

# Metropolitan Bank & Trust Company

Philippine Investment Summit for Global Fund Managers  
October 27, 2011

**Fernand Tansingco, CFA**  
Executive Vice President  
Head of Treasury Group

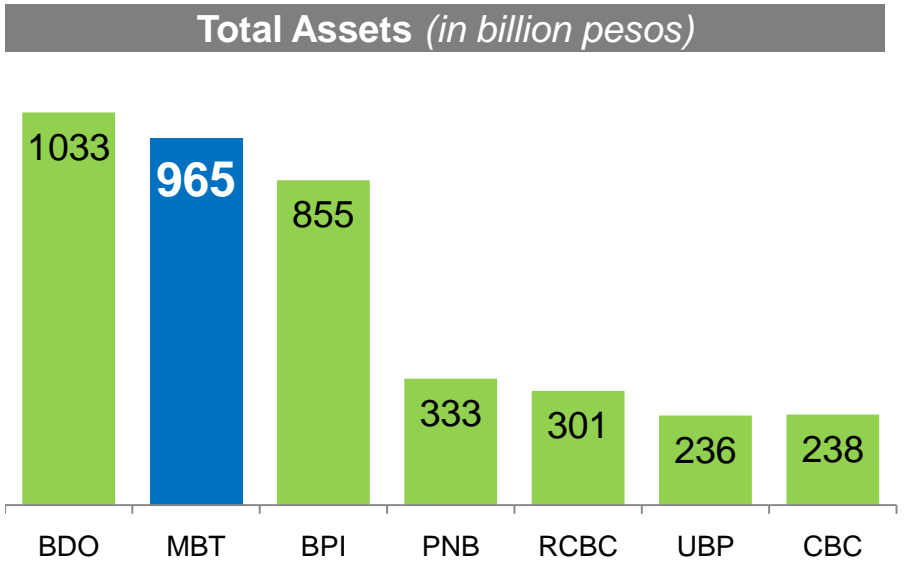
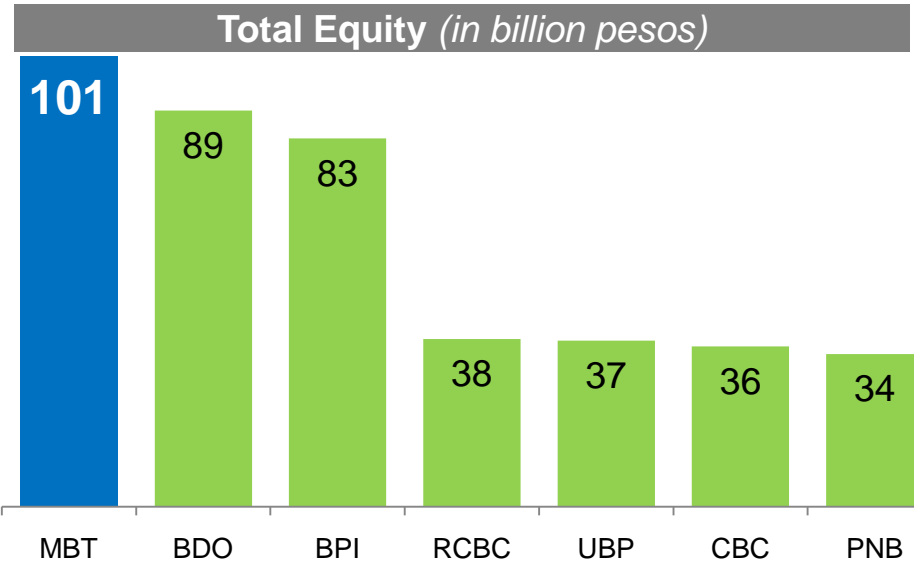


## The Philippine Banking Sector

- ❖ Post-97 crisis, **major reforms** for a **stronger financial system**
- ❖ Industry average **Capital Adequacy Ratio at 17%**, well above the 10% minimum prescribed by the Bangko Sentral and the 8% of Basel II
- ❖ **Improving asset quality** with non-performing loans ratio at 2.5%
- ❖ **Philippine banking system remains fragmented**: 38 commercial banks with assets of P6.3 trillion
- ❖ **Lowest savings rate** across ASEAN at 19%
- ❖ **Low credit penetration** with Loans-to-GDP of 30% vs. 60% for Asian peers
- ❖ **Loans-to-Deposit Ratio** remains relatively low at 60%
- ❖ Industry-wide **lending starting to improve** driven by consumer demand

# Metrobank - Overview

- ❖ Established on 1962 by a group of businessmen led by Dr. George S.K. Ty, primarily to provide financial services to the Filipino-Chinese community
- ❖ Offers full range banking services to large local and multinational corporations, middle market and SMEs, high net worth individuals and retail segment



## Strong market position across diverse product segments

### Retail Banking

- Largest auto loan portfolio; 3rd largest housing portfolio
- 3rd largest local credit card issuer

### Trust / Treasury

- 3rd largest Trust business with AUM over Php 320 billion
- Best Performing Government Securities Dealer, *Bureau of Treasury, 2008-2010*
- No. 1 Fund Manager for All Trusteed Retirement Funds; Best Fund Manager for Average Returns, *Towers Watson Survey, 2010*

### Trade Finance / Remittances

- Leading provider of trade finance services to large corporates and middle market segment
- One of the leading providers of remittance service

### Investment Banking

- Largest domestic investment bank
- Leading underwriter of Philippines government debt issuance

