional Information

# Metropolitan Bank & Trust Company (Metrobank)

## Overview

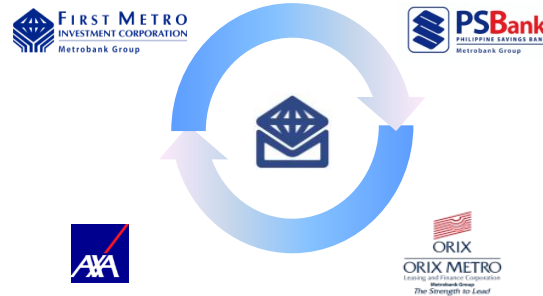
# 50+

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 4.7 Bn Market cap

USD 6.7 Mn 3M Avg Daily Value TO

22.0% Foreign Ownership

48.2% Public Float

As of 22 Feb 2021

## Financial Data (PHP bn)

## FY20

Total Assets	2,455
Loans and Receivables, Net	1,272
Total Deposits	1,797
CASA	1,311
Equity	324
CAR	20.2%
CET-1	19.3%

## 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

956 branches      2,322  
55% outside NCR    ATMs

### OVERSEAS

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

## INVESTMENT GRADE

### CREDIT RATINGS

MOODY'S    Baa2    Stable

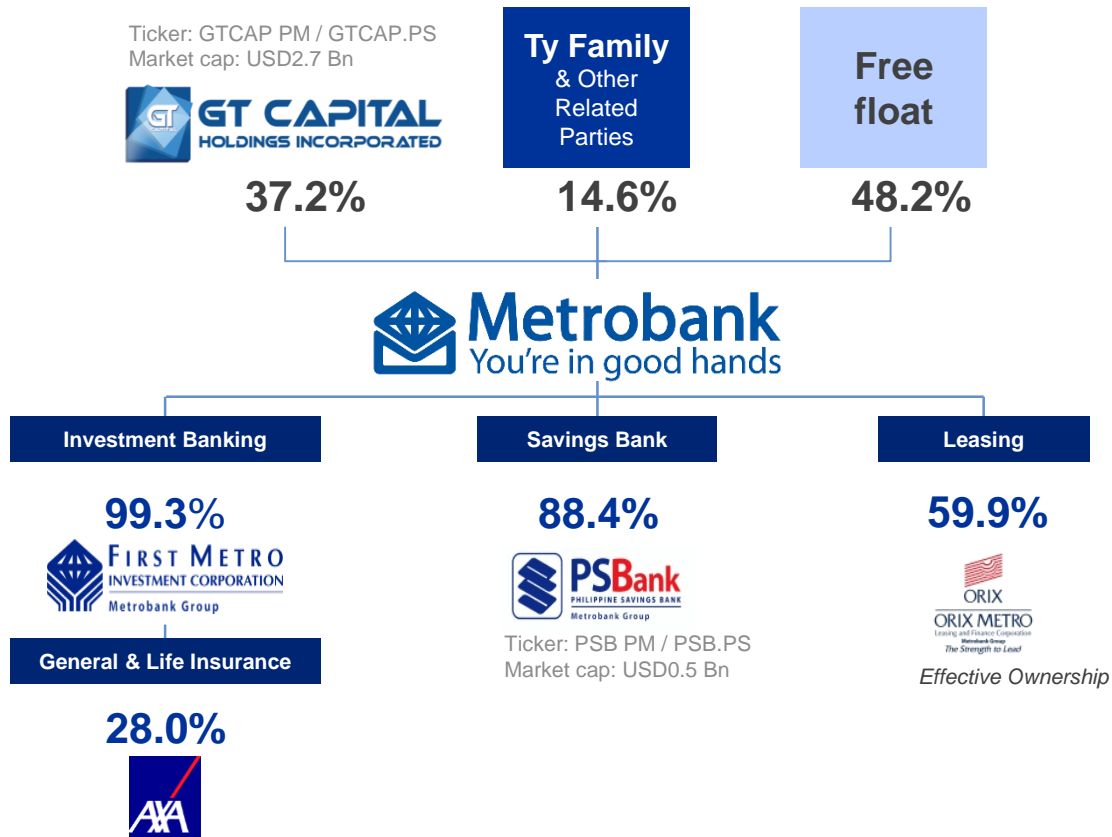
FitchRatings    BBB-    Stable

**Best Bond Bank in the Philippines**  
*PDS Best Securities House (Bank)*  
(2014 to 2020)

**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



The Philippine SEC approved the proposal to merge Metrobank Card Corporation (MCC), Metrobank's wholly-owned subsidiary, into the Parent Bank effective 03 January 2020.

