



# 3Q 2020 EARNINGS CALL



**Metrobank**  
You're in good hands





**Toto**  
Tansingco  
Head, Financial  
Markets Sector



**Fabian** Dee  
President



**Bliz** Cuna  
Head, Enterprise  
Services Sector



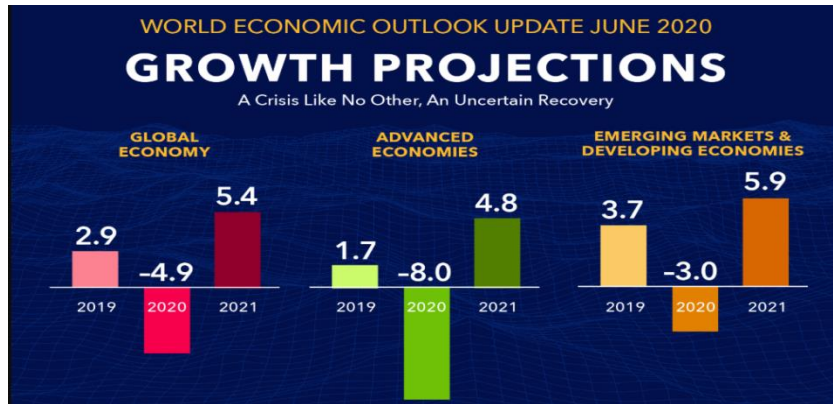
**Jette** Gamboa  
Head, Strategic Planning &  
Investor Relations



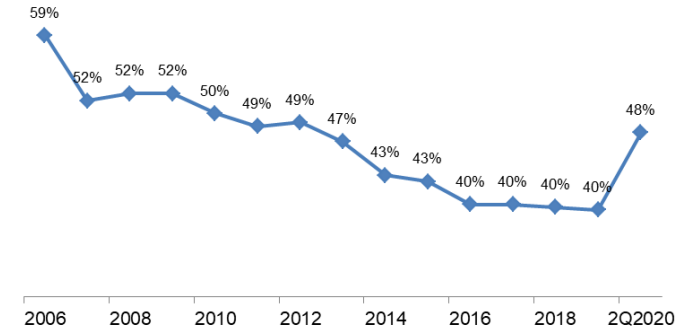
# MACROECONOMIC VIEW

# Global COVID-19 Recession in 2020

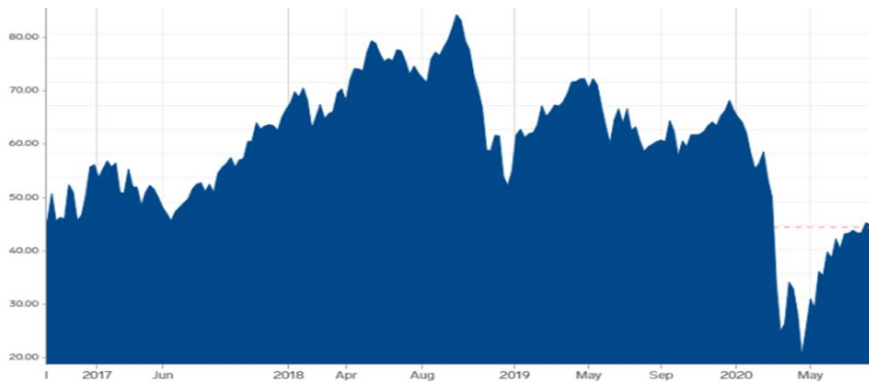
## Global Recession in 2020, Rebound in 2021



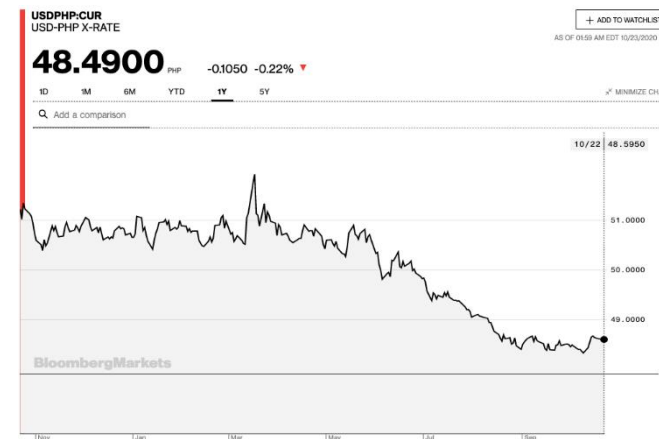
## Philippines has space for fiscal stimulus