## Multi-awarded bank



**Best Bank in the Philippines**  
*Euromoney, 2011*



**Best Bank in the Philippines**  
*Euromoney, 2010*



**Bank of the Year  
in the Philippines**  
*The Banker, 2010*



**Best Domestic Bank  
in the Philippines**  
*Asiamoney, 2010*



**Best Managed Company  
in the Philippines**  
*Asiamoney Awards, 2009*



**First in Financial Reputation  
in the Philippines**  
*The Wall Street Journal, 2008-2009*



**Corporate Governance Asia Annual Recognition**  
*Corporate Governance Asia, 2005-2010*



**Trusted Brand Gold**  
*Reader's Digest 2004-2010*

## Highly recommended stock

J.P.Morgan

OVERWEIGHT

“We believe **Metrobank stands out as a unique turnaround story within the Philippines banking sector.** After years of languishing with asset quality and capital issues, the bank now has a significant capital base and a revamped, professional management team in place... We assume coverage of Metrobank with an Overweight, and make it **our top pick within the sector.**” (October 2011)



BUY

“MBT opted for a **prudent approach to growth** and has not aggressively competed for loans where margins are thin... We raise our 2011/2012/2013 earnings estimates on MBT’s better-than-expected trading and other income gains. We also raise our price target to on our earnings forecast upgrades... We consider MBT’s **NPL ratio of 2.6% as of 1H11 and its 13.3% Tier 1 capital ratio attractive in a risk-averse environment.**” (October 2011)



MACQUARIE

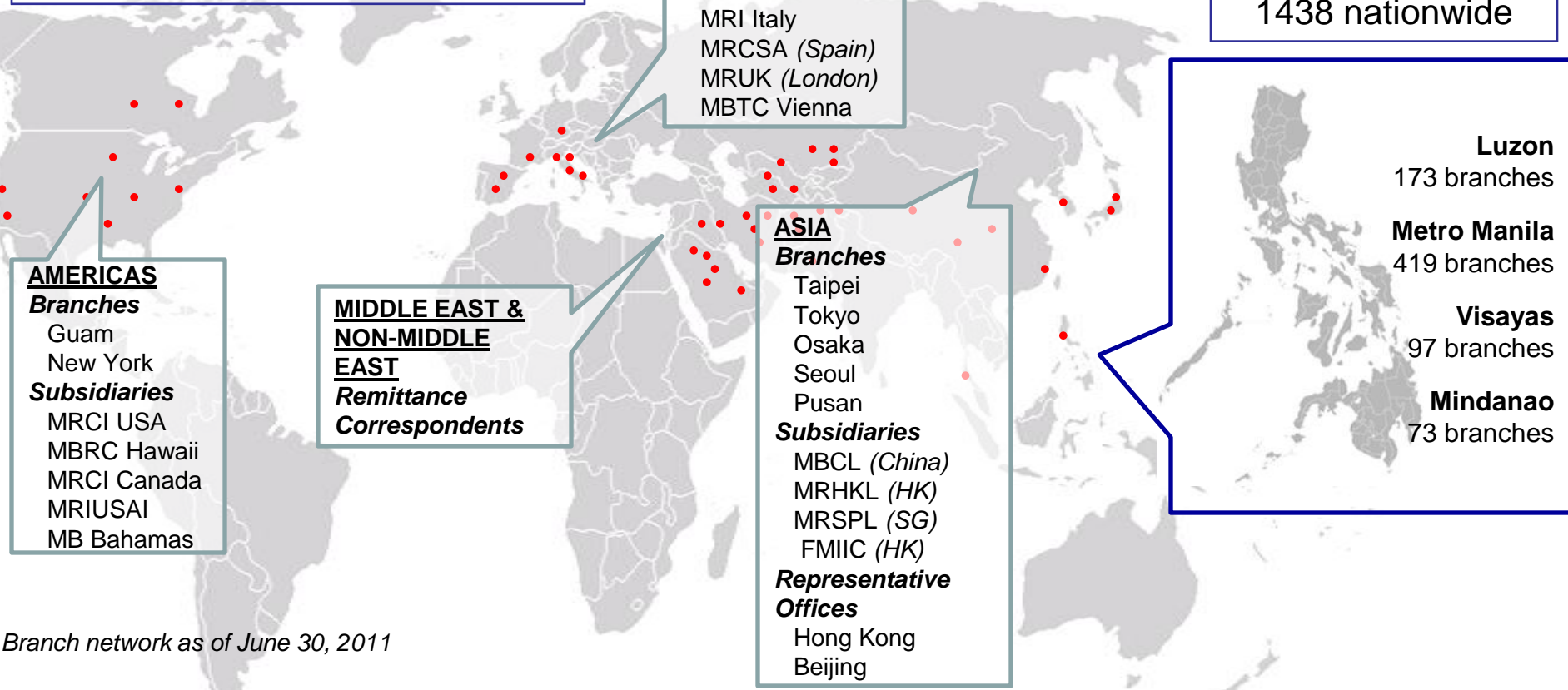
OUTPERFORM

“**MBT’s Return on Assets has gradually improved in 2010 as the bank effectively brought down its cost-to-income ratio and consistent lowering of provisions.** MBT has the most room to bring down its provisioning expenses in 2011... We expect the bank lending activities to be the main driver of its profitability...” (July 2011)

# Extensive branch network nationwide and overseas

International Network	
Full Service Branches	7
Subsidiaries & Offices	31
Remittance Correspondents	87

Domestic Branches
762 nationwide
Total ATMs
1438 nationwide



**AMERICAS**  
**Branches**  
 Guam  
 New York  
**Subsidiaries**  
 MRCI USA  
 MBRC Hawaii  
 MRCI Canada  
 MRIUSAI  
 MB Bahamas

**MIDDLE EAST & NON-MIDDLE EAST**  
**Remittance Correspondents**

**EUROPE**  
**Subsidiaries**  
 MRI Italy  
 MRCSA (Spain)  
 MRUK (London)  
 MBTC Vienna

**ASIA**  
**Branches**  
 Taipei  
 Tokyo  
 Osaka  
 Seoul  
 Pusan  
**Subsidiaries**  
 MBCL (China)  
 MRHKL (HK)  
 MRSPL (SG)  
 FMIIC (HK)  
**Representative Offices**  
 Hong Kong  
 Beijing

