



18 October 2017

**DISCLOSURE DEPARTMENT  
THE PHILIPPINE STOCK EXCHANGE INC.**  
3/F Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines 1226

**Attention: JOSE VALERIANO B. ZUNO III**  
OIC - Head, Disclosure Department

**Dear Mr. Zuno,**

We would like to disclose the following information regarding Philippine Savings Bank's (PSBank) Issuer Rating with Philippine Rating Services Corporation (Philratings).

We hope that you will find everything in order.

Thank you very much.

Very truly yours,

A handwritten signature in black ink, appearing to read "Leah M. Zamora", is shown over a light blue rectangular background.

**Leah M. Zamora**  
FVP, Controller and Finance Group Head

## **PSBank Receives Highest Credit Rating**

Philippine Savings Bank (PSBank), the thrift banking arm of the Metrobank Group, received an issuer rating of **PRS Aaa (corp.)** from Philippine Rating Services Corporation (PhilRatings). PSBank was the country's second largest thrift bank (TB), with assets of P204.6 billion, based on its published Statement of Condition, as of March 31, 2017. The Bank currently has 250 branches and 608 ATMs.

An issuer rating is an opinion on the general and overall creditworthiness of the issuer, evaluating its ability to meet all its financial obligations within a time horizon of one year. The focus is on financial strength and stability under normal and stressed conditions to be able to meet existing and prospective financial obligations.

A company rated **PRS Aaa (corp.)** has a very strong capacity to meet its financial commitments relative to that of other Philippine corporates. A **PRS Aaa (corp.)** is the highest corporate credit rating assigned on the PRS scale.

The rating takes into consideration PSBank's solid market position, underpinned by its well-defined growth strategy; the continued growth in the bank's core interest income, attributable to loan portfolio expansion; expectations that the bank's funding profile will continue to improve, supported by increased levels of current and savings deposits; and the favorable outlook for domestic consumer credit.

The issuer credit rating assigned by PhilRatings is based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to PSBank and may change the rating at any time, should circumstances warrant a change.

PSBank is considered a significant player in the domestic consumer market, with bulk of its loans portfolio represented by consumer loans. PSBank believes that its auto loan portfolio, which had the largest share of the bank's consumer loans as of end-2016, still has ample room for growth, taking into account the bank's current share of the auto loans market.

PSBank's solid market position is expected to receive strong support from its well-defined strategy; in particular, the bank's continued focus on customer experience and digitalization of products, channels and processes. While PSBank continues to target the retail deposit and consumer lending needs of the upper- and middle-markets, the bank's recent product and service offerings to these markets, however, have become more technology-based. This strategy is expected to bolster the bank's competitive position

by satisfying clients' increasing demand for more control and speed, while also integrating efficiencies in its operations. PSBank is likewise looking to serve the SME market to a greater degree, over the long-term.

In line with the expansion of the bank's loan portfolio, interest income has been posting double-digit growth in the last three years (2014-2016), and with an average share of 76.3% in operating income. Interest income significantly increased by 16.5% to P7.0 billion in the first half of 2017 (1H2017), largely attributable to higher interest revenues on loans and receivables. Share of net interest income to operating income was 80.6%. Interest income, which is a more stable and recurring revenue source, will continue to drive operating income growth.

PSBank's funding base predominantly consisted of customer deposits, based on its high deposits to liabilities ratio of 93.1% as of June 30, 2017. The share of current and savings accounts (CASA) to total deposits has been increasing for the last three years, from 25.0% in 2014 to 26.6% in 2015, and to 26.9% in 2016. CASA is considered as more stable and less expensive, compared to time deposits. While the share of CASA dipped to 25.2% as of June 30, 2017 due to the bank's issuance of long-term negotiable certificate of time deposit (LTNCTD), projections show that CASA will continue to increase.

The overall outlook for consumer lending is positive, driven by auto lending, card lending, and mortgages/housing. Factors which will positively contribute to the continued growth of consumer lending include the Philippines' sustained economic growth, its stable banking system, and a demographic profile which suggests a strong retail market over the long-term.