## Brent Oil prices still below previous years' levels on weak demand

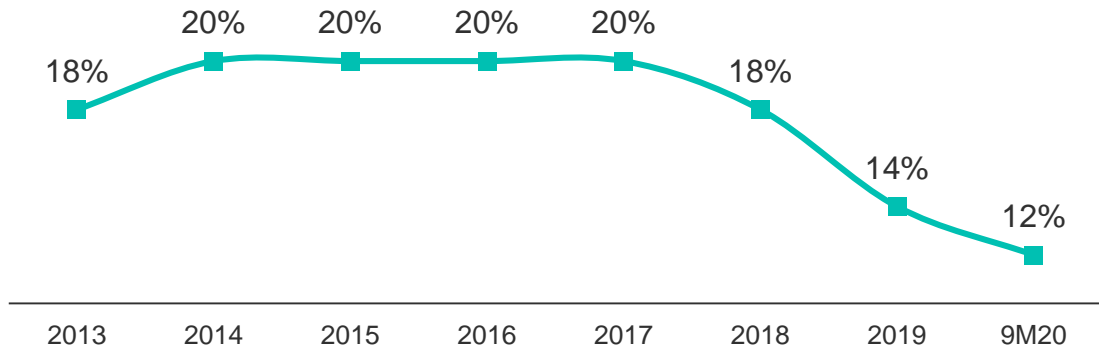


## Philippine Peso strength/US Dollar under pressure

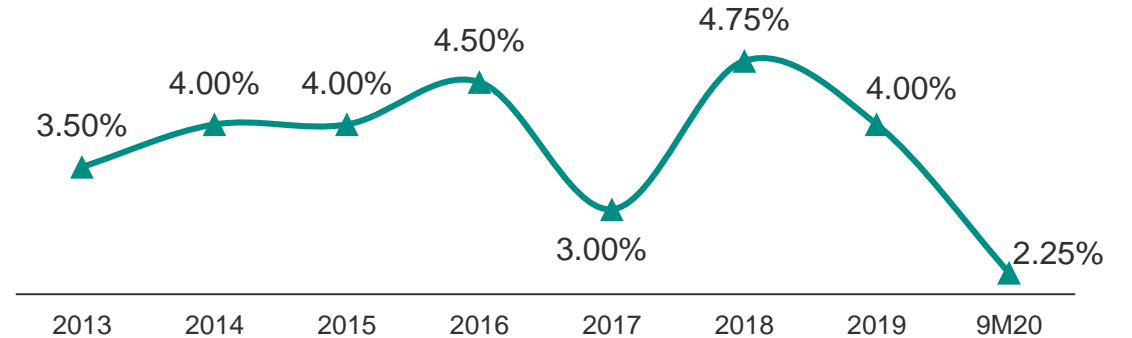


# Loose Monetary & Quantitative Easing

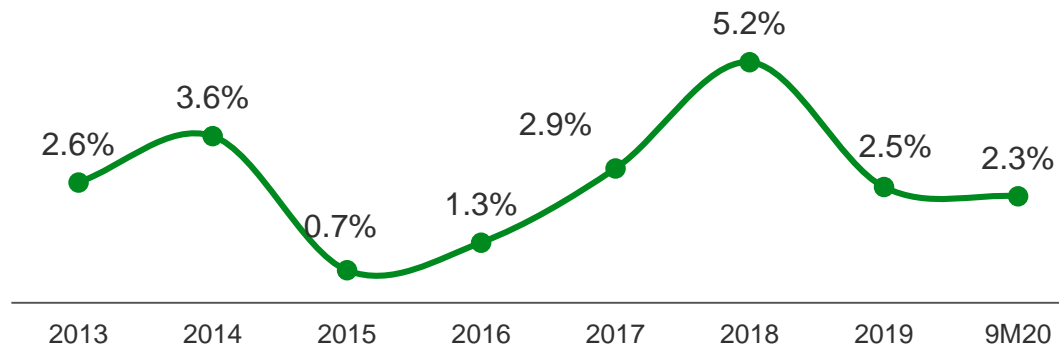
## RRR cuts to support liquidity



## Deep policy rate cuts to record-low level



## Supported by low inflation

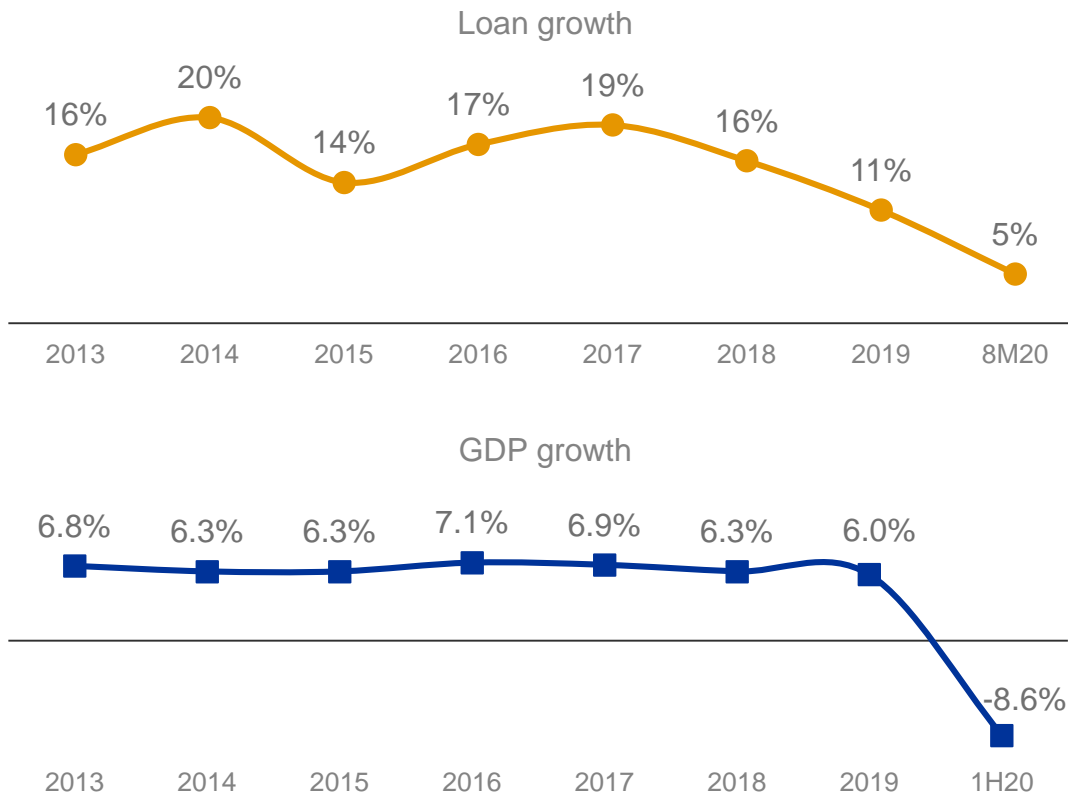


## BSP measures to keep liquidity

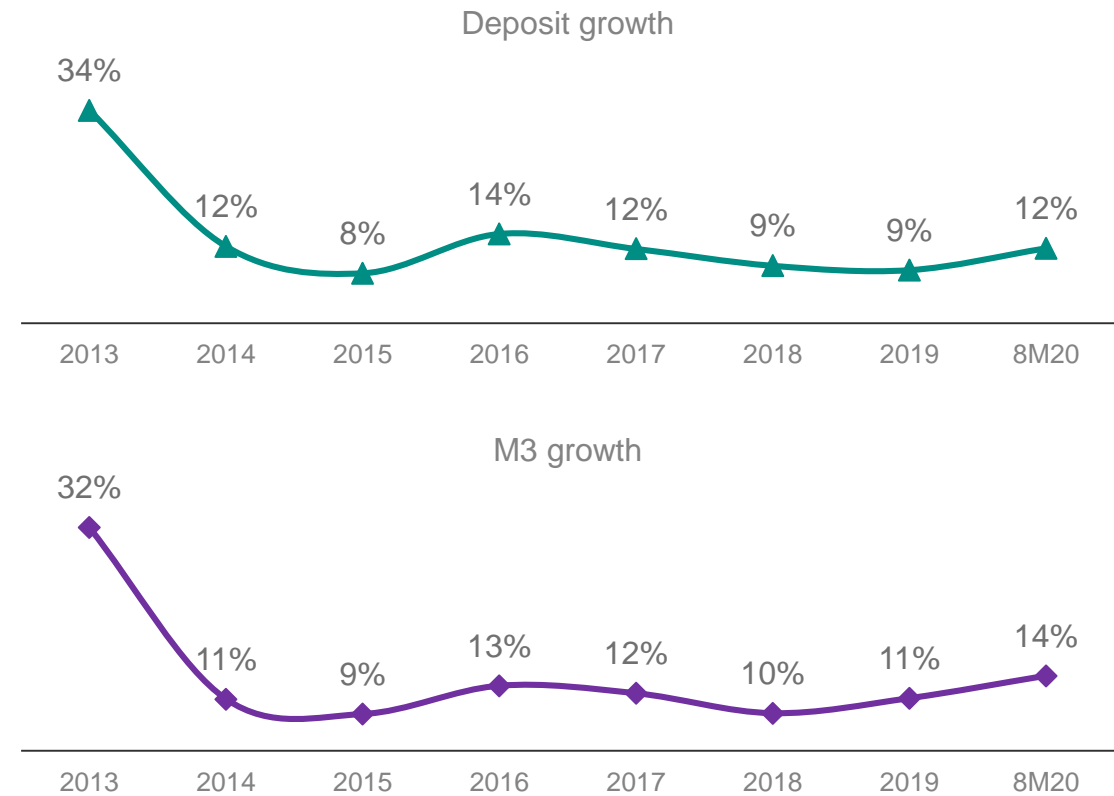
- BSP now into QE.
  - After the Php300 Billion repo matured last September, they have bought another P540 Billion worth of government securities from BTr.
- MSME loans can be counted against Reserve Requirements.

# Banking Industry: Loan Slowdown Amid Ample Liquidity

**Loan growth had a strong start this year  
but tempered by economic slowdown**



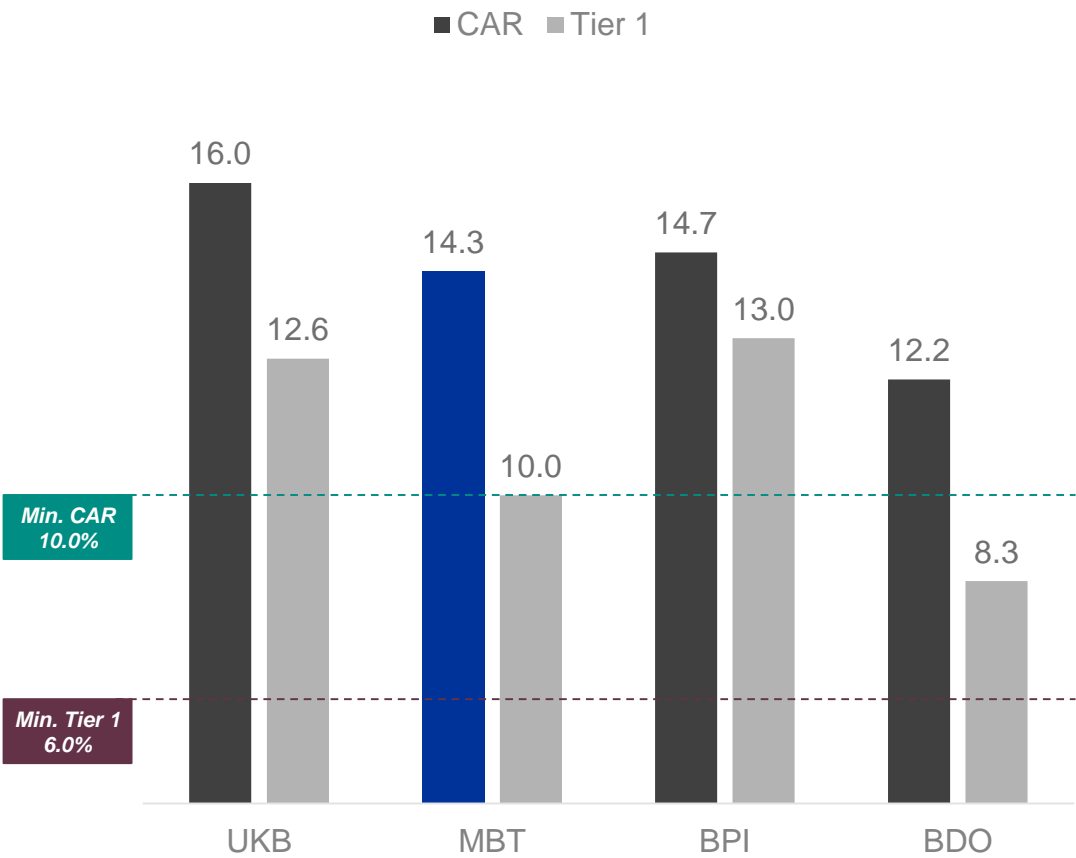
**Deposit growth and M3 growth sustained in early months  
but can slow down depending on overall market liquidity**



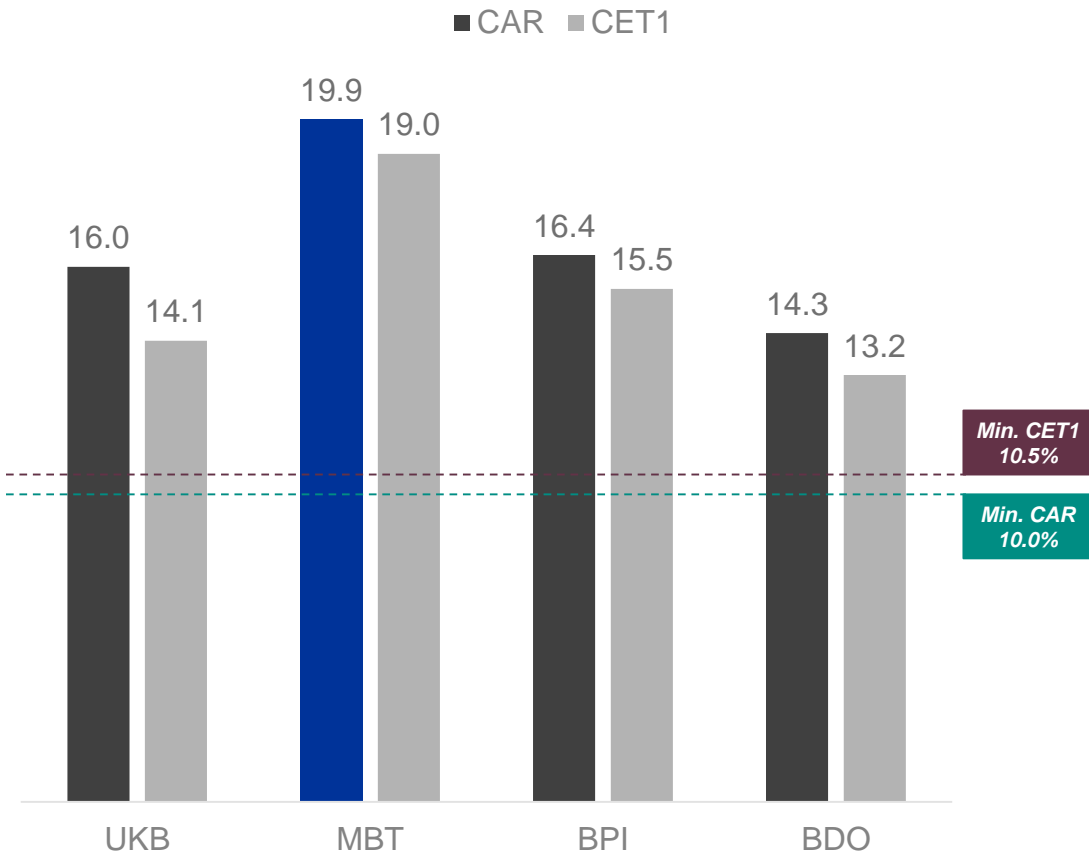
# PH Big 3 Banks: Adequately Capitalized

The country’s largest banks have substantial capitalization, way above the minimum threshold set by the BSP.

31 December 2009




30 September 2020



Sources: BSP, banks’ disclosures

# Metrobank Economic Research Forecasts

As of October 2020

	2019A	2020F	2021F
GDP	6.0%	-6.8%	7.0%
Inflation	2.5%	2.4%	2.6%
BSP RRP rate	4.0%	2.0%	2.5%
RRR	14%	10%	
USDPHP Trend	50.7	48.2	46.6 

 *With upward bias*

## 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*	-5.5%	7.0%
	ADB	-7.3%	6.5%
	WB	-6.9%	5.3%
	IMF	-8.3%	6.8%
	Moody's	-9.0%	8.0%
	Fitch	-9.1%	6.2%
	S&P	-9.5%	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.