**Luzon**  
 173 branches  
**Metro Manila**  
 419 branches  
**Visayas**  
 97 branches  
**Mindanao**  
 73 branches

Branch network as of June 30, 2011

## Synergy from diversified Metrobank franchise



Largest and only publicly listed domestic investment bank



2nd largest capitalized thrift bank



Leasing and financing JV with ORIX Japan



3rd largest local card issuer with 12% market share



3rd in Total Premiums



8th in Gross Premiums Written



Market leader in auto manufacturing with 36% share



One of the largest IPP in the Visayas Region

## Distinguished Board of Directors

**ANTONIO S. ABACAN, JR.**

**Chairman**

Chairman, First Metro Investment Corp.

**GEORGE S. K. TY**

**Founder**

**Group Chairman**

**FRANCISCO C. SEBASTIAN**

**Vice Chairman / Director**

President, First Metro Investment Corp.

**EDMUND A. GO**

**Director**

Director, Metropolitan Bank (China) Ltd.

**ARTHUR TY**

**President / Director**

Vice Chairman, Phil. Savings Bank

**RENATO C. VALENCIA**

**Independent Director**

Vice Chair, Asia Pacific Network Holdings, Inc.  
Former Pres., Social Security System

**REMEDIOS L. MACALINCAG**

**Independent Director**

Chairman/Pres., Premium Equities, Inc.  
Former Pres., Dev't Bank of the Phils.

**ROBIN A. KING**

**Independent Director**

Independent Director,  
First Metro Inv. Corp. & PBC Capital Inv. Corp.

**MANUEL Q. BENGSON**

**Independent Director**

Board of Governance Member, PDS  
Independent Director, Energy OPT Inc.

**JESLI A. LAPUS**

**Independent Director**

Chairman, Manila Tytana Colleges, Inc.  
Former Secretary, DTI

**VICENTE B. VALDEPENAS, JR.**

**Independent Director**

President, Phil. Statistical Association Inc.  
Consultant, Bangko Sentral ng Pilipinas

**JOSE P. DE JESUS**

**Independent Director**

President, NADECOR  
Former Secretary, DOTC & DPWH

# Experienced and committed team at the helm of Metrobank

**ARTHUR TY**  
President

**FABIAN S. DEE**  
SEVP / Head, National Branch Banking  
Sector

**VICENTE R. CUNA, JR.**  
EVP / Head,  
Corporate Banking Group

**JOSHUA E. NAING**  
EVP / Head,  
Controllership Group

**FERNAND A. TANSINGCO**  
EVP / Head,  
Treasury Group

**DENNIS G. SUICO**  
EVP / Head,  
Operations Group

**BENEDICTO C. LEGASPI JR.**  
EVP / Head,  
Credit Group

**JOSEFINA E. SULIT**  
EVP / Head,  
Trust Banking Group

**BERNARDITO M. LAPUZ**  
EVP / Head,  
Risk Management Group

**VIVIAN L. TIU**  
EVP / Head,  
Human Resources Mgt. Group

**RICHARD S. SO**  
SVP / Head,  
Intl. Offices & Subsidiaries Group

**MARITESS B. ANTONIO**  
SVP / Head,  
Internal Audit Group

**ROWENA D. OLIVEROS**  
SVP / Head,  
Consumer Lending Group

**CHRISTINE W. YANG**  
SVP / Head,  
Acquired Assets Mgt. & Disposition

**CESAR L. LUGTU**  
SVP / Head,  
Special Accounts Mgt.

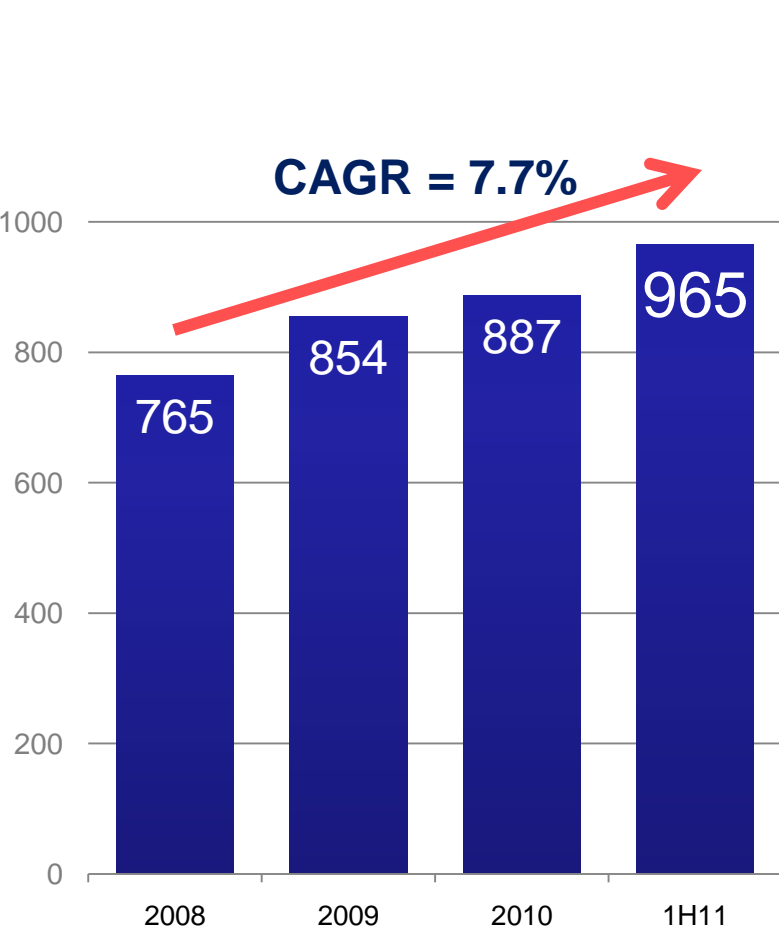
**RAYMUND O. VERGARA**  
SVP / Head,  
Information Technology Group

