

## Earnings Release

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### Philippine Business Bank Loans and Receivables Expands 38.3% YoY to ₱58.8 billion Core Income at ₱422.7 million, up 19.1%

Strong loan portfolio growth enhances profitability:

- Interest income on loans and other receivables increased by 24.2% to ₱1.6 billion in the first half of 2017
- Net interest income grew by 15.3% to ₱1.4 billion
- Core Income<sup>1</sup> reaches ₱422.7 million as of June 2017, a 19.1% increase Year-over-Year (YoY)
- Pre-tax pre-provision profit (PTPP<sup>2</sup>) ended at ₱520.4 million for the first half of 2017 from ₱447.9 million in 2016, up 16.2% YoY
- Net income up 13.1% versus last linked quarter

Increase in risk assets and capital base:

- Total resources stood at ₱73.7 billion, up 15.3% versus 2Q 2016
- Loans and other receivables at ₱58.8 billion as of June 2017, up 38.3% YoY
- Total deposits increased by 15.6% to ₱61.3 billion
- Total shareholder's equity grew by ₱971.2 million to ₱10.0 billion, a 10.8% increase YoY

Caloocan City, Philippines – Philippine Business Bank (PSE: PBB) reported a net interest income of ₱1.4 billion for the second quarter of 2017, up 15.3% versus ₱1.2 billion in the same period last year. Interest income from loans and other receivables showed a 24.2% growth, ending the first six months of 2017 at ₱1.6 billion from ₱1.3 billion in 2016. The growth was a direct result of the Bank's reorganized account management processes as loans and other receivables increased by 38.3% YoY. Core income also expanded by 19.1% to ₱422.7 million versus the ₱355.1 million of the previous year. Pre-tax pre-provision profit grew to ₱520.4 million from ₱447.9 million, a 16.2% increase YoY. Quarterly net income expanded 13.1% to ₱180.6 million versus the first quarter of the year.

As the re-organization of PBB's lending units continue to take effect, the Bank's loans and other receivables grew by ₱16.3 billion ending the second quarter of 2017 at ₱58.8 billion versus ₱42.5 billion in June 2016. In effect, total resources increased by 15.3% reaching ₱73.7 billion during the second quarter of 2017.

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<sup>1</sup> Core income is total revenues ex-trading gains/(losses) less non-interest expenses

<sup>2</sup> Pre-tax pre-provision profit is net revenues less non-interest expenses

“With the Bank’s streamlined lending business, PBB’s loan portfolio grew 14.2% from ₱51.4 billion at the end of 2016 to ₱58.8 billion at the end of the first half of 2017. The growth of our loan books is crucial given the stiff industry competition. Net interest margin for the second quarter of 2017 was at 4.1% from 4.0% in the first quarter of 2017. Net non-recurring expenses reached about ₱23.0 million for the first half. Without these one-time expenses, our profit growth would have been better. We expect our full year profitability numbers to more accurately reflect our true performance – especially given the accelerated growth of our loan portfolio,” said Roland Avante, President and CEO of Philippine Business Bank.

The Bank’s low cost funds expanded by 21.1% ending the first six months of 2017 at ₱25.4 billion versus last year’s ₱21.0 billion. Time deposits grew by 12.0% from ₱32.0 billion to ₱35.9 billion in 2017. Consequently, total deposits ended at ₱61.3 billion, up 15.6% YoY. The Bank ended the first half with a loans-to-deposits ratio of 95.8%.

“We have put up 87 additional branches from 2011 to end of the first half of 2017 in strategic locations across the country. With this aggressive expansion plan, PBB is now better able to serve the needs of both the corporate and the underserved SME market. We will continue to tactically expand our footprint throughout the Philippines to reach all corners of the country,” explained Avante.

PBB has a total of 139 branches and an additional 13 branches from acquisitions, resulting in a consolidated branch network of 152 branches nationwide. Total resources posted a 15.3% increase from ₱63.9 billion as of June 2016 to ₱73.7 billion of the same period this year. Total deposits reached ₱61.3 billion as of the second quarter of 2017. With 536.5 million shares and ₱9.4 billion in equity, PBB’s book value per share rose by 11.6% from ₱15.7 per share at the end of the first half of 2016 to ₱17.5 per share this year. PBB’s total equity grew 11.6% ending June 2017 at ₱9.4 billion against the ₱8.4 billion in the same period in 2016. Annualized return on assets and return on equity ended the quarter at 1.0% and 7.0%, respectively. The Bank’s leverage ratio improved, ending the second quarter of 2017 at 7.4x against December 2016’s 7.3x. With the expansion of PBB’s loan portfolio, the Bank put up additional provision for impairment losses setting aside a total of ₱80.0 million, 300.0% higher than the same period last year. This brings the Bank’s loan loss reserve to non-performing loans ratio to 88.9%, higher than 71.7% in the same period last year.

“As PBB continues its maturation into a full service financial institution, we are able to provide better services and products to our key clientele – the SME market. We have been doing the same for the last 20 years, and we are thankful for the opportunity to continue doing so for many more years into the future,” added Avante.