## MARKET DATA

### Trading information

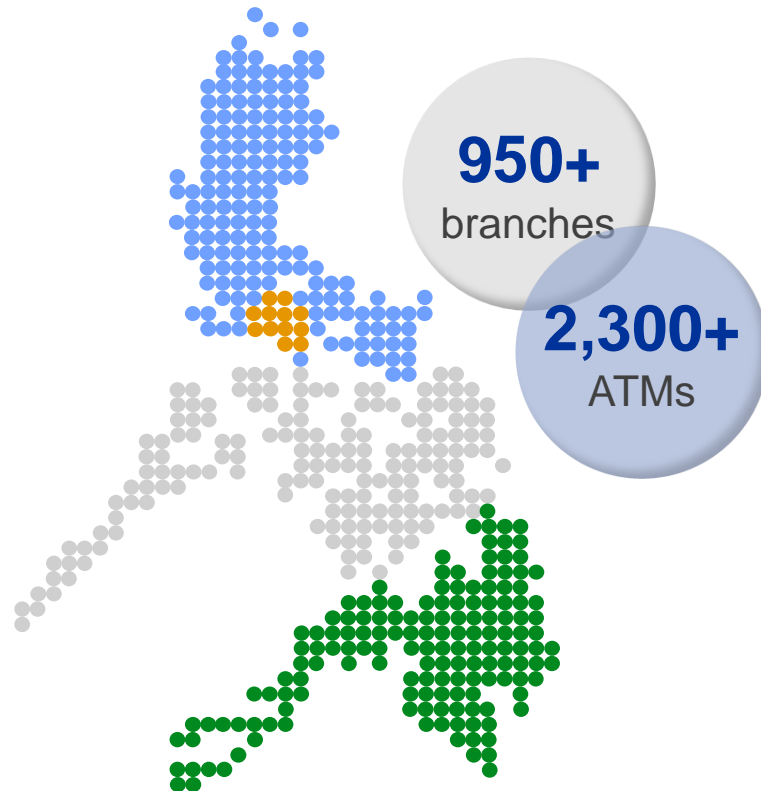
Ticker (Bloomberg   Reuters)	MBT.PM   MBT.PS
Par value (PHP)	20.00
Outstanding shares	4,497,415,555
Stock price as of 22 Feb 2021	50.85
52-Week Range (Low   High)	32.90   60.00
Market cap (USD Mn)	4,721.17
3-Month Avg Daily Trading Value (USD Mn)	6.72
3-Month Avg Daily Trading Volume	6,636,243
Public Float	48.2%
Foreign Ownership	22.0%

	2018	2019	FY20
BVPS (PHP)	71.11	68.84	72.10
EPS (PHP)	5.16	6.24	3.08
Trailing P/BV (x)	1.1	1.0	0.7
Trailing P/E (x)	15.7	10.6	15.8
DPS (PHP)	1.00	1.00	1.00

*Based on EOP share price*

# Extensive Domestic and Overseas Coverage

## Domestic Branch and ATM Networks



## Overseas Network Coverage

**30+**

Branches,  
subsidiaries,  
offices

**140+**

Remittance  
tie-ups

**150+**

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		17.5				
	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	10.5					
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>25.00</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*

