



Mr. Ponciano Carreon  
Chief Finance Officer  
Century Properties Group, Inc.

January 28, 2019

Dear Mr. Carreon,

Please be advised that the Credit Rating and Investors Services Philippines, Inc (CRISP) has undertaken its review and new rating assignment for the Century Properties Group, Inc. (CPG) relative to its contemplated bond issuance.

CRISP based its rating assignment on discussions with CPG's top management and review of its financial statements, historical performance and projection statements. CRISP also considered its assessment of the country's current economic trends and prevailing market competitiveness in the property sector in assigning a credit rating to CPG.

**Rating Action:** Downgrade from 'AA+' to 'AA'

**Rating Rationale:**

CRISP believes that CPG continues to be a major market contender in the competitive property sector as indicated by the recent rebound in its revenues after a 2-year decline in 2015 and 2016.

CRISP deems CPG's recent strategic decision to include the affordable housing market in its property development portfolio as a necessary move in the right direction as this segment represents a huge potential to scale up the company's revenue base and market presence.

CRISP favorably notes the continuing ability of CPG to service its debt as it fulfilled its debt obligations under the 2014 Bonds in fiscal year 2017 despite its declining revenues in recent prior years. CRISP also positively notes CPG's 2018 LTM (Last Twelve Months) total revenue performance which included the last quarter of 2017 that reflects a dramatic growth of 85% over the previous year's LTM total revenues. These figures reflect revenues from completed projects in the pipeline and CPG's new and emerging source of recurring revenues from leasing which grew 8% over a 9-month period in 2018 compared to the same period the year before.

However, CRISP believes that a **rating downgrade from a 'AA+' to a 'AA'** is warranted due to CPG's declining revenue performance, increased debt and an untested performance in a highly competitive affordable housing market.

**CRISP Monitor:**

CRISP is placing CPG on *CRISP Monitor* as it believes that CPG's recently positive and strong revenue performance in the last fiscal period requires a closer monitoring for consistency and sustainability to remain in the 'AA' rating category, a rating that reflects a very strong capacity to repay debt obligations, low probability of default and a high rate of recovery in case of default. Further, CPG needs to demonstrate its early success in entering the affordable market segment.

For the Credit Rating and Investors Services Philippines, Inc.,

A handwritten signature in black ink that reads "Emmanuel A. Leyco". The signature is written in a cursive style.

EMMANUEL A. LEYCO

President