



23 June 2015

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

Attention: JANET A. ENCARNACION
Head, Disclosure Department

Dear Ms. Encarnacion,

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,

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

PSBank Receives Highest Rating

Philippine Savings Bank (PSBank), the consumer and retail banking arm of the Metrobank Group, received an issuer rating of **PRS Aaa (corp.)** from Philippine Rating Services Corporation (PhilRatings). PSBank is one of Philippines' leading thrift banks (TBs). 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.

An issuer rating of **PRS Aaa** means that the company 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 issuer rating reflects PSBank's healthy revenue generation from its core business, given the bank's strong market franchise; its sound capitalization; and the bank's well-experienced management team. The rating also takes into account the positive prospects for the domestic economy, in general and the banking industry, in particular.

PSBank was the second largest TB in the Philippines in terms of assets, net loans, deposits and capital as of end-December 2014. Based on its published balance sheet, PSBank's market share of the thrift banking sector stood at 16.5% of assets, 17.4% of net loans, 16.7% of deposits and 15.4% of capital. As of March 31, 2015, PSBank's branch network stood at 246, while its total number of automated teller machines (ATMs) was 597.

For the period ended December 31, 2014, PSBank's net income registered a double-digit decline of 20.8% to P2.3 billion, from a historical high of P2.9 billion in 2013. The decrease in net income was due to lesser trading opportunities in 2014. Nevertheless, core income continued to grow in 2014. Total interest income posted a marked increase of 12% to P10.1 billion, resulting mainly from increases in interest income on loans and receivables (+8.5%) and interest income on interbank loans receivables (+79.4%). Net interest income contributed 73% of revenues in 2014, significantly up from 52.7% in 2013 and 61.2% in 2012.

Net interest income will continue to account for the bulk of revenues in 2015 and 2016. The growth in net interest income, coupled with the expected slowdown in growth of other operating

expenses, will allow net income to improve in 2015. Revenues in 2016, on the other hand, will benefit from faster growth in net interest income, as well as from a recovery in other operating income after two-year consecutive declines.

PSBank's capital adequacy ratio (CAR) stood at 19.3% as of March 31, 2015, well above the regulatory minimum of 10%, indicating that the bank was more than adequately capitalized. Projected growth in equity will be done through the plowback of earnings into operations. Going forward, CAR will continue to be above the regulatory minimum.

Although first quarter Gross Domestic Product (GDP) growth of 5.2% was below government and market expectations, the national government has expressed confidence that its full year growth target of 7- 8% is still achievable, with an expected acceleration in government spending, exports and the services sectors in the succeeding quarters.

Expectations of robust domestic demand as consumers and businesses benefit from increased government spending and sustained investment activities support the positive outlook for the Philippine banking industry.