**ADRIAN A. VILLANUEVA**  
SVP / Head,  
General Services Group

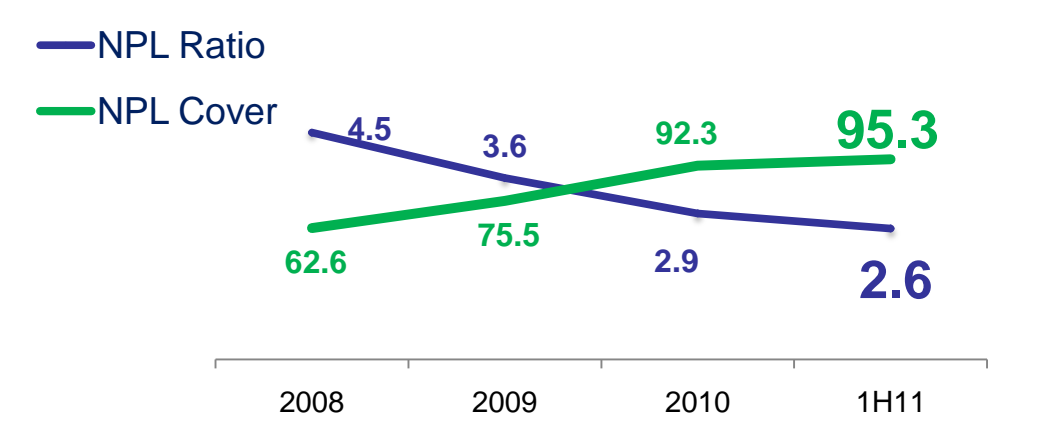
**ANICETO M. SOBREPENA**  
EVP / President,  
Metrobank Foundation

# Healthy balance sheet growth and superior asset quality

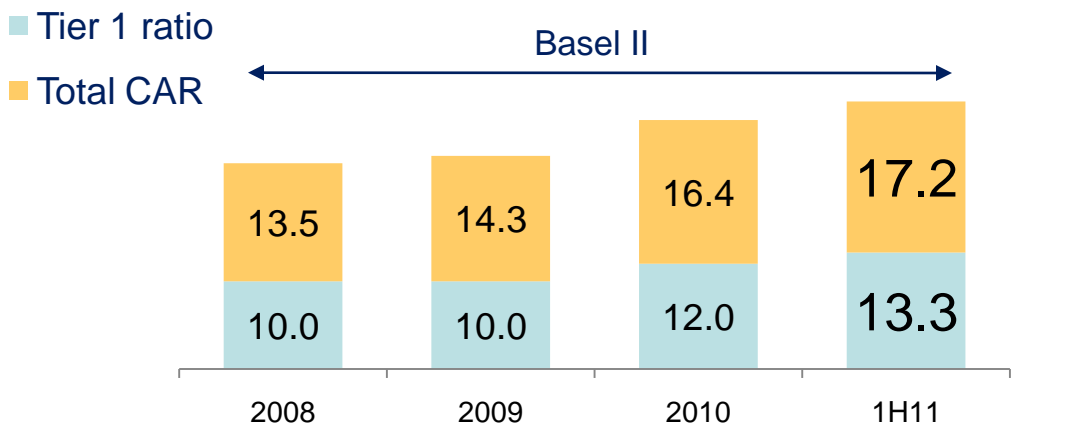
Total Assets (Php Bn)