# FINANCIAL PERFORMANCE



9M 2020

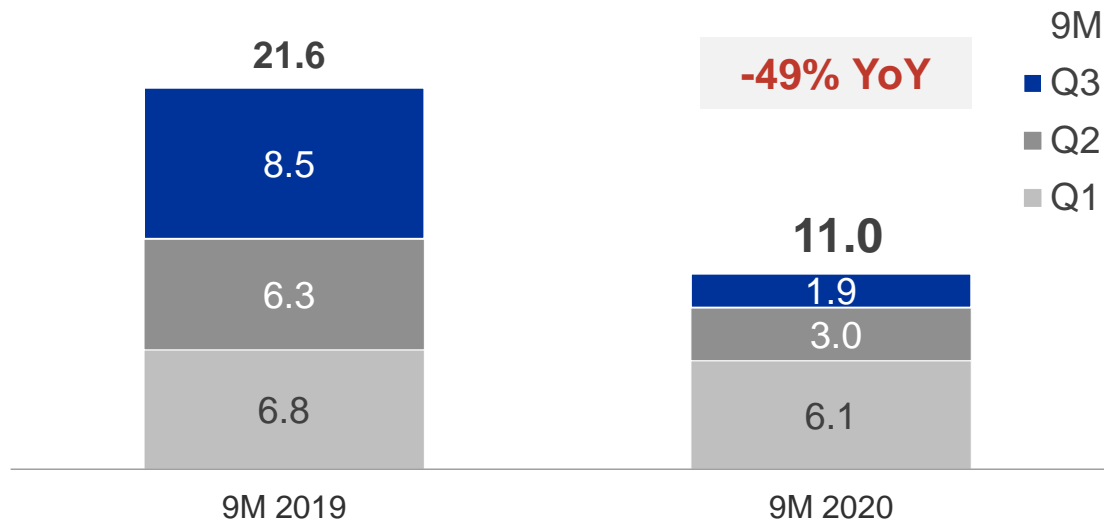
# Strong core business growth tempered by prudent provisioning

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

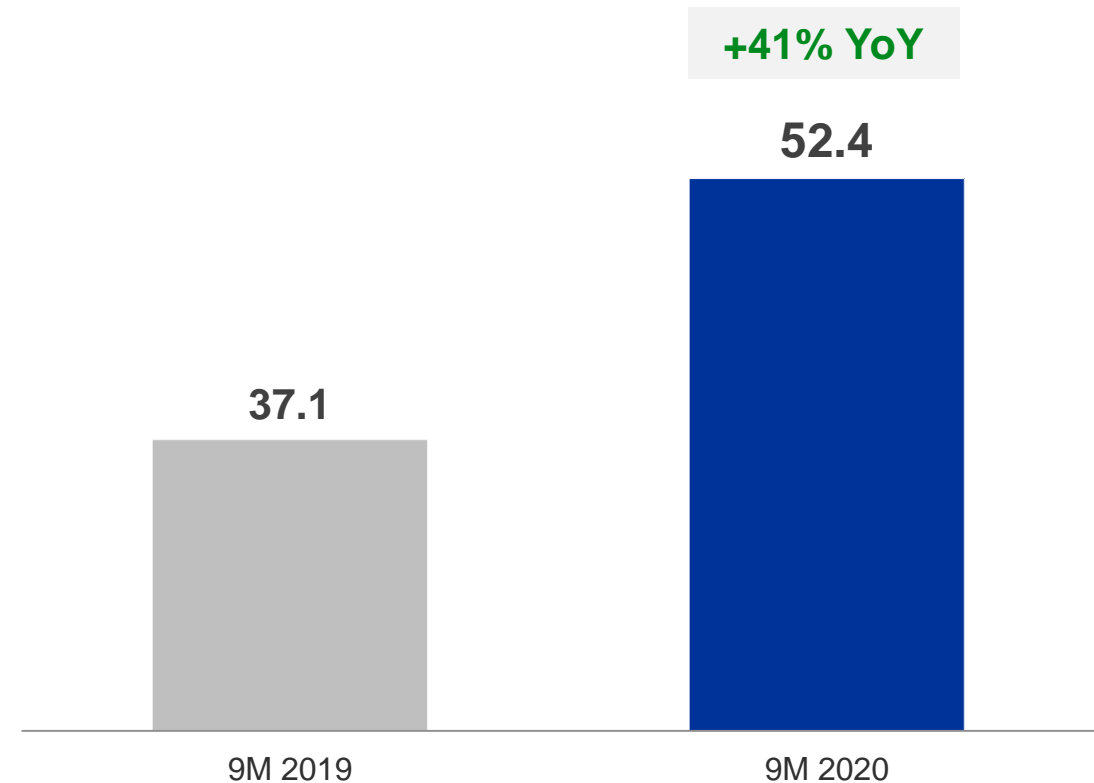
## Net Income

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

- Strong **+17%** NII growth
- Revenues **+20%** from NII; Trading gains mitigated weak fees
- PPOP **+41%**
- Operating expenses tempered at **+2%** YoY
- Provisions for loan losses up **4.6x**



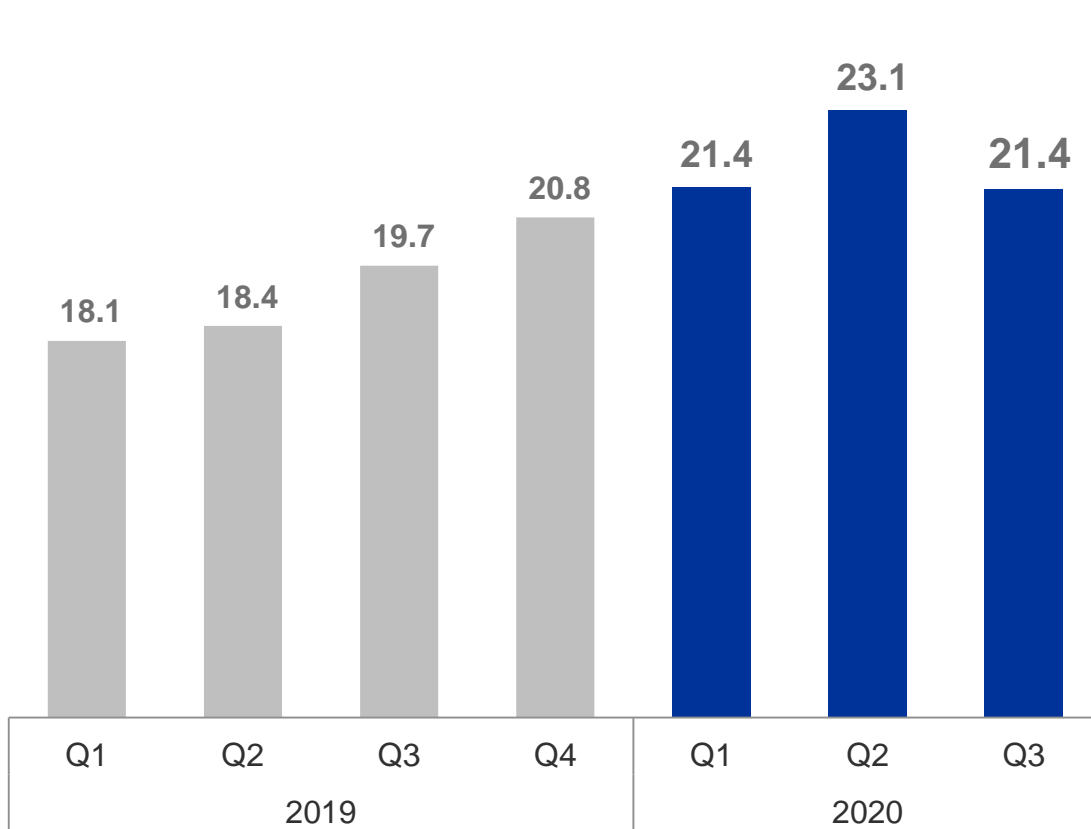
## Pre-provision Operating Profit



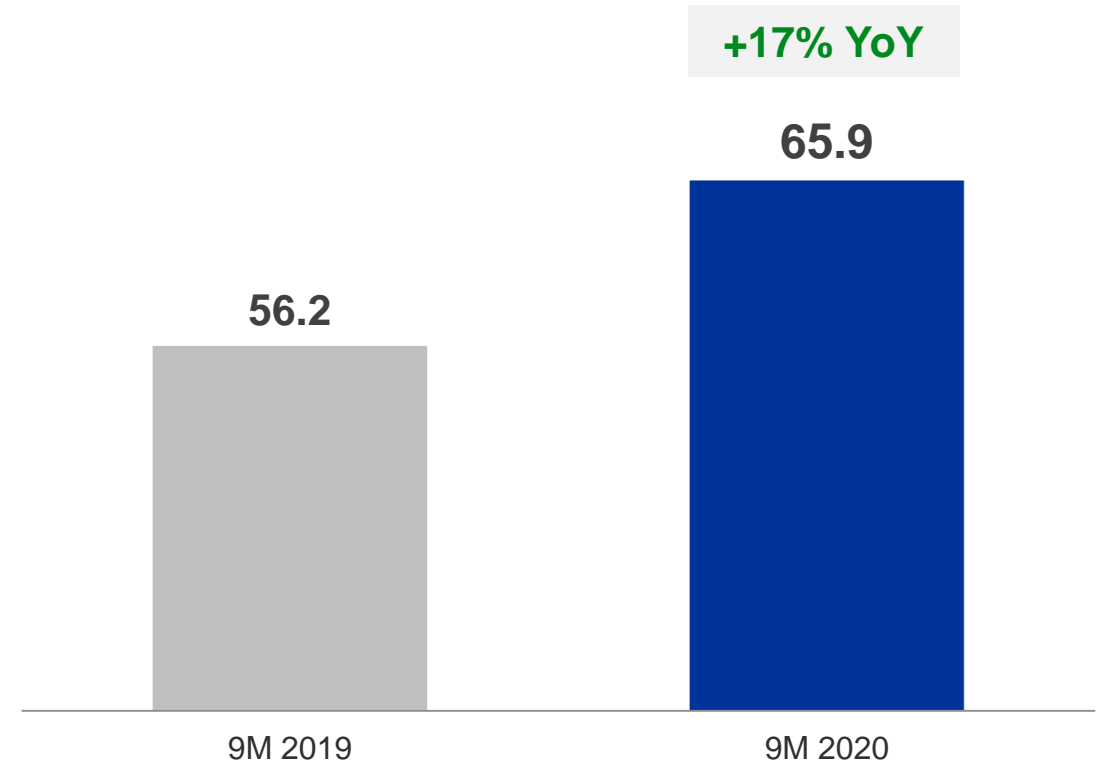
# Solid net interest income despite economic slowdown

