

## Earnings Release

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**PHILIPPINE BUSINESS BANK REPORTS NET INCOME OF ₱222.8 MILLION, UP 7.1%**

**Core income at ₱317.1 million, up 75.1%**

Core business continues to show resilience:

- Net income of ₱222.8 million for the quarter, up 7.1% year-over-year (YoY)
- Pre-tax pre-provision profit<sup>1</sup> for the quarter up 14.9% YoY to ₱296.6 million
- Nine-month core income<sup>2</sup> more than doubles to ₱704.9 million
- Core income for the quarter up 75.1% YoY to 317.1 million
- Nine-month net interest income of ₱1.650 billion, up 34.5% YoY
- Nine-month net revenues up 39.4% YoY to ₱1.879 billion

Sustained loans and deposit growth:

- Total loans of ₱34.4 billion, up 12.1% from ₱30.7% in end-2013
- Total deposits of ₱43.0 billion, up 13.5%
- Total resources at ₱53.2 billion, total equity at ₱7.9 billion, up 12.9% and 12.3%, respectively

Asset quality improves:

- NPL ratio improved from 2.3% in December 2013 to 2.2% as of September 30, 2014
- NPL cover at 124.0% from 98.4%

**Caloocan City, Philippines** – Philippine Business Bank (PSE:PBB) reported a net income of ₱222.8 million for the third quarter of the year, a growth of 7.1% year-over-year (YoY). Pre-tax pre-provision profit expanded 14.9% YoY to ₱296.6 million, a growth of ₱38.5 million from the same quarter of 2013. Core income for the quarter stood at ₱317.1 million, up 75.1% versus ₱181.0 million last year. Versus the second quarter of 2014, net income was up ₱77.4 million or 53.2%, pre-tax pre-provision profit was higher by 37.4% while core income was up 72.7%.

“The Bank’s results in the third quarter demonstrate the robustness of our core business of deposit-taking and lending,” said President and CEO Roland Avante. “The growth in our deposits and loans were satisfactory, given the current excess liquidity evident in today’s environment. We are seeing signs of

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<sup>1</sup> Pre-tax pre-provision profit is net revenues less non-interest expenses

<sup>2</sup> Core income is total revenues ex-trading gains/(losses) less non-interest expenses

tightening competition especially in the lending business, but our customers have remained loyal to us despite the aggressive stance of other banks.”

The Bank’s branch network expansion continued during the year. As of September 30, 2014, the Bank has opened eight new branches and expects to add another 12 in the fourth quarter to finish the year at 120, a 20% increase in the Bank’s branch network from 100 at the end of 2013.

Added Mr. Avante, “While the branch expansion, together with the uncertainty of the treasury market, has caused a drag in the Bank’s bottom line, we remain committed to expanding our footprint nationwide. We believe there are opportunities in the various communities we serve both in commercial business districts and strategic provincial locations nationwide.

We will continue with our expansion until such time that we are able to cover all opportune sites and geographical locations in the country. Distribution is the name of the game in today’s financial services environment. Our branch lending business was doing around ₱2.5 billion in late 2011 when I came on-board, at the end of the third quarter it was handling close to ₱14.0 billion in loans.”

For the first nine-months, pre-tax pre-provision profit was lower by 43.3% at ₱674.2 million while net income was lower by 52.0%, as the branch expansion caused a dent in earnings.

Interest income was up 30.2% from ₱1.60 billion to ₱2.08 billion for the first nine months of the year, driven by loan growth. Loans increased 12.1% to ₱34.3 billion from ₱30.6 billion at the end of 2013. Interest expenses expanded by ₱59.9 million to ₱431.0 million, up 16.1% over the same period last year on the back of the growth in deposits. Deposit liabilities increased 5.1 billion or 13.5% from end-2013. Net interest income posted a 34.5% growth to ₱1.7 billion, as interest income grew faster than interest expenses.

For the quarter, interest income grew ₱139.1 million to ₱731.3 million and interest expenses grew ₱33.2 million or 27.9% to ₱152.4 million while net interest income stood at ₱578.8 million, lower than last quarter’s ₱694.4 million but 22.4% higher over the same quarter last year.

Net revenues for the first nine months increased to ₱1.88 billion, 39.4% higher than last year’s ₱1.35 billion. Net revenues for the quarter expanded 48.5% to ₱744.4 million versus ₱501.2 million in the third quarter of last year.

In terms of asset quality, the Bank’s non-performing loans (NPL) ratio improved slightly from 2.2% from 2.3% in December 2013. NPL coverage is at 124.0%, while CAR is at 21.4%.

“This year has been as challenging as expected given the current market conditions. The competition has been lending aggressively, but the relationships we’ve established with clients within our target SME market



has been enduring. While we expect the business environment to remain exigent while the market is awash with liquidity, we will continue to remain prudent in our loan origination and aggressive in our branch expansion,” said Mr. Avante.

In addition, the Bank has started formalizing its strategic planning framework to identify the Bank’s plans for the medium to long term horizon. Senior management believes that the Bank’s two-pronged approach of (1) further strengthening its dominant position in the SME market; and, (2) exploring options with regard to developing ancillary revenue streams will help establish and position PBB towards its ultimate goal of becoming a major player in the Philippine financial services sector.

Philippine Business Bank is the financial services arm of the Yao Group of Companies. As of the end of September 2014, it had a total of 108 branches nationwide.