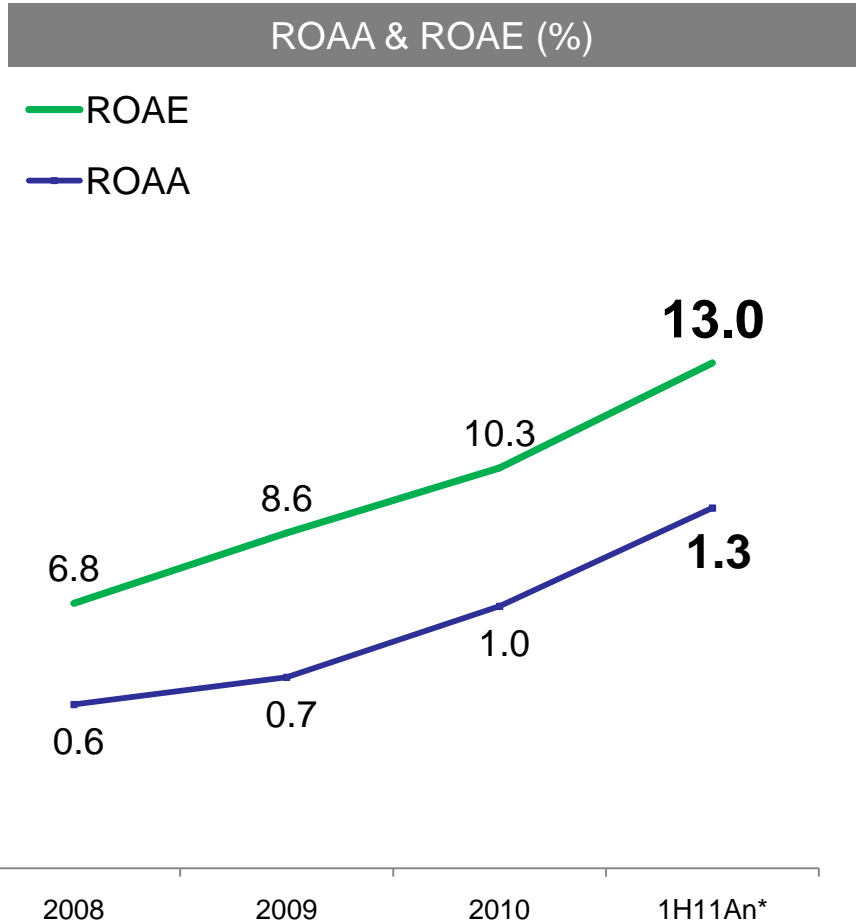
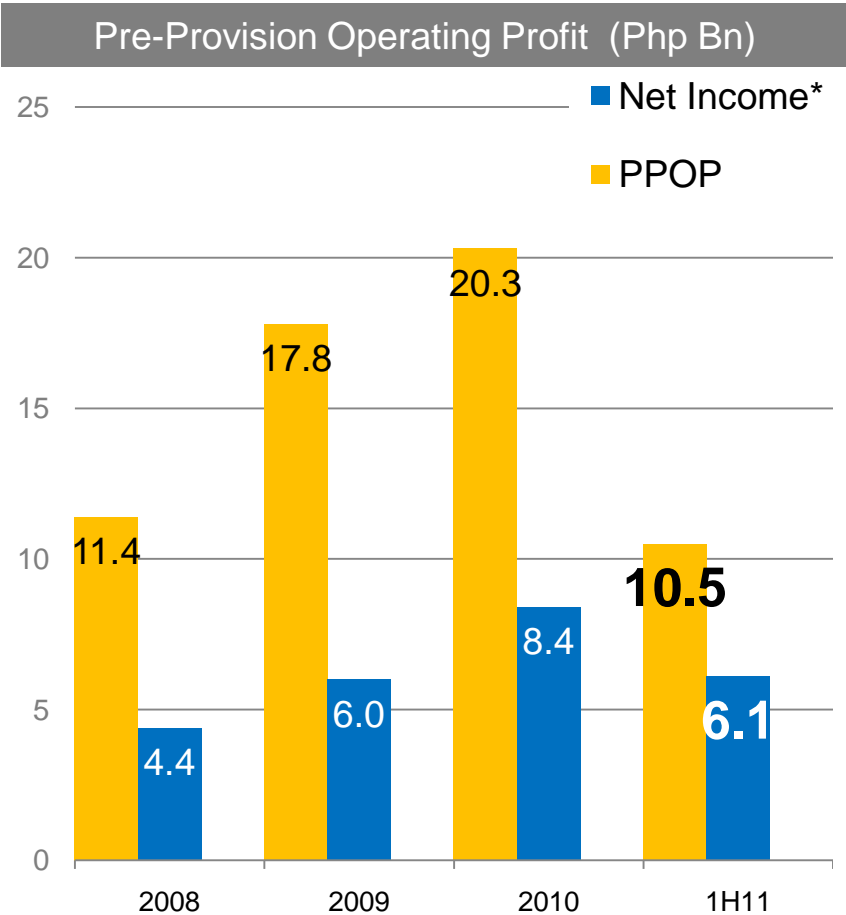
NPL Ratio and NPL Cover (%)



Capital Adequacy Ratio (%)



# Bottom-line profitability on the back of sustained top-line growth and improving returns



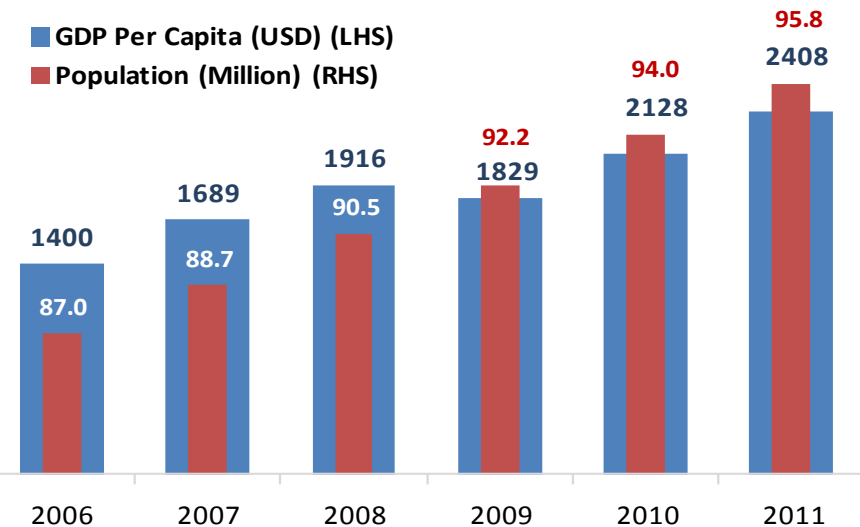
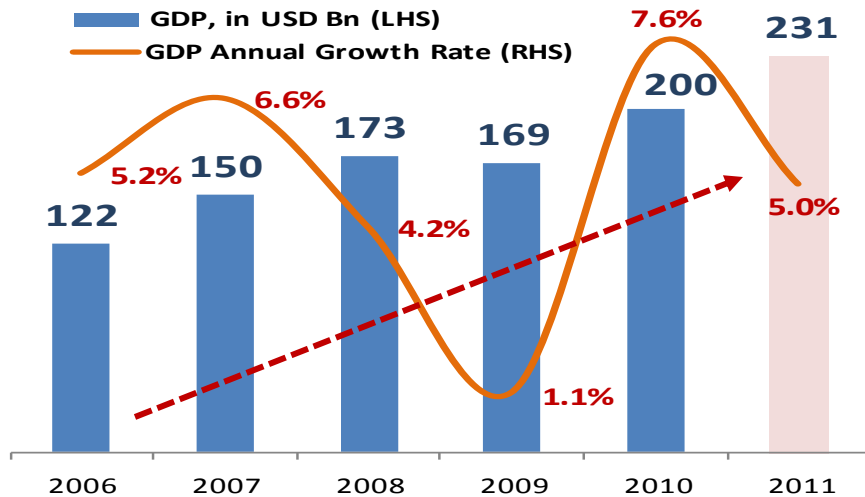
\*Net income attributable to equity shareholders of Parent company  
 \*An = annualized

