



28 July 2016

**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 be "Perfecto Ramon Z. Dimayuga Jr.", is written over a light blue rectangular background.

**Perfecto Ramon Z. Dimayuga Jr.**  
SVP and Chief Finance Officer

## **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 P173.9 billion, based on its published Statement of Condition, as of March 31, 2016. It ended April 2016 with 255 branches and 626 automated teller machines (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** has a very strong capacity to meet its financial commitments relative to that of other Philippine corporates. A **PRS Aaa** is the highest corporate credit rating assigned on the PRS scale.

The rating takes into consideration PSBank's well-defined growth strategy, anchored on the bank's solid understanding of its market; the bank's positive revenue growth going forward, supported by increasing interest income from continuous loan portfolio expansion; expectations that PSBank's funding profile will continue to improve, backed by the growth in savings and current 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 a strong player in the consumer credit market, which accounts for approximately eighty percent (80.0%) of its loan portfolio. The bank has been following a more stable growth strategy, following years of aggressive expansion aimed at strengthening market recognition of the PSBank brand. The consumers, however, will remain as the bank's target market, and will continue to dictate the bank's strategy going forward. Focus will remain on the needs and wants of the consumer market, and responding to these needs and wants with innovations that will make PSBank stand out from among its peers.

While the addition of brick-and-mortar branches will continue to support PSBank's expanding market reach, information technology is seen to play an increasing role in the bank's competitive strategy, as part of efforts to provide a better response against other players to its customers' evolving needs and wants.

Interest income, a more stable and recurring revenue source, continued to post increases in 2014 and 2015, as well as in the first quarter of 2016 (1Q2016), attributable to the expansion of the bank's loan portfolio. The increases helped counterbalance the impact of more volatile non-interest revenues (particularly, trading gains) on PSBank's topline. While forecasts show a recovery in non-interest income, core interest income will continue to account for more than 70.0% of revenues, as the bank builds up its loan portfolio in response to continued demand in consumer credit.

While time deposits continue to account for the bulk of PSBank's deposits, its rate of increase has been slower compared with the growth of the bank's current and savings accounts (CASA). Also, it is noted that the growth of CASA between 2014 and March 2016 was at 28.8%. These developments are seen to enhance PSBank's funding profile, as CASA is viewed as more stable and less expensive than time deposits.

The Philippine banking industry's loans for consumer purchases and credit card use substantially went up by 17.5% in 2015, to break through the P1.0 trillion-mark for the first time. Universal banks (unibanks), commercial banks (KBs), and TBs reported P1.061 trillion in consumer loans, as of end-2015. TBs' consumer loans jumped by 25.4% to P414.4 billion, way ahead of the 13.0% hike in the lending of unibanks and KBs.

Consumer lending in the Philippines is expected to continue its growth at double-digit rates, because of the projected improvement in the country's economy. Increasing disposable incomes will encourage more investments in areas such as durable goods, education, houses, personal transportation and business. Presently, consumer spending activities account for 70.0% of the country's Gross Domestic Product (GDP).