



October 20, 2020

Philippine Stock Exchange
9/F PSE Tower, 28th St. cor. 5th Ave.
Bonifacio Global City (BGC)
Taguig City, Philippines

Attention: MS. JANET A. ENCARNACION
HEAD - Disclosure Department

Philippine Dealing & Exchange Corp.
29F, BDO Equitable Tower
8751 Paseo de Roxas
Makati City 1226

Attention: ATTY. MARIE ROSE M. MAGALLEN-LIRIO
HEAD - Issuer Compliance & Disclosure Department (ICDD)

Dear Ms. Encarnacion and Atty. Lirio,

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,



Jose Vicente L. Alde
President

PSBank Gets Highest Credit Rating

Philippine Saving Bank (PSBank), the consumer and retail bank arm of the Metrobank Group, was assigned an Issuer Credit Rating of **PRS Aaa (corp.)**, with a **Stable Outlook**, by the Philippine Rating Services Corporation (PhilRatings).

A company rated **PRS Aaa (corp.)** has a **very strong capacity** to meet its financial commitments relative to that of other Philippine corporates. **PRS Aaa (corp.)** is the highest Issuer Credit Rating assigned by PhilRatings.

A **Stable Outlook**, on the other hand, is assigned when a rating is likely to be maintained or to remain unchanged in the next twelve (12) months.

The ratings reflect PSBank's strong market position, its highly-experienced management team, and its sound capitalization and aggressive provisioning which are seen to temper the pandemic's impact on the loan portfolio, at least in the short-term.

PhilRatings' ratings are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments in relation to PSBank and may change the rating and Outlook at any time, should circumstances warrant a change.

Based on data from the Bangko Sentral ng Pilipinas (BSP), PSBank was the country's second largest thrift bank, in terms of assets (P239.3 billion), deposits (P183.7 billion), and loans and receivables, net (P161.8 billion), as of end-March 2020. PSBank, however, ranked first among thrift banks based on capital of P33.6 billion. PSBank has a solid franchise in the consumer loans market and is a strong player in the auto loans segment, where the bank estimates to be accounting for 18% share of the thrift bank sector's portfolio for 2019, and which was an improvement from its 16.9% market share in 2018.

Ownership and control of PSBank is with Metropolitan Bank and Trust Company (Metrobank), a BSP-licensed universal bank, with equity stake of 88.38% in PSBank, as of 30 June 2020. Metrobank was the Philippines' second largest bank based on assets of P2.1 trillion, capital (P297 billion), and loans (P1.2 trillion); and ranked third based on deposits (P1.5 trillion), as of 31 March 2020.

PSBank's established solid market position is expected to be bolstered by the bank's continuous digitalization of products, channels and processes designed to adapt to changes in consumer behavior, enhance customer experience and improve operational efficiency. In particular, online platforms have

become a necessity and are in demand with the ongoing health crisis which calls for restrictive movements and heightened safety protocols. Moving forward, the bank's responsive digital strategy is viewed as strongly supportive of the bank's competitive position, given the growing number of digitally-inclined bank customers who are seen to demand personalization and convenience in bank products and services. Even prior to the COVID-19 pandemic and the ensuing lockdowns, PSBank had already laid the groundwork and has progressed in the implementation of digital transformation.

PSBank forecasts its non-performing loans (NPL) ratio to increase by end-2021, given the pandemic's impact on the quality of the bank's loan portfolio. PSBank's sound capitalization and aggressive provisioning, however, are seen to temper pandemic-related risks on its loan book, at least in the short-term. PSBank has adopted a conservative provisioning stance for its loans. In the first half of 2020 (1H2020), provision for credit and impairment losses amounted to P2.8 billion, already exceeding the P2.2 billion full-year provisioning for 2019. PhilRatings notes that provisioning for credit and impairment losses in 2020 and 2021 will be higher compared with 2017-2019 figures. Additionally, capital adequacy ratio (CAR) was high at 18.1%, as of June 30, 2020. Moving forward, CAR is expected to remain well above the regulatory minimum for 2020 and 2021.

PSBank's experienced management team is seen as a strong pillar of support for the bank, amid the challenges brought by the COVID-19 pandemic. While Jose Vicente Alde, PSBank President, is relatively new to his current position, PhilRatings notes that he has been with the bank since 2007. Also noted is Mr. Alde's strong background in Information Technology (IT), Treasury and Bank Operations, taking into account expectations that digital banking will continue to increase in importance, now and in the future.