## Medium Term Business Strategy

- ✓ Focused expansion in retail portfolio and selective middle-markets segment
- ✓ Maintain superior asset quality through enhanced NPA management and by ensuring a quality credit process
- ✓ Continued focus on low cost deposit growth and cross selling of financial products to achieve funding efficiencies and support margins
- ✓ Increase fee income through focus on investment banking, treasury, trust banking, remittance business and wealth management products
- ✓ Strengthen customer experience and service level standards to maximize branch productivity while increasing operational efficiency
- ✓ Continue to extract synergies from diversified business investments as a unified Metrobank franchise

# Trading Opportunities for Offshore Investors

# Why Invest in the Philippines?



- Steady growth
- Large, young population, with growing per capita income which ensures stable real consumption growth
- Diversification from markets (low correlation between developed markets and other emerging markets)
- High potential for growth due to low base

## LONG-TERM TRENDS | 5-year averages

	2000-04	2005-09	2010-14
Fiscal Balance (% of GDP)	- 4.3	- 1.7	- 2.7
Inflation (%)	4.6	5.8	4.5
Current Account (% of GDP)	- 0.8	3.7	3.2
External Debt (% of GDP)	69.3	41.2	25.6

Source:  
Consensus Forecast Asia  
Focus Economics Sept 2011

## Financial Markets Overview

- ❖ **Bond Market Domestic**
  - 3 month to 25 years
- ❖ **Bond Market – Eurobonds**
  - Up to ROP 34
- ❖ **Foreign Exchange Markets**
  - Spot FX volume approximately USD 1 billion / day
  - FX Forwards liquid up to 1 year
  - FX Option quotes are available but usually bespoke
- ❖ **Interest Rate Derivatives**
  - Interest Rate and Cross Currency
  - Interbank IRS quoted up to 5 years



## Trading Themes on the Philippines

- ❖ **Appreciation of the Peso**
- ❖ **Carry Trades**
- ❖ **Yield Curve**
- ❖ **Improving credit outlook**

# Trading Themes on the Philippines

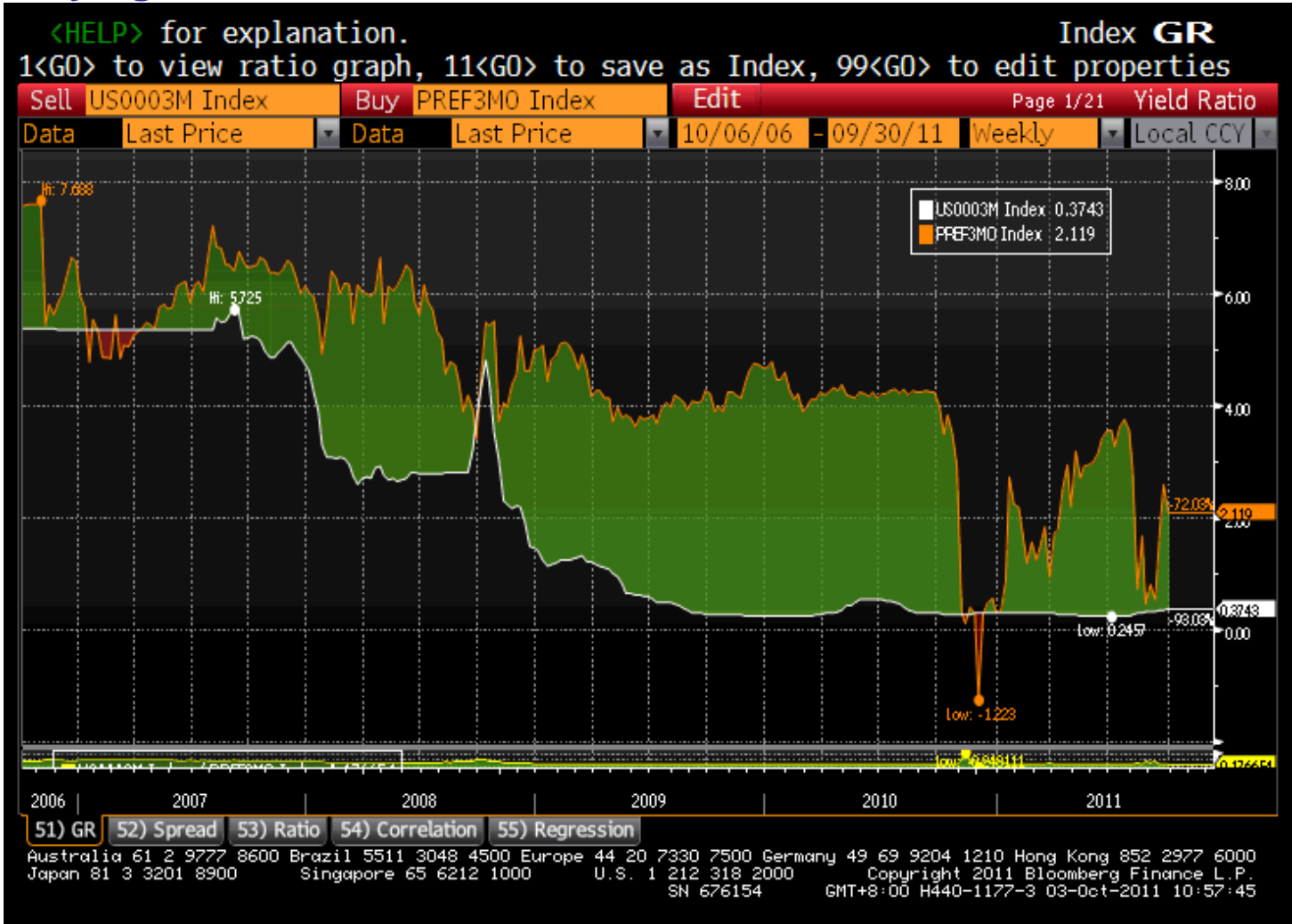
**Steady appreciation against USD since 2008**