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

## Net Interest Income



## Net interest income growth despite challenges

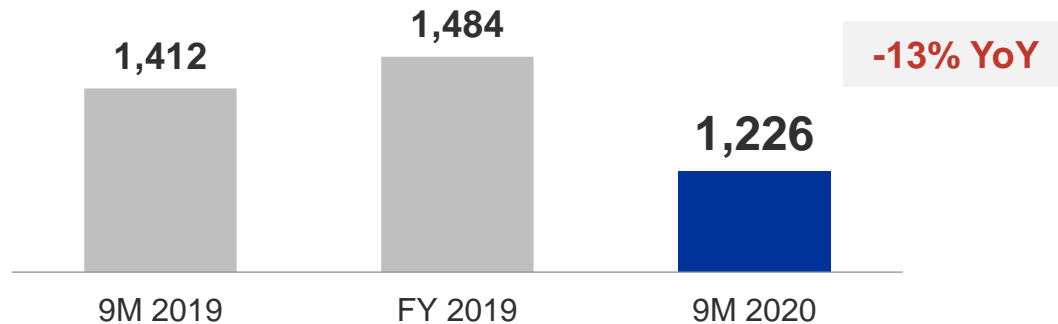




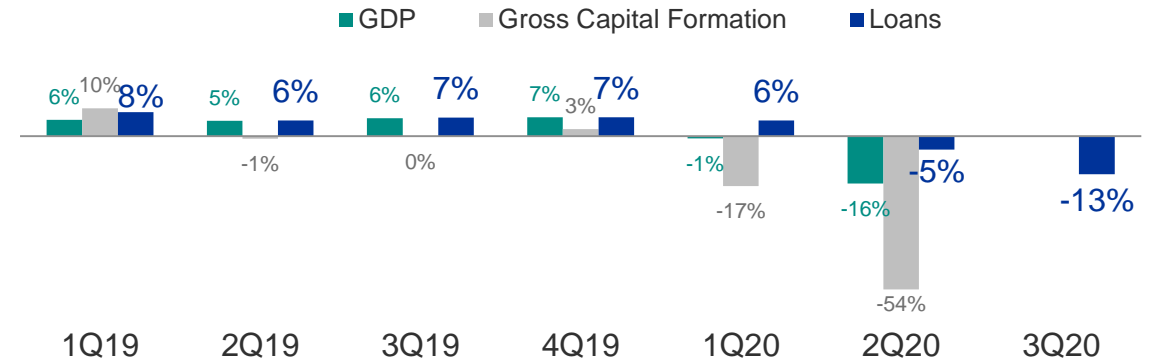
# Loan portfolio performance aligned with the economy

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

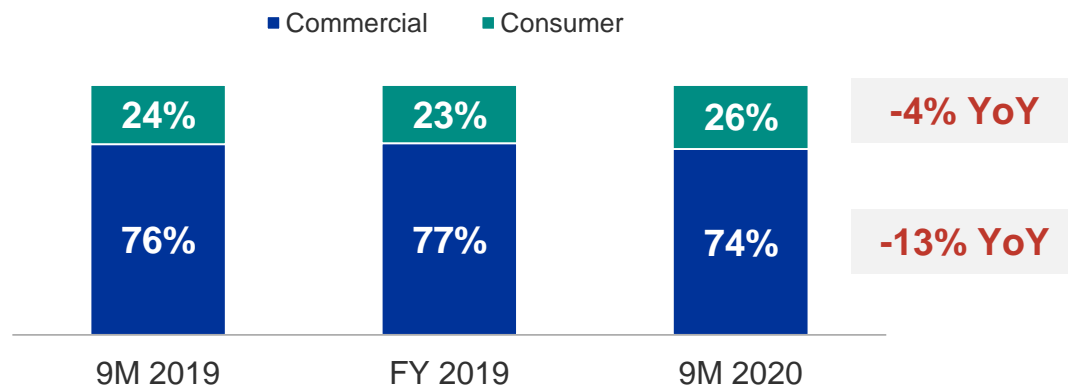
## Contraction in net loan portfolio...



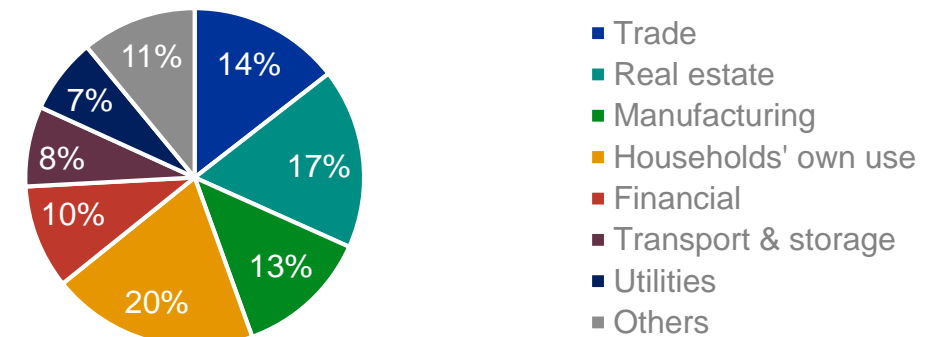
## ... aligned with weakness in GDP and Gross Capital Formation



## Gross Loan Breakdown By Segment



## 9M 2020 Loan Portfolio by Industry



Based on BSP Reporting

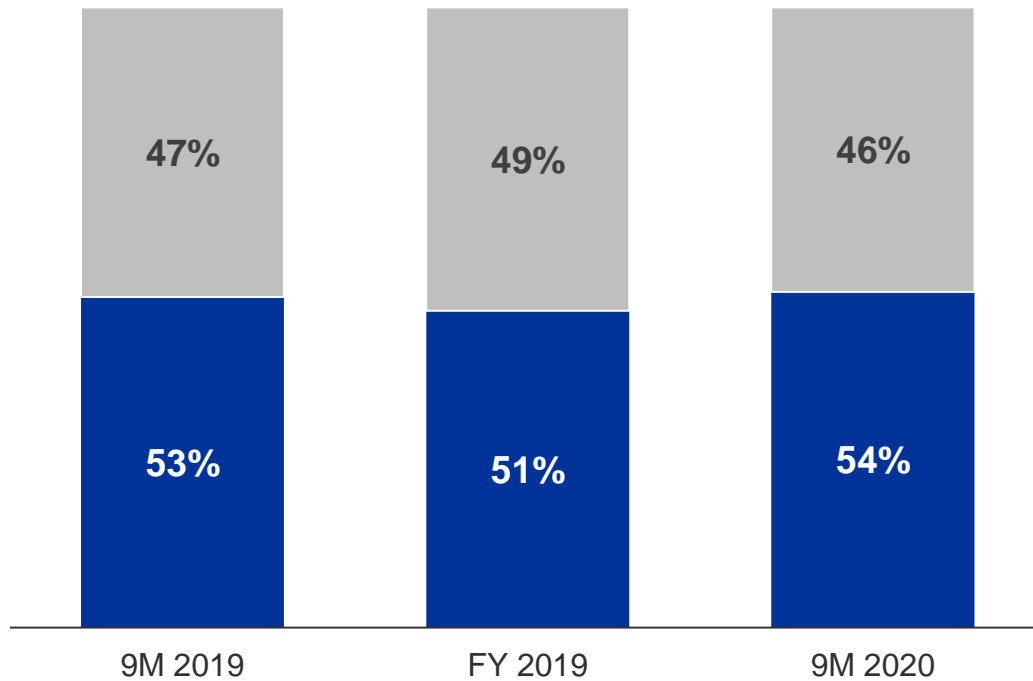
Others include Construction, Agricultural, forestry and fishing; Accommodation & food service activities

# Commercial lending reflective of GDP contraction

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

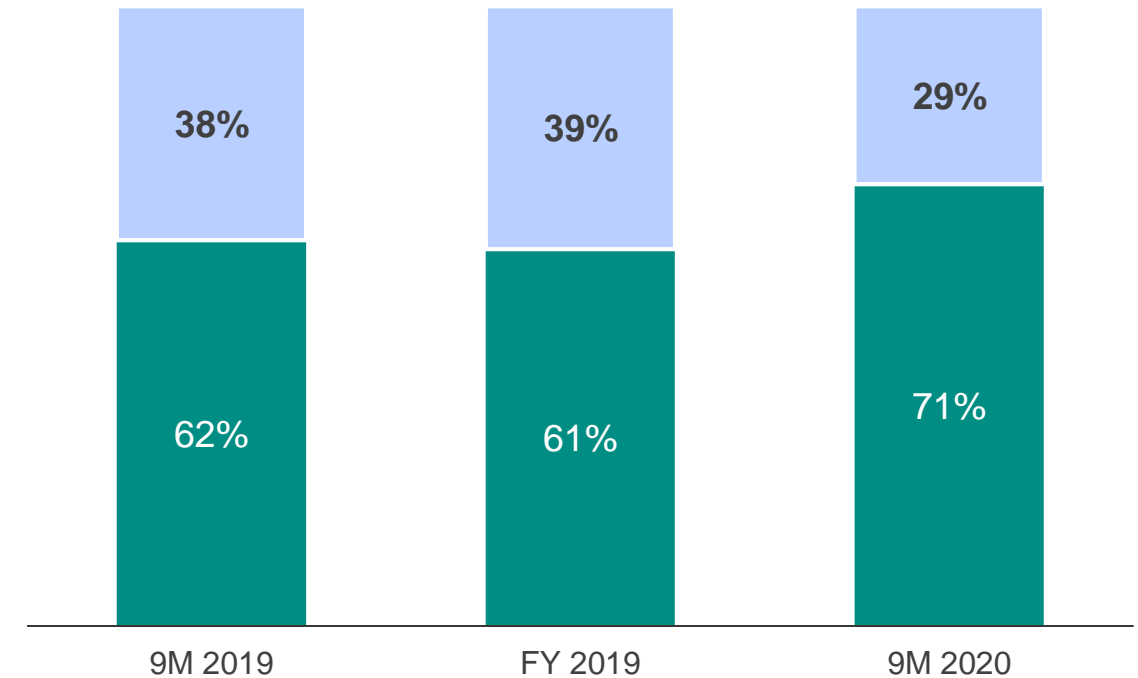
## Commercial Loans Breakdown

■ Corporate ■ Middle Market and SME



## Short term working capital loans drove the slowdown

■ Long Term (More than 1 Year) ■ Short Term (Up to 1 Year)