Disinfection of common areas; installation of counter barriers; strict enforcement of social distancing and “no-mask, no-entry” policy; distribution of face masks, alcohol, face shields; hiring of additional health service provider for COVID-19 concerns; series of COVID-19 testing activities; enhanced internal communications

### 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*

## For Clients

### Waived Interbank Fund Transfer Fees

*Until 31 March 2021*

Through InstaPay and PesoNet

### 30-day Grace Period

*Even prior to the Bayanihan Act\**

\*30-day grace period for all loans with payment due dates falling due within the ECQ period

### At least 60% of branches open during ECQ (100% since GCQ in June)

*Even during the stringent lockdown measures*

Daily list of open and closed branches were posted online

### Mobile ATMs

*Travelled around Metro Manila and nearby provinces*

To reach clients during the lockdowns

### Accelerated digital channel enrolments

*Through the mobile app and the new 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

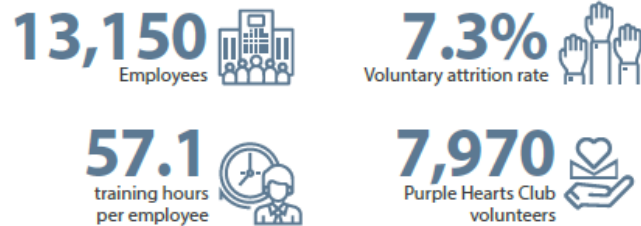
# 2019 Sustainability Measures

## Customer Demand

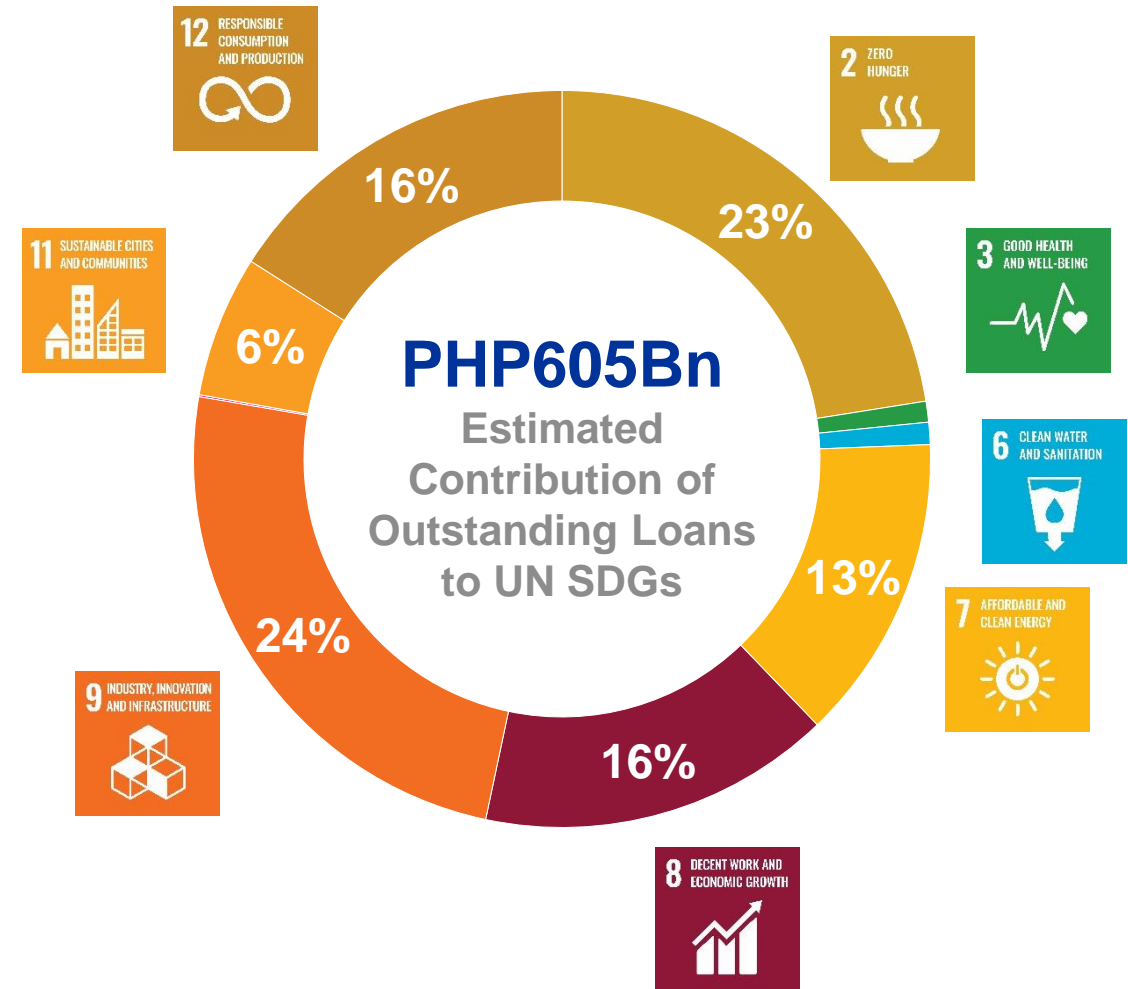
% Uptime of Digital Channels



## Attracting and retaining talent



## Brand and Reputation



# Recent Developments

Approval of Merger



↓



Effective 03 January 2020

BSP approval

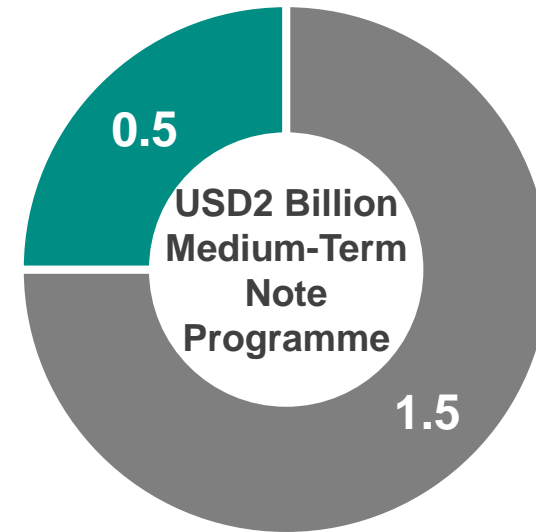
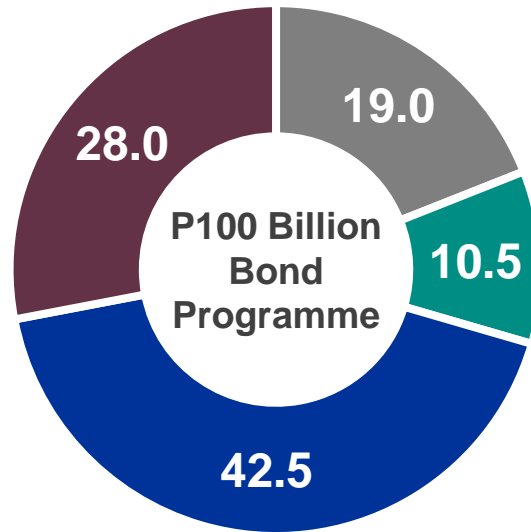
**P25 billion LTNCDs**