**Accessible through domestic Deliverable and offshore Non Deliverable Forward market**



# Trading Themes on the Philippines

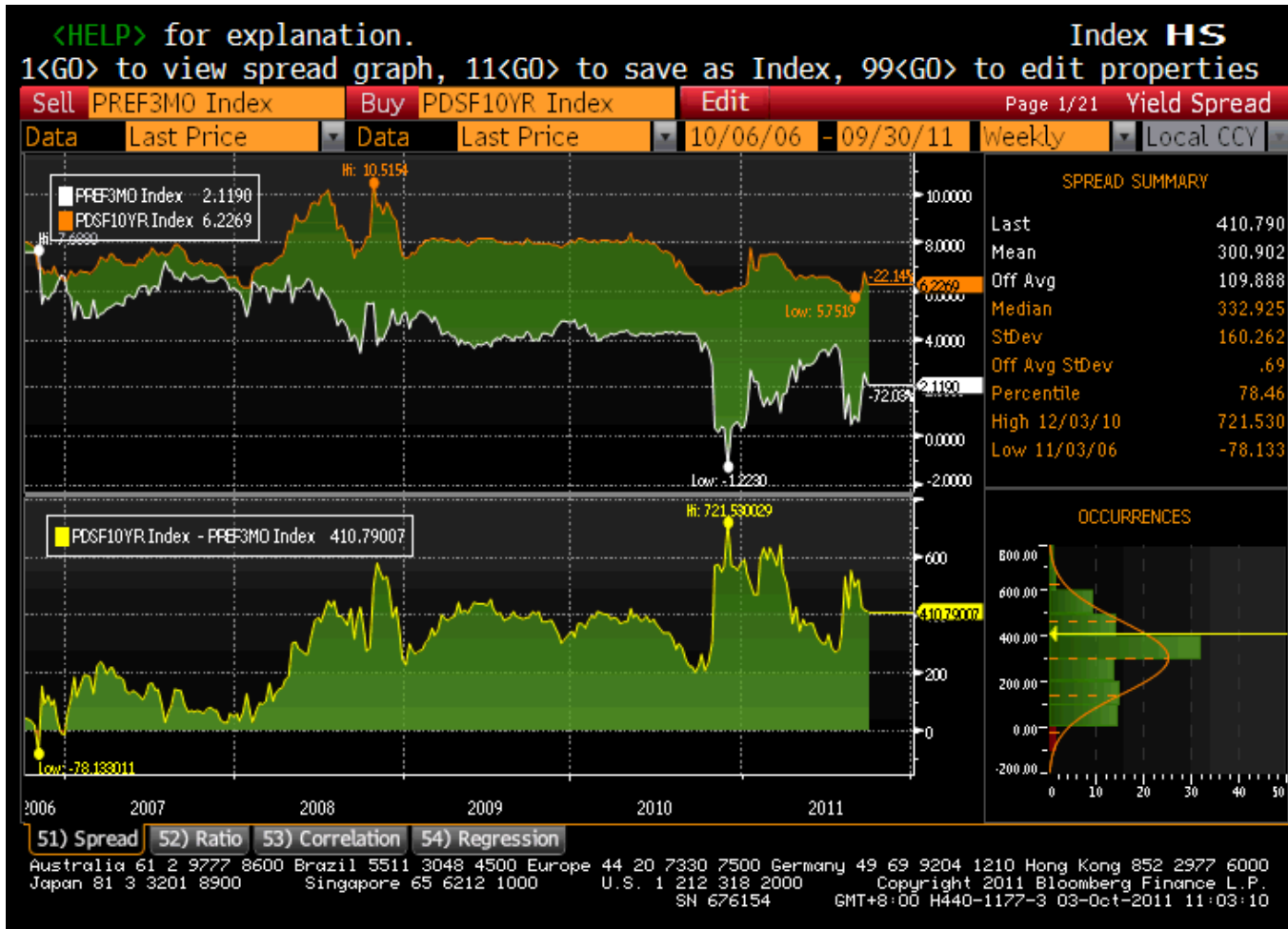
## Positive carry against the USD



# Trading Themes on the Philippines

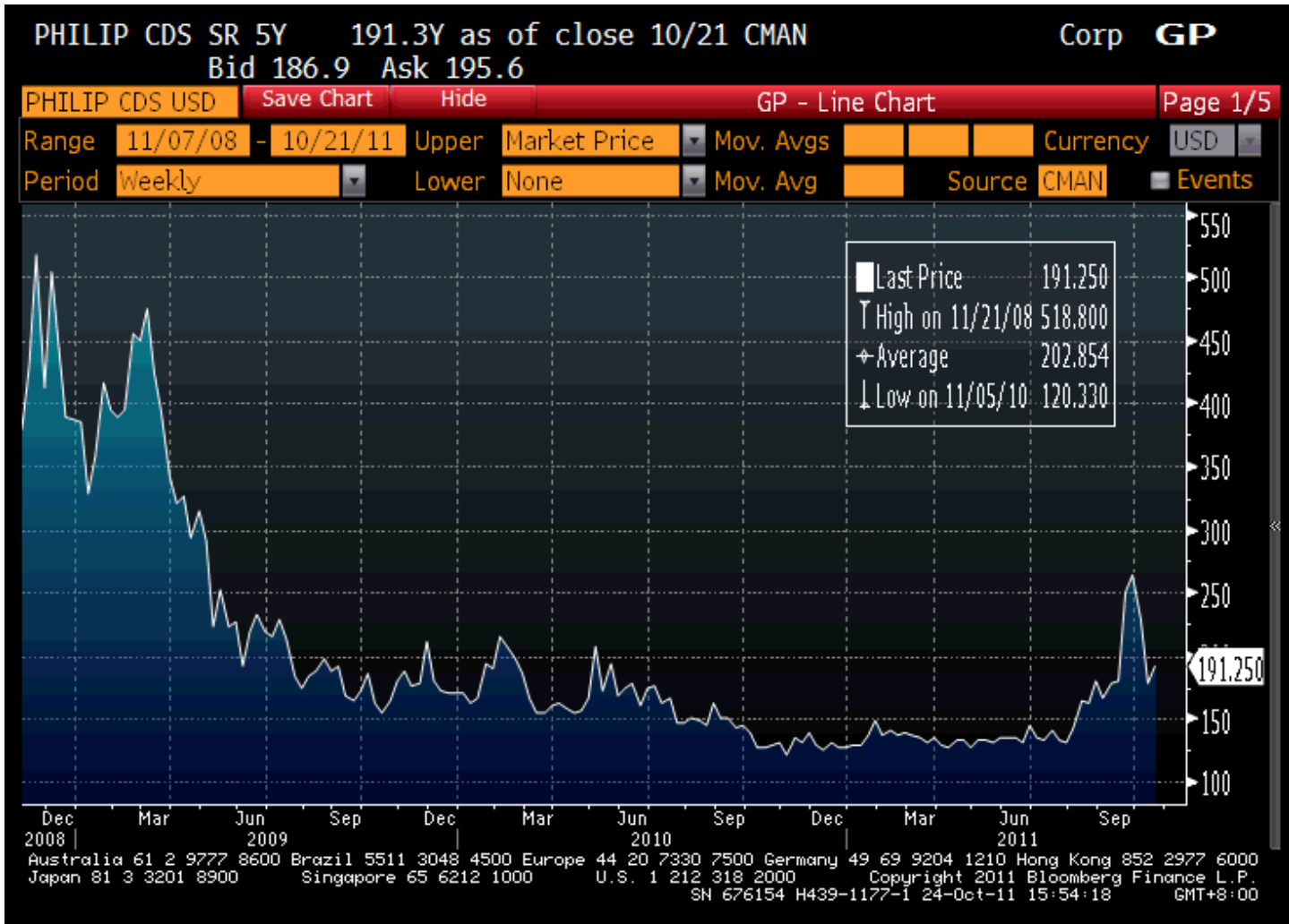
## Steep yield curve

300 basis points differential between 3-mo rate and 10-year bonds



# Trading Themes on the Philippines

## Improving Credit Outlook



# Regulations on Foreign Investments

## ❖ Investments have to be registered for repatriation

- Bangko Sentral Registration Document (BSRD) shall be required for purchase of FX from Authorized Agent Banks (AAB) for eventual repatriation of investment or profits
- Registration procedures and list of documents required may be found in the BSP website (<http://www.bsp.gov.ph>)

## ❖ How to fund investments in the Philippines

- Foreign currency may be sold for pesos without restrictions
- FX Swaps
- Loans to foreign entities require BSP approval

# Metrobank Capability in Rates and FX

## TREASURY PRODUCT SUITE

### RATES AND FX

FX Spot  
FX Forward/NDF  
FX Swap  
Cross-Currency Swap/NDS  
European FX Options  
Forward Rate Agreement  
Interest Rate Swap (IRS)

### METROBANK'S CAPABILITY

- Access to USDPHP onshore & offshore markets
