

Earnings Release

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Philippine Business Bank Core Income Surges 48.6% to ₱1.0 billion as Loans Grow 37.2%

Core income expansion continues:

- Interest income increased by 21.0% ending the year at ₱3.9 billion
- The ₱3.0 billion net interest income in 2017 is 22.9% higher than last year's ₱2.5 billion
- Core income¹ reached ₱1,034.8 million in 2017, up 48.6%
- Pre-tax pre-provision profit (PTPP²) up 13.8% Year-over-Year (YoY) ending 2017 at ₱1,173.9 million from ₱1,031.5 million in 2016

Sustained balance sheet growth:

- Total resources as of December 2017 reached ₱87.3 billion, up 24.2% versus end-2016
- Loans and receivables ended at ₱70.6 billion as of end-2017, up 37.2%
- Total deposits increased by 24.8% to ₱73.5 billion
- Total shareholder's equity grew by ₱656.1 million to ₱10.2 billion in 2017, a 6.9% increase YoY

Caloocan City, Philippines – Philippine Business Bank (PSE: PBB) reported a net interest income growth of 22.9% Year-over-Year (YoY) to ₱3.0 billion from ₱2.5 billion of the previous year. Core income reached ₱1,034.8 million as of year-end 2017 from 2016's ₱696.1 million, a 48.6% or a ₱338.6 million increase YoY. The Bank's pre-tax pre-provision profit increased by 13.8% to ₱1,173.9 million in 2017 against the ₱1,031.5 million PTPP in 2016. In addition, the Bank incurred one-time expenses of ₱60.0 million in 2017. Pro-forma profit before tax would have been ₱973.3 million, 11.3% higher versus year-end 2016's ₱874.5 million.

“Since my first full year as President and CEO of the Bank in 2012, core income has grown 14.7 times, running at an annual growth rate of 71% per year, ending 2017 at ₱1,034.8 million from ₱70.6 million in 2012. This rapid expansion could not have been possible without the loyalty of our clients who have stayed with us and continued to trust us with their banking needs, and the entire PBB team, from the Board of Directors to our management and staff, for all the hard work they have given and the sacrifices they have made.

Despite the continued global market volatility in the past year, our pre-tax pre-provision profit remains strong, delivering a YoY growth of 13.8%. Our strategy involved shifting the Bank's business focus on

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

traditional lending rather than the treasury business as we find the lending opportunities more attractive. The strong growth of our core income at 48.6% coupled with the PTPP expansion highlight the strength of the PBB franchise,” said Roland Avante, President and CEO of Philippine Business Bank.

Over the last five years, the Bank’s total resources of ₱87.3 billion in 2017 has grown 2.6 times, with a five-year compounded annual growth rate of 21.4% from ₱33.1 billion in 2012. Total assets also showed a YoY growth of 24.2% from ₱70.3 billion as of December 2016. The Bank’s asset quality improved as year-end 2017 NPL ratio stood at 2.2% versus 2.5% in 2016.

“With the accelerated growth of PBB and the recent changes it has undergone, the need to strengthen our management team is paramount. Through the last 18 months, we extended our organization by hiring additional talent that will further develop the Bank’s growing capabilities. We have also decided to allocate resources to upgrade our IT infrastructure and procure a new core banking system in the next 12 to 18 months. This advanced infrastructure will assist senior management in decision-making, deliver accurate and clear financial and operational data, and help identify key business opportunities. The finalization of our new system will bring about a more comprehensive performance monitoring process,” Avante added.

On the liabilities side, PBB’s total deposits strengthened by 24.8% from 2016’s ₱58.9 billion to 2017’s ₱73.5 billion. Low cost funds ended at ₱28.0 billion from ₱24.2 billion, an increase of 15.5%, while time deposits rose by 31.3% from ₱34.7 billion as of year-end 2016 to ₱45.5 billion in 2017. PBB’s branches play a critical role in funds and revenue generation, and have expanded from 78 in 2012 to 152 branches in 2017, of which 10 are from the acquired Insular Savers Bank (ISB).

“We enter 2018 with a sense of gratitude and pride as PBB has grown stronger over the last two decades – core income reached the highest we have achieved since our founding in 1997. We look forward to continued momentum for PBB after a good year in 2017 coupled with the expected robust economic growth of the Philippines. Throughout the last 21 years, we have been steadfast in our dedication to serving our clients. In the coming years, we will continue to explore opportunities in consumer finance and corporate lending while we keep our focus on the SME market.

The Bank is exploring capital raising avenues as we further strengthen our balance sheet. All the actions we have taken from the contemplated upgrades on our IT infrastructure to the re-engineered asset management processes serve as building blocks for our vision of helping our clients achieve their dreams,” explained Avante.

Total capital grew from ₱9.6 billion to ₱10.2 billion as of end-2017. Book value per share net of preferred shares also expanded from ₱13.9 in 2016 to ₱14.9 at the end of 2017. PBB is the financial services arm of the Yao Group of Companies.