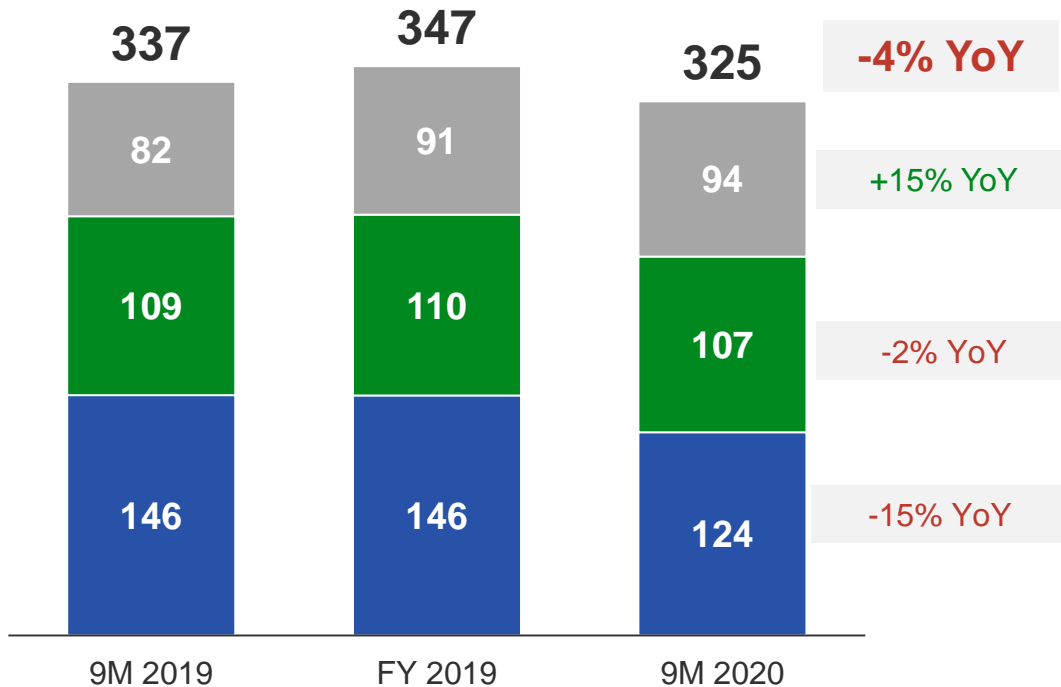


# Retail portfolio slows amid weak consumption spending

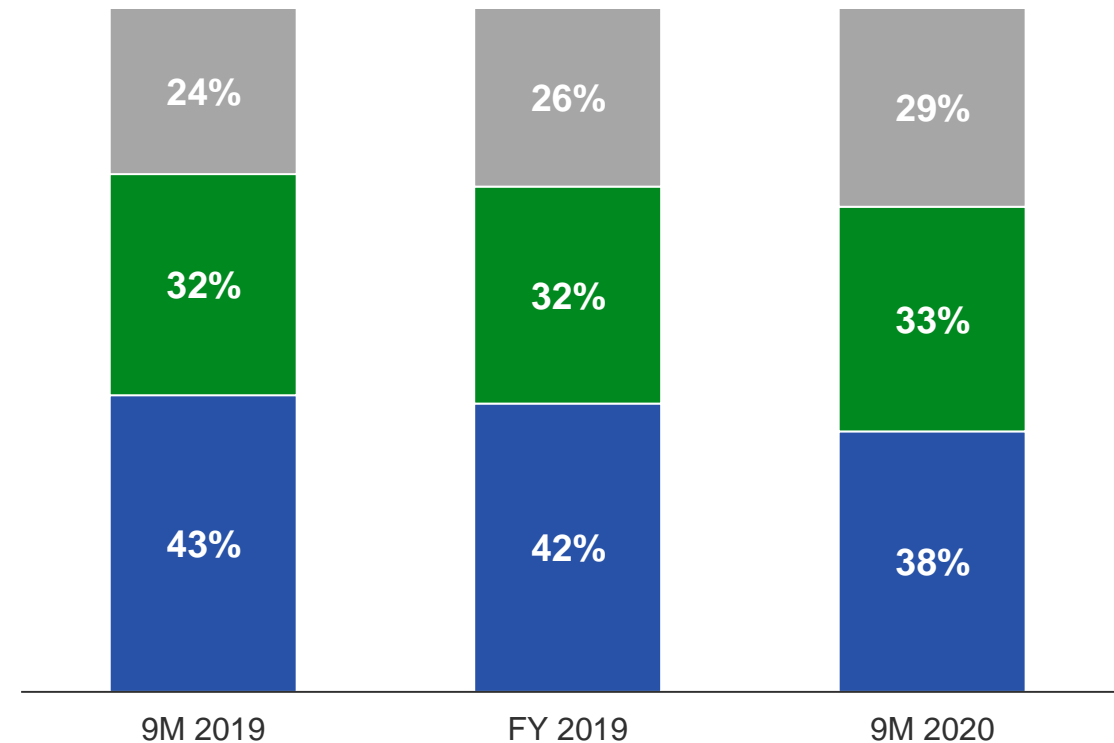
Consumer loans declined amid economic uncertainty, which limited consumption to essential goods and deterred big-ticket spending

## Consumer Loans Breakdown

■ Auto ■ Housing ■ Credit Card & Others



## Consumer Loans By Product

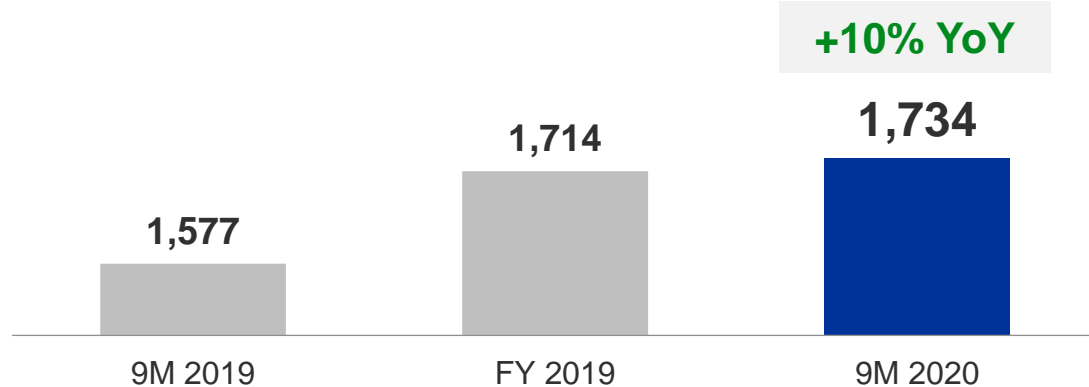




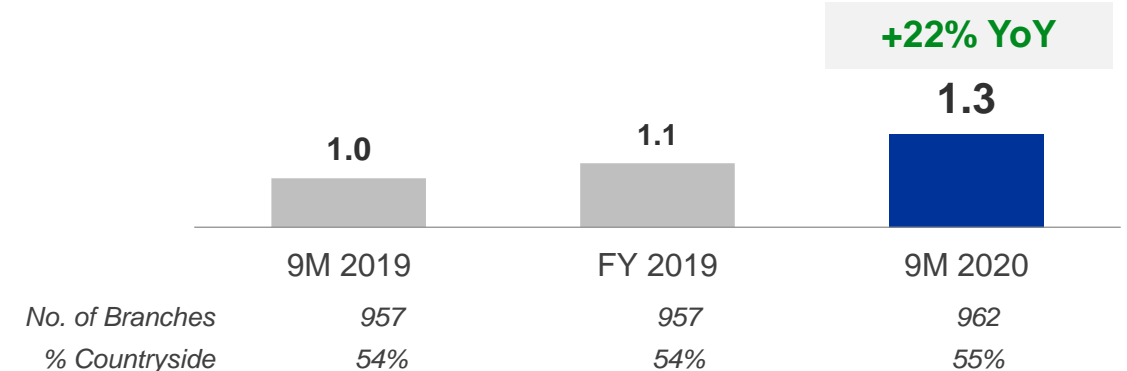
# Strong deposit franchise with sustained CASA growth

Low cost deposit levels are holding as customers prefer to stay liquid; strong CASA growth and low interest rates driving down funding cost

