

Earnings Release³

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Philippine Business Bank Loan Volume Expands 37.4% YoY, Reaches ₱65.1 Billion Core Income up 50.6% to ₱673.7 million

Core income surges on the back of strong loan expansion:

- Interest income on loans and other receivables increased by 29.8% to ₱2.5 billion
- Net interest income grew by 19.0% to ₱2.2 billion
- Core Income¹ reaches ₱673.7 million as of September 2017, a 50.6% increase Year-over-Year (YoY)
- Pre-tax pre-provision profit (PTPP²) stood at ₱267.7 million
- Net income as of September 2017 ended at ₱466.1 million

Balance sheet remains robust following increases in loans and deposits:

- Total resources stood at ₱80.2 billion, up 22.2% versus 3Q 2016
- Loans and other receivables reached ₱65.1 billion as of September 2017, up 37.4% YoY
- Total deposits increased by 23.8% to ₱67.0 billion
- Shareholder's equity grew by ₱291.4 million to ₱10.1 billion

Caloocan City, Philippines – Philippine Business Bank (PSE: PBB) reported a net interest income of ₱2.2 billion for the third quarter of 2017, up 19.0% versus ₱1.8 billion in the same period last year. PBB continues to benefit from the Bank's streamlined account management processes as loans and other receivables grew 37.4% YoY ending the quarter at ₱65.1 billion. Consequently, interest income from loans and other receivables increased by 29.8% from ₱1.958 billion in the nine months ended 2016 to ₱2.541 billion in 2017. Nine month-core income also expanded by 50.6% to ₱673.7 million versus the ₱447.3 million from the same period last year.

As a result of the 37.4% increase in loans and other receivables, the Bank's total resources increased by ₱14.6 billion reaching ₱80.2 billion for the third quarter of 2017.

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

² Pre-tax pre-provision profit is net revenues less non-interest expenses

³ Earnings release issued last October 30, 2017 incorrectly states trading gains for the 9M-period. PBB made ₱114.4 million, not ₱16.7 million, from trading gains for the nine months ended September 30, 2017

“Our loan portfolio expanded over 37% to ₱65 billion while our deposits are up almost 24% to ₱67 billion, and our total resources grew over 22% to ₱80 billion. As a result, all of PBB’s core brick-and-mortar income sources such as net interest income, service fees, and miscellaneous income expanded versus the same period last year. Our core income grew over 50% to ₱673.7 million.

However, due to the lack of trading opportunities this year brought about by the pressure on interest rates to go up, PBB felt it was prudent to limit trading activities this year. Trading gains were at ₱114.4 million, lower by almost ₱270 million year-over-year.

Second, our loan loss provisioning increased by 195.2% ending September 2017 at ₱177.1 million in line with the changing regulatory requirements and the implementation of PFRS9. Third, the Bank also incurred expenses of about ₱76.1 million comprised of agri-agra penalties from 2014 to 2016 and other one-time expenses. These are the reasons why net income was lower by ₱200 million,” said Roland Avante, President and CEO of Philippine Business Bank.

The Bank’s low cost funds expanded by 42.7% ending the third quarter of 2017 at ₱31.1 billion. Time deposits grew to ₱35.9 billion in 2017. Consequently, total deposits ended at ₱67.0 billion, up 23.8% YoY. The Bank ended September 2017 with a loans-to-deposits ratio of 97.0%.

“Mirroring the rapid growth of the Bank’s loans and other receivables, our branches have doubled their efforts in raising PBB’s deposits, resulting in a ₱12.9 billion increase from last year’s ₱54.2 billion to ₱67.0 billion this year. To further boost our deposit generation process, PBB will continue to tactically expand its footprint throughout the Philippines to reach all corners of the country,” explained Avante.

October 2017 marked the conversion of Bataan Savings and Loan Bank (“BSLB”) branches to PBB, making the Bank’s total branch count reach 142. With the added three (3) branches coming from BSLB, PBB continues to expand its footprint in the Subic and Bataan corridor. An additional 10 branches from the acquired Insular Savers Bank will increase the consolidated branch network to 152 branches nationwide. Total resources ended at ₱80.2 billion, a ₱14.6 billion increase against last year’s ₱65.7 billion. Deposit liabilities posted a 23.8% increase from ₱54.2 billion as of the third quarter of 2016 to ₱67.0 billion this quarter. The Bank recently approved a 20% stock dividend boosting PBB’s total number of common shares from 536 million to 643 million shares. Equity also rose to ₱10.1 billion. As a result, book value per share ended at ₱14.7 this period.

The Bank’s leverage ratio improved, ending the third quarter of 2017 at 7.97x. With the implementation of PFRS9, the Bank put up additional provisioning for impairment losses, setting aside a total of ₱177.1 million, 195.2% higher than the same period last year. This brought the Bank’s loan loss reserves to non-performing loans ratio to 93.95%, higher than 70.24% in the same period last year. NPL ratio dropped to 2.37% this quarter.

“We believe that 2017 serves as the baseline year of PBB’s re-engineered balance sheet that will deliver better business performance in the years ahead. We expect to remain at the forefront of providing financing to our partners in the SME space, and we are optimistic that we have successfully repositioned the Bank to capitalize on the rapidly growing Philippine economy,” added Avante.