



April 5, 2019

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.
37/F, Tower 1, The Enterprise Center
6766 Ayala Ave. cor. Paseo de Roxas, Makati City

Attention: ATTY. JOSEPH B. EVANGELISTA
HEAD - Issuer Compliance & Disclosure Department (ICDD)


Dear Ms. Encarnacion and Atty. Evangelista,

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 Receives Highest Credit Rating

Philippine Savings Bank (PSBank), the thrift banking arm of the Metrobank Group, was assigned an issuer rating of **PRS Aaa (corp.)** by the Philippine Rating Services Corporation (PhilRatings). PSBank was the country's second largest thrift bank (TB), with assets of P237.7 billion, as of end-2018. The bank ended 2018 with 250 branches and 575 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; its well-defined and forward-looking strategy; highly-experienced management; and continued growth in core interest income, attributable to loan portfolio expansion.

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 about 91.4% of its loan portfolio accounted for by consumer loans, as of end-2018. Compound annual growth rate (CAGR) of the bank's consumer loan portfolio from 2014 to 2018 was at 14.2%. In particular, PSBank's auto and mortgage loans recorded CAGRs of 18.2% and 9.6%, respectively. Despite the significant decline in auto sales resulting from the implementation of the Tax Reform for Acceleration and Inclusion Act (TRAIN Law), PSBank managed to keep its market share of about 17.0%, which serves as an indication of the bank's solid franchise in its chosen market. Moderated, but still positive, growth is anticipated for the bank's consumer loans portfolio in 2019.

PSBank's solid market position is expected to receive strong support from its well-defined strategy; in particular, the bank's digitalization of products, channels and processes to enhance customer

experience and improve operational efficiency. PhilRatings notes that recent product and service offerings have become more technology-based, as the bank prepares for the next generation of bank customers, who are seen to have more choices and be more demanding.

PSBank's aggressive digital strategy, combined with the solid industry experience of its management, is viewed as strongly supportive of the bank's competitive position, going forward. Jose Vicente Alde, appointed PSBank President in April 2018, is seen as having substantial banking experience and a well-grounded knowledge in information technology (IT). Mr. Alde joined PSBank in 2007, and previously held senior management positions at ABN Amro and BA Savings Bank. He holds a Master in Business degree from the Asian Institute of Management (AIM), and a Bachelor of Computer Science degree (Cum Laude) from the University of the Philippines.

In line with the expansion of the bank's loan portfolio, net interest income has been posting double-digit growth for the historical period under review (2015-2017), and with average share of 78.6% in operating income. While net interest income growth slowed down to 5.6% in the first nine months of 2018 brought about by higher interest rates on deposit liabilities, it continued to account for the bulk of operating income at 80.2%. Interest income, which is a more stable and recurring revenue source, will continue to drive operating income growth, going forward.