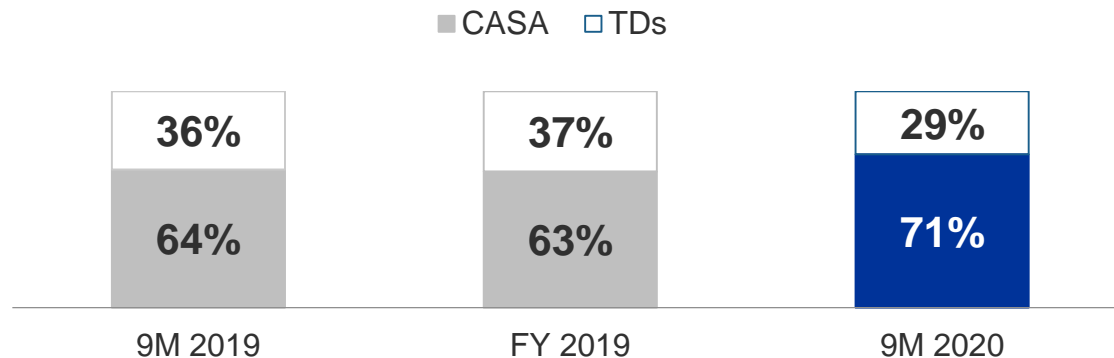
## Total Deposits



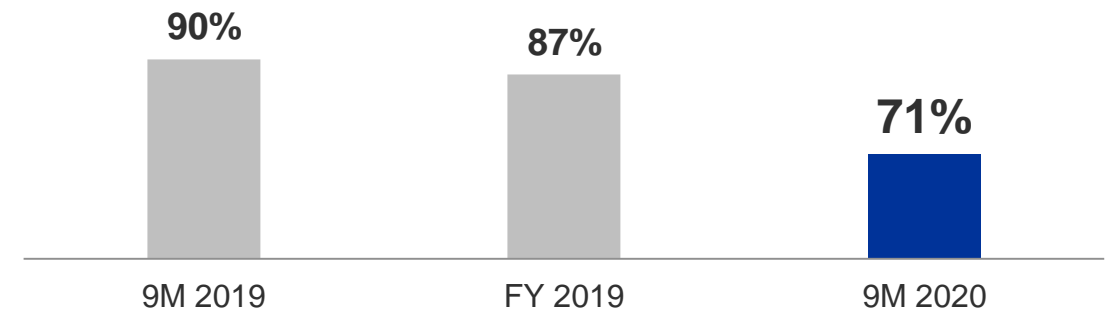
## CASA Deposits per Branch



## CASA Ratio



## Net Loan-Deposit Ratio

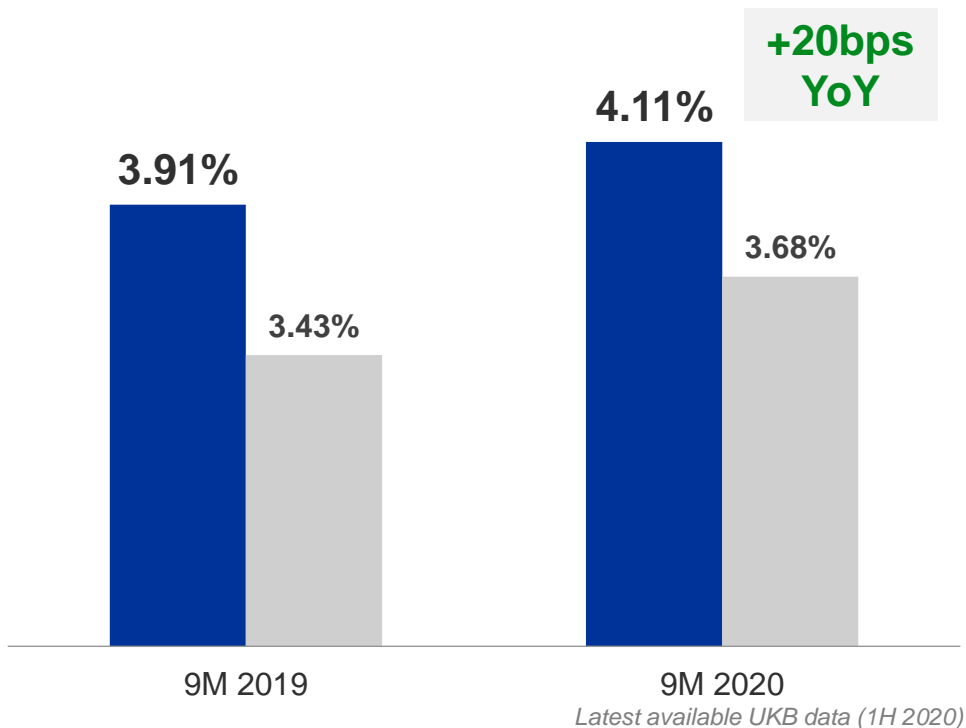


# Resilient net interest margin supported by low funding cost

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

## NIM\* remains higher than industry

■ MBT ■ UKB

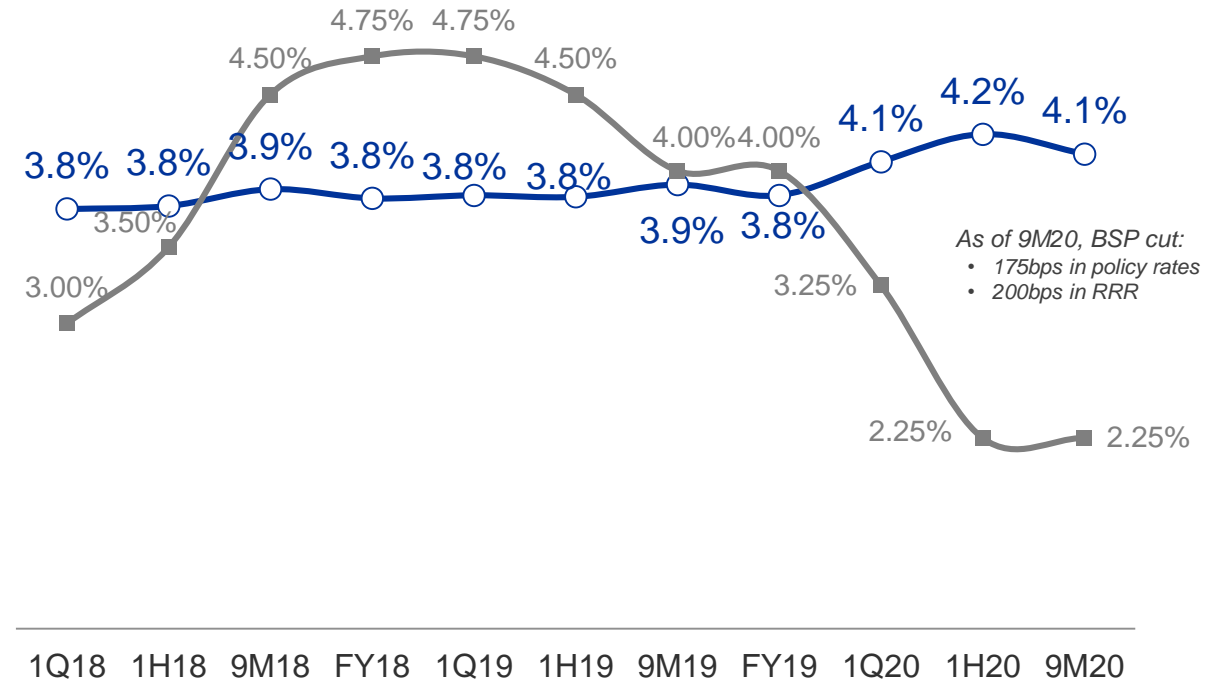


Notes:

- NIM as reported in SEC filings

## NIM kept stable despite rate volatilities

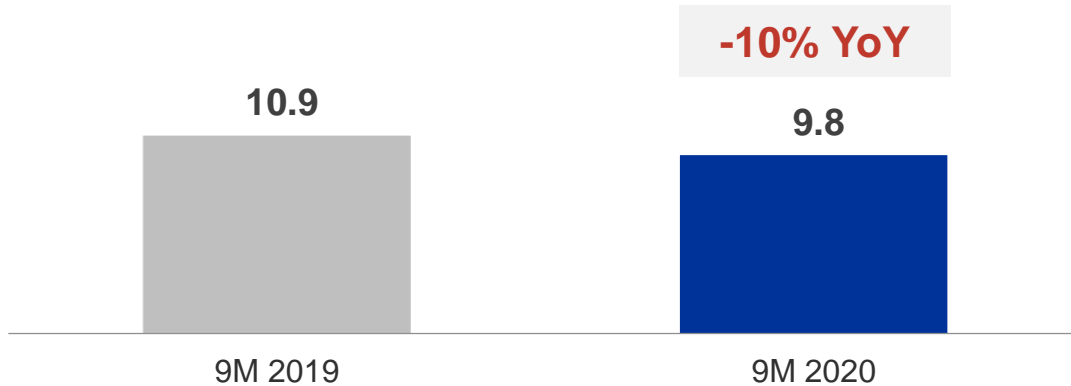
○ NIM ■ Policy rate



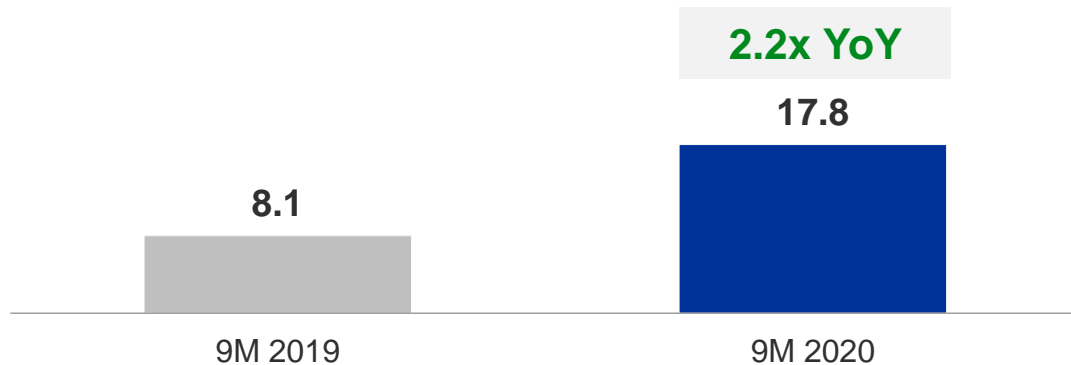
# Other income driven by robust trading gains