- Trade G10 and select Asian currencies (CNY/CNH, HKD, KRW, SGD, TWD, IDR, INR, MYR, THB) against PHP
- Swap up to 10Y, and deal options up to 5Y

### CREDIT

Fixed Income, Floaters  
Bond Forwards  
Credit Default Swaps (CDS)

### DEPOSITS

Variants:  
Fixed, Float, Zero  
USD, GBP, CNY, JPY, EUR, C  
AD, CHF, and AUD

# Metrobank Capability in Rates and FX

## TREASURY PRODUCT SUITE

### RATES AND FX

FX Spot  
 FX Forward/NDF  
 FX Swap  
 Cross-Currency Swap/NDS  
 European FX Options  
 Forward Rate Agreement (FRA)  
 Interest Rate Swap (IRS)

### CREDIT

Fixed Income, Floaters  
 Bond Forwards  
 Credit Default Swaps (CDS)

### DEPOSITS

Variants:  
 Fixed, Float, Zero  
 USD, GBP, CNY, JPY, EUR,  
 CAD, CHF, and AUD

### METROBANK'S CAPABILITY

- Denominations include PHP, USD, AUD, CNH, KRW, EUR, JPY, CAD, SGD, & CHF
- Access to bonds and CDS:
  - Sovereign issues such as ROP, INDON, etc.
  - Phil. Government Securities (PHP)
  - Phil. Corporate issuers such as, among others:
    - Alliance Global Inc. (AGI)
    - SM Investment Corp. (SM)
    - Megaworld (MEG)
    - Int'l Container Terminal Services Inc. (ICT)
    - First Pacific Co. (FPAFY)

For more information, visit our website:

[www.metrobank.com.ph](http://www.metrobank.com.ph)

For your comments and queries:

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