Jan. 2020 – Jan. 2021

Exercise of call option

**P6.5 billion 2025  
Peso Notes**

08 August 2020





# Recent Awards and Recognition



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

2020




**3<sup>rd</sup> Most Helpful Bank in the Philippines; 38<sup>th</sup> in Asia Pacific During COVID-19**

2020





**Corporate Governance Award**

2018 - 2020





**Best Securities House Bank Category**

2014 - 2020

**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




**Best Fixed Income House**

2020




**Best Investment Bank - Philippines**

2020




**Best M&A House - Philippines**

2020




**Best Broker - Philippines**

2020




**Philanthropic Foundation of the Year**

2020

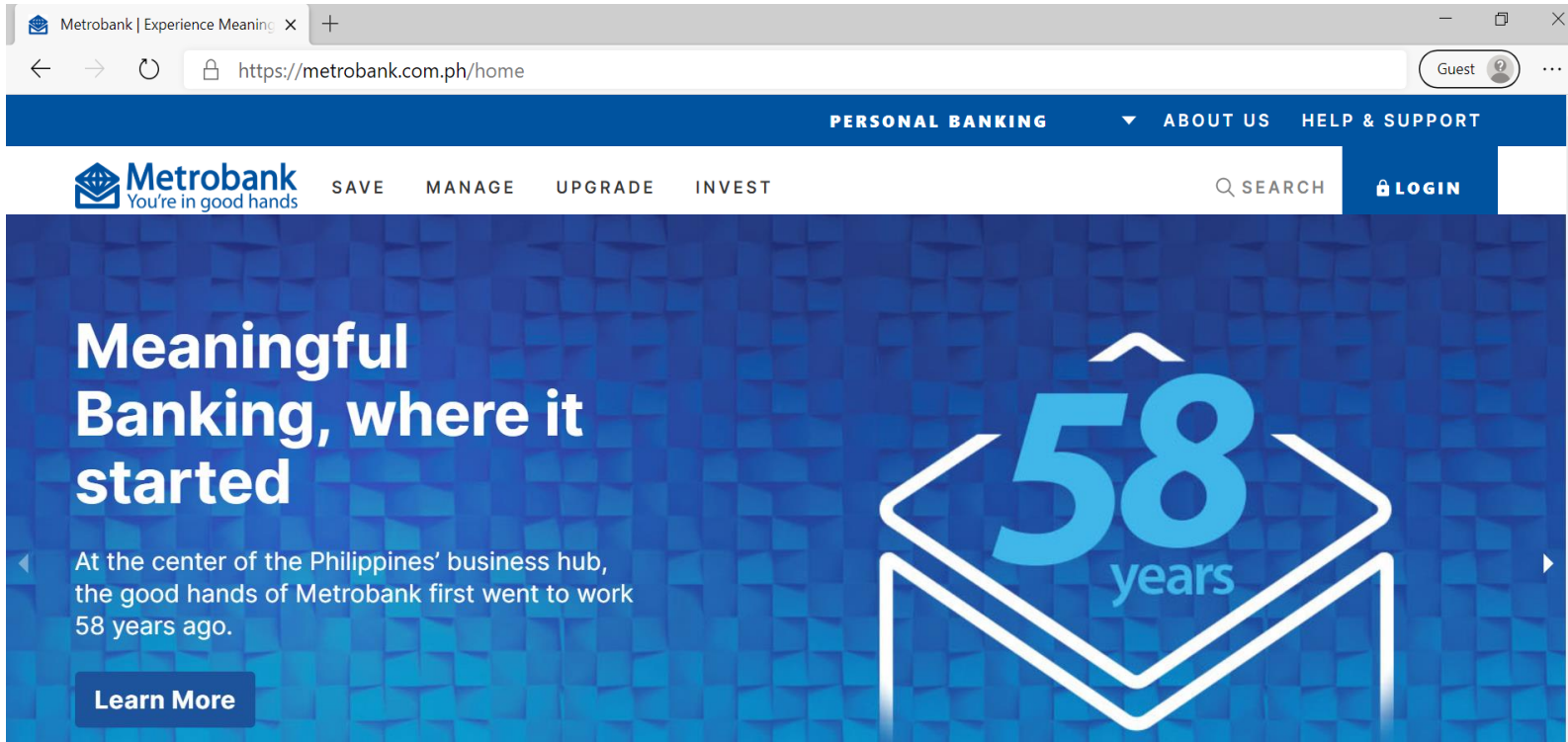



**1 Gold & 3 Silver Anvil Awards**

2020



# For more information, please visit our website:



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## 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