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

## Service Fees and Trust

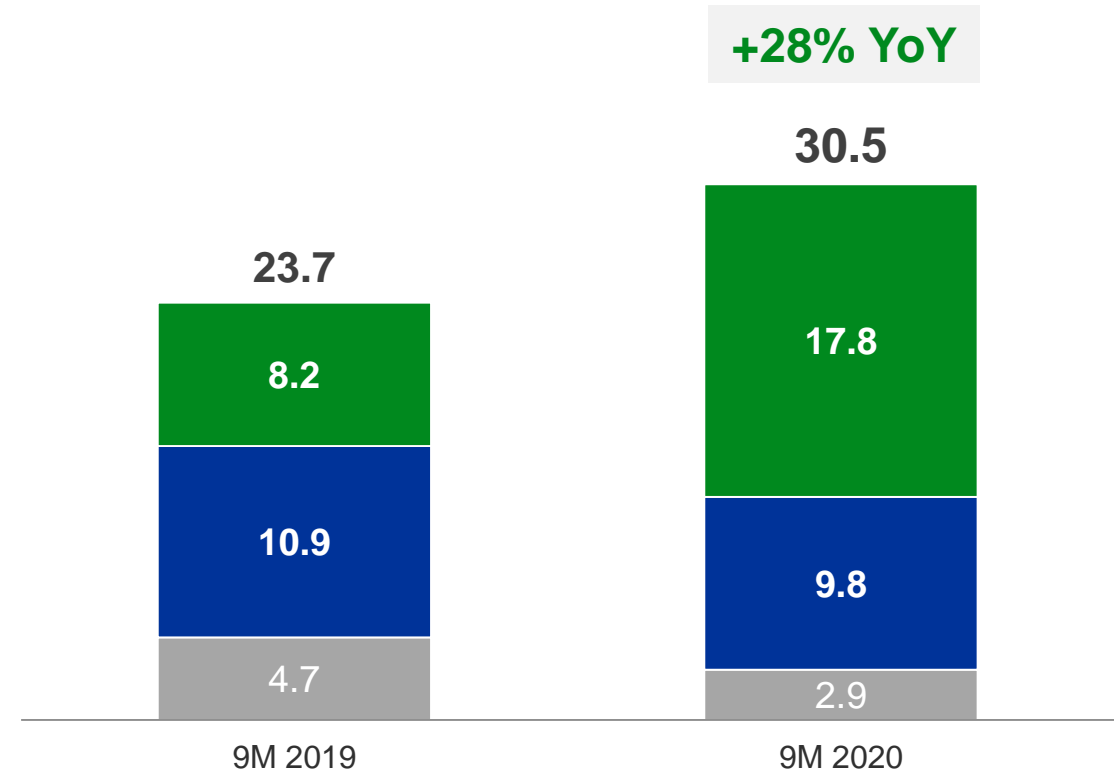


## Trading and FX Gains



## Non-Interest Income Breakdown

■ Others ■ Service Fees & Trust ■ Trading & FX gains



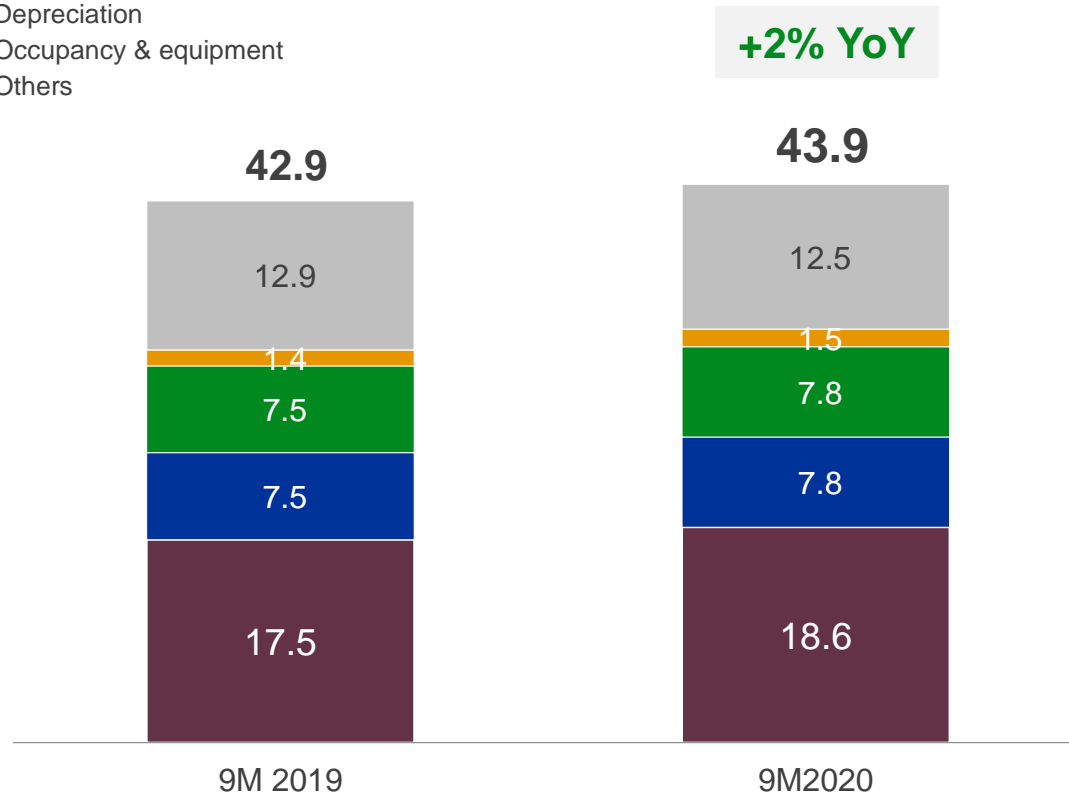


# Subdued cost growth leading to improved CIR

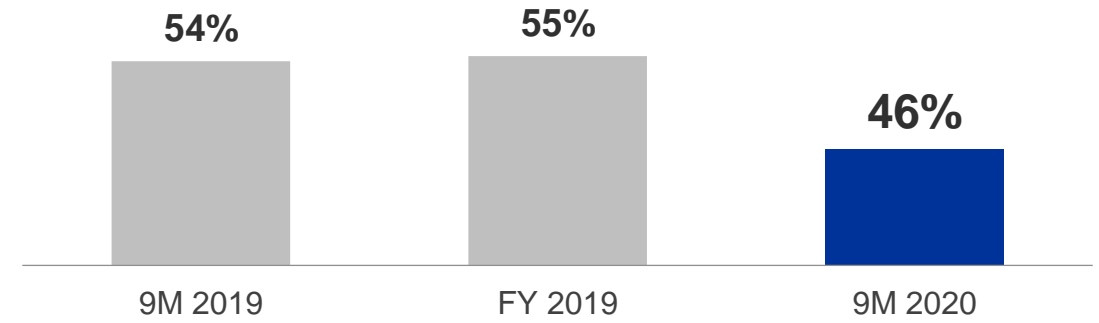
Revenue growth has consistently outpaced cost growth, leading to improved cost-income ratio

## Operating Expenses Breakdown

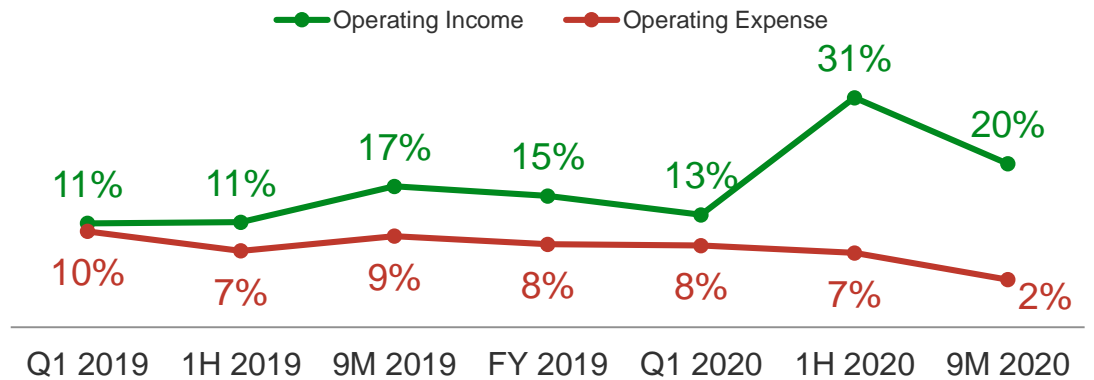
- Manpower
- Taxes & licenses
- Depreciation
- Occupancy & equipment
- Others



## Cost-Income Ratio

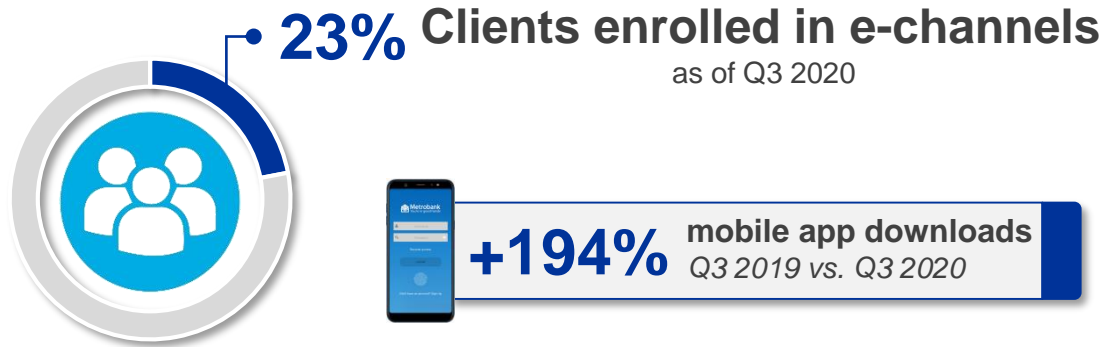


## Revenue growth consistently higher than Opex



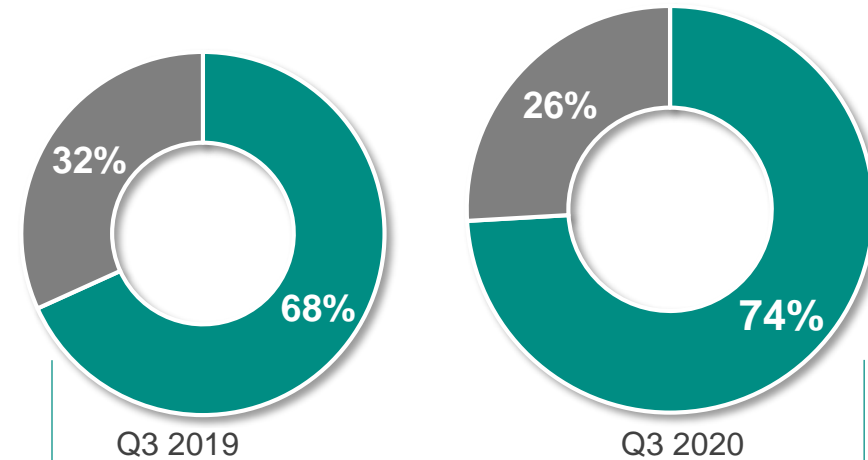
# Digital Strategy as enabler to improve customer experience

Active push for e-channels accelerated digital transactions under present conditions, encouraged by rising monthly enrollments



**Rising monthly enrollments**

**53k** → **149k**  
Jan. 2020      Sept. 2020



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

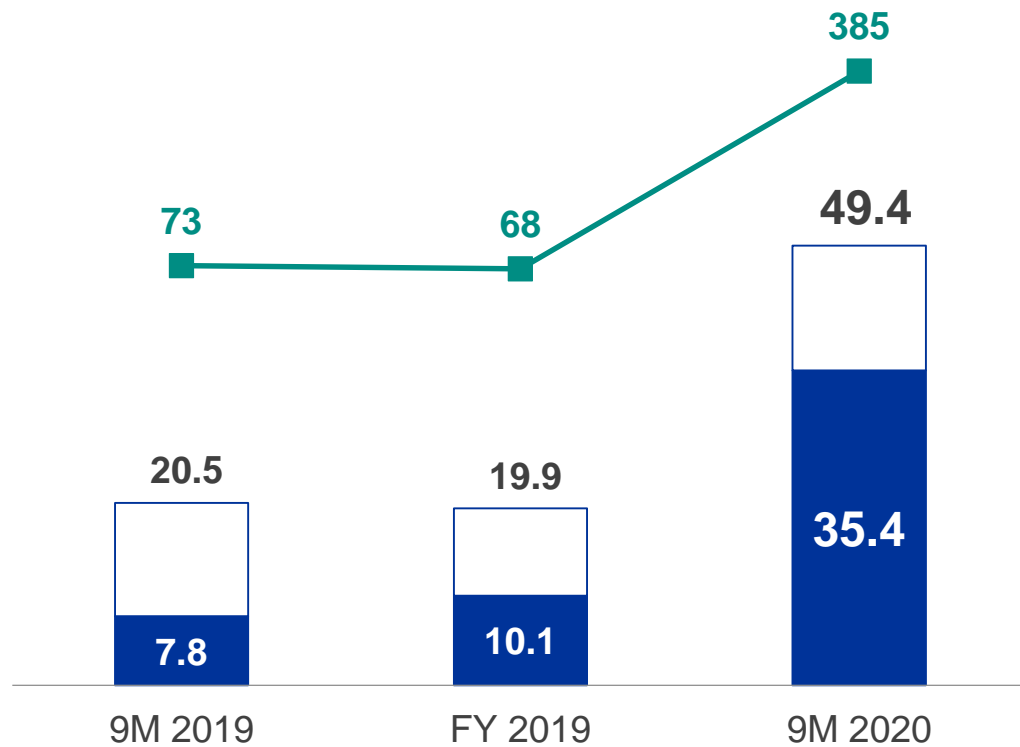


# Proactive provisioning provides buffer for anticipated risks

The Bank is proactively beefing up provisions even as NPL formation remains relatively benign

## Conservative provisioning stance

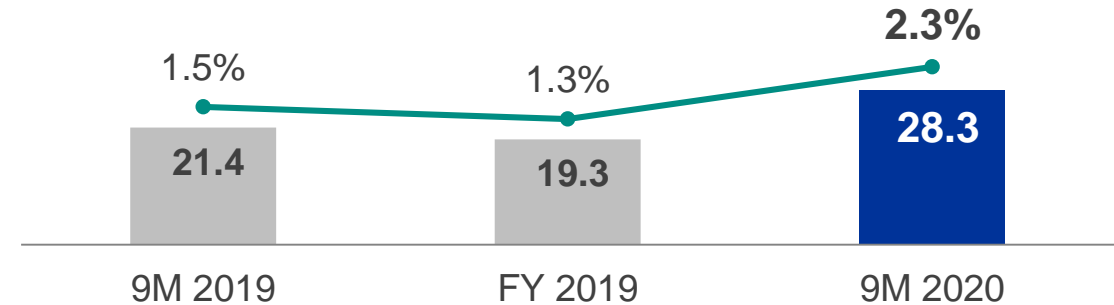
■ Provisions for Credit    □ Cumulative Total Allowance  
 ■ Est. Credit Cost (bps)



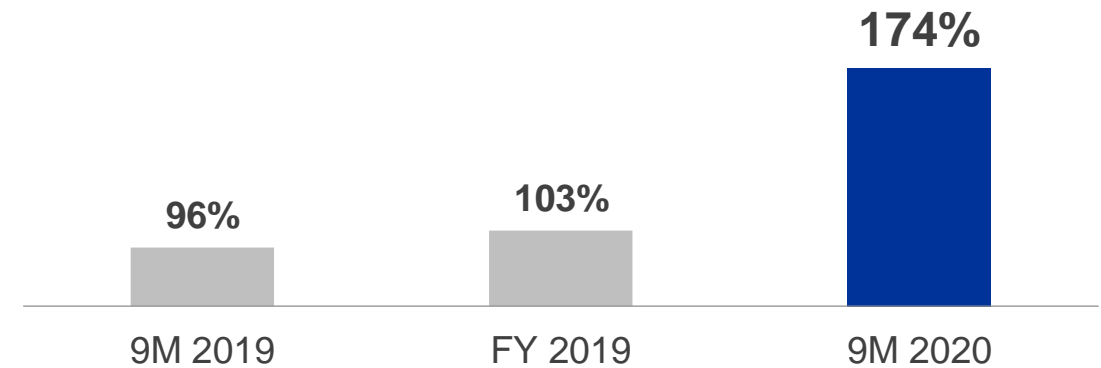
*Estimated credit cost = Annualized Provisions for Credit / Loans & Receivables, net*

## NPL formation in line with expectations

■ NPL    ● NPL ratio



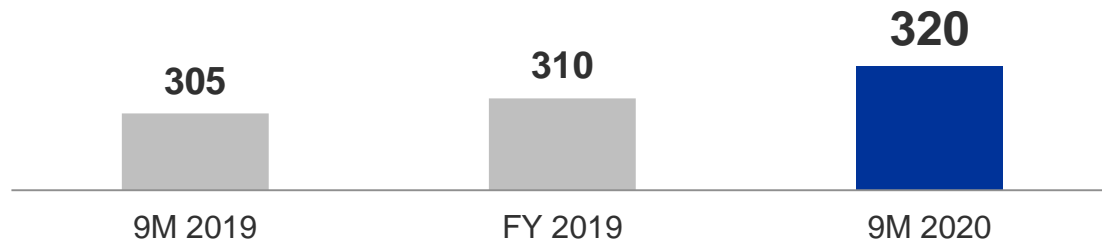
## Raising NPL Cover to a more comfortable level



# 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

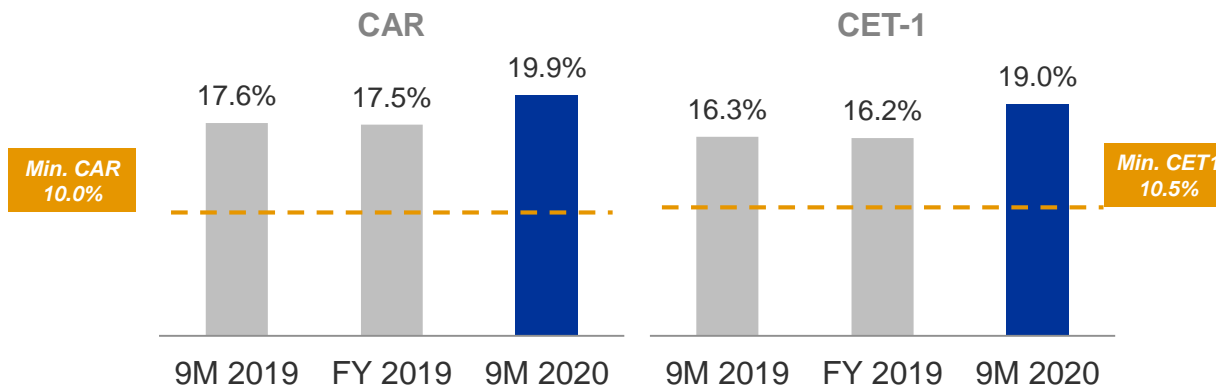
## Total Equity



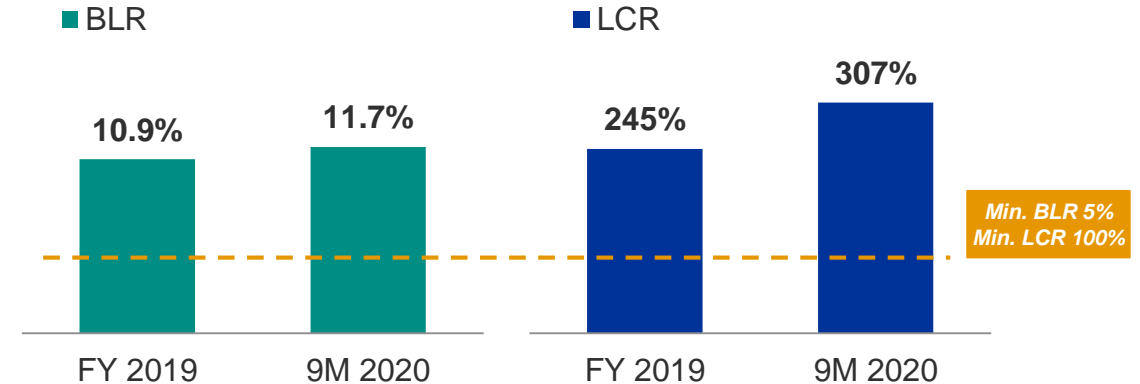
## Annual Cash Dividends Paid



## Capital Ratios



## Basel III Leverage Ratio, Liquidity Coverage Ratio





# SUMMARY

- ✓ The COVID-19 pandemic continues to disrupt the economy, adversely affecting business expansion plans and consumption spending.
- ✓ Despite challenges, Metrobank's core business performance is resilient : solid NII growth, NIM expansion, strong CASA, robust revenue growth, all leading to sustained improvement in CIR.
- ✓ Guided by lessons from past crises, the current strategy is for proactive provisioning and to build reserves early, then the Bank's focus can go back to the business of growing.
- ✓ The Bank is known to be conservative, with disciplined underwriting standards. In anticipation of future risks, the NPL cover was raised to 174% as of 9M20, the highest among its peers.
- ✓ Metrobank's strong balance sheet and deposit franchise, and high capital ratio of 19.9% places it in a favourable position to rebound when the economy recovers.

# Financial Summary

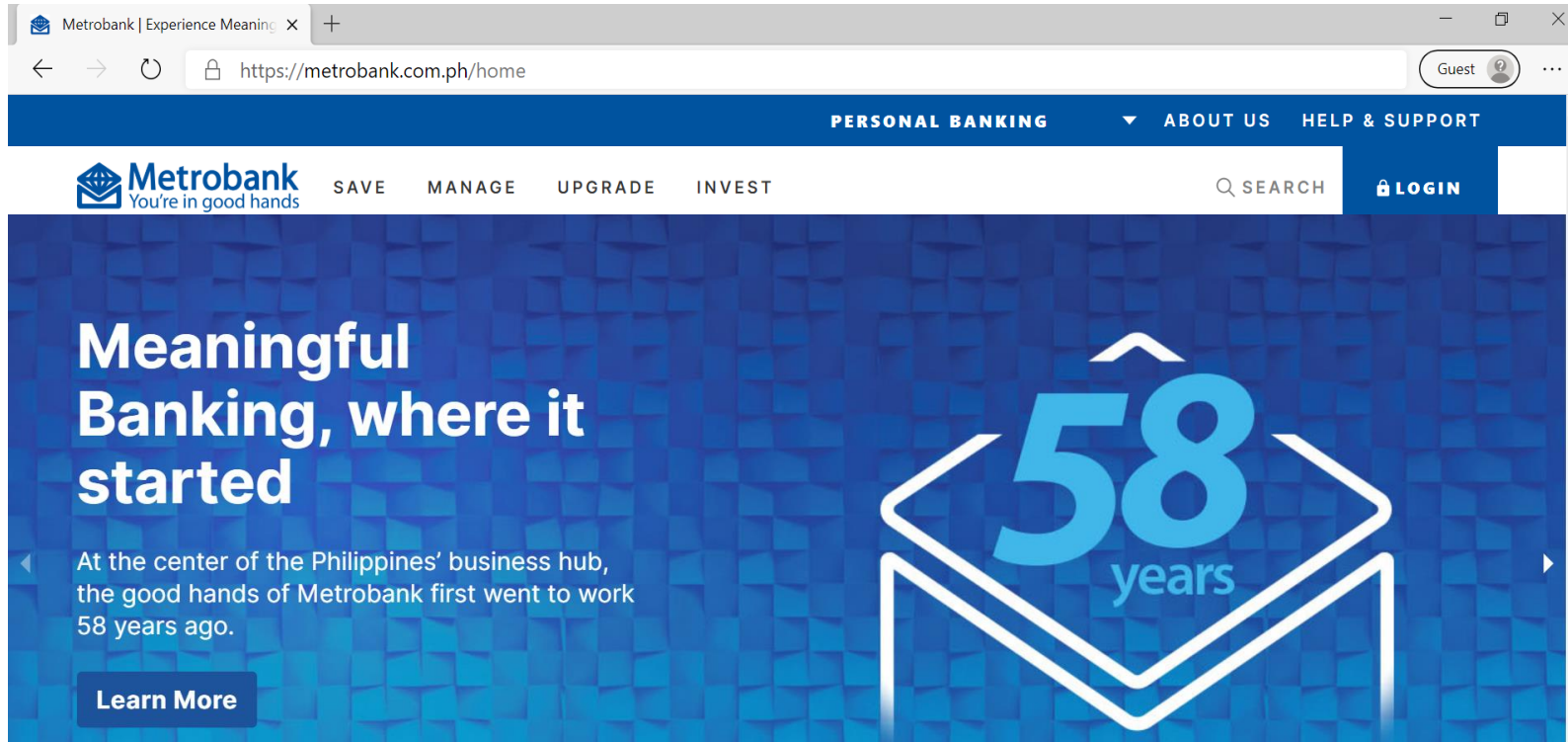
In PHP billion

Income Statement	9M 2019	9M 2020	YoY
Net Interest Income	56.2	65.9	+17%
Non Interest Income	23.7	30.5	+28%
Operating Income	80.0	96.3	+20%
Operating Expenses	42.9	43.9	+2%
<b>PPOP</b>	<b>37.1</b>	<b>52.4</b>	<b>+41%</b>
Provision for Credit	7.8	35.4	+356%
Provision for Taxes	7.1	5.8	-18%
<b>Net Income</b>	<b>21.6</b>	<b>11.0</b>	<b>-49%</b>

Balance Sheet	9M 2019	9M 2020	YoY
Total Assets	2,329	2,351	+1%
Loans and Receivables, Net	1,412	1,226	-13%
Total Deposits	1,577	1,734	+10%
CASA	1,005	1,228	+22%
Equity	305	320	+5%

Financial Ratios	9M 2019	9M 2020	YoY
NIM	3.91%	4.11%	+0.2 ppt
CIR	54%	46%	-8.3 ppts
NPL Ratio	1.5%	2.3 %	+0.7 ppt
NPL Cover	96%	174%	+78 ppts
CAR	17.6%	19.9%	+2.3ppts
CET-1	16.3%	19.0%	+2.7ppts
Net LDR	90%	71%	-18.9 ppts

# 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>



by

