

## Earnings Release

Period: FY 2016

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PHILIPPINE BUSINESS BANK Net Income up by 33.2%

Loan volumes grew 23.2% following the streamlining of PBB's lending units

Profitability improves as a result of the reorganization of lending units:

- Pre-tax pre-provision profit (PTPP)<sup>1</sup> up 17.6% Year-over-Year (YoY) at ₱1.0 billion from ₱877.5 million in 2015
- Pre-tax profit at ₱874.5 million for 2016, up 24.0% YoY
- Net income up 33.2% to ₱668.6 million

Balance sheet expands as loan growth accelerates:

- Total resources at ₱70.3 billion, up 7.1% versus end-2015
- Loans and receivables at ₱51.4 billion at end-2016, up 23.2%
- Total deposits increased 7.1% to ₱58.9 billion
- Total shareholder's equity grew by ₱1.1 billion to ₱9.6 billion from end-2016, a 13.0% increase YoY

Caloocan City, Philippines – Philippine Business Bank (PSE: PBB) reported a net income growth of 33.2% to ₱668.6 million in 2016 against the ₱502.1 million net income in 2015. The Bank's pre-tax pre-provision profit (PTPP) increased by 17.6% to ₱1.0 billion versus the ₱877.5 million of the previous year. Pre-tax earnings grew 24.0% Year-over-Year (YoY) from ₱705.4 million of the previous year to ₱874.5million. The Bank's core income, which is equivalent to net interest expenses less operating expenses plus non-trading other income, continued to expand.

"My first full year as the President and CEO of PBB was in 2012. Our core income that year stood at ₱70.6 million. By 2016, it has grown 9.9 times to ₱696.1 million. The Bank will continue to strengthen its core business by expanding our branch network and our loan portfolio. Our PTPP, which measures the Bank's pretax cash earnings, continues to grow. We ended 2016 with a PTPP of over 1.0 billion," said Roland Avante, President and CEO of Philippine Business Bank.

In 2016 PBB was able to grow its loan portfolio to ₱51.4 billion, a ₱9.7 billion increase YoY. Moreover, asset quality was stable as year-end 2016 NPL ratio stood at 2.5% versus 2.9% in 2015. PBB's loan growth was a direct result of PBB's reorganization of its lending groups. The reorganization was completed

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

during the first half of 2016 as the Bank streamlined its account management processes resulting in the establishment of the Institutional Banking Group (IBG). IBG is comprised of the following units: Commercial Banking, Corporate Banking, and Consumer Banking.

The Commercial Banking Group provides financing to small businesses and financial institutions for their various investment and operational requirements. The group is divided into seven units, each focusing on various geographical segments in the Philippines. This grouping helps focus the Bank's reach in underserved regions in the provinces of Visayas and Mindanao by having two account management centers located in these areas. Meanwhile, the Corporate Banking Group supports large corporations and institutions whose loan exposures are more than ₱100.0 million. Lastly, the Consumer Banking Group offers financial support to individual clients. Such services include housing loans, auto loans, and personal loans.

This recently completed re-engineering of the Bank's account management teams and the formation of the Institutional Banking Group has led to an immediate impact. Loan growth in the second half of 2016 was 21.5% versus the first half of the same year.

"To put our growth into perspective, we ended 2012 with over ₱20.9 billion in total loans. That means the Bank's loan portfolio grew by 39.5% per annum through 2016 to over ₱51.0 billion as of end 2016. In addition, our balance sheet size doubled from ₱33.1 billion to ₱70.3 billion today. This rise was a direct result of the Bank's branch expansion program coupled with the evolution of our lending strategy. While we continue to search for ways to improve and serve our clients better, I am proud of the results we have achieved so far. The Bank's officers and staff have to be commended as well for their continuing hard work and dedication. We will continue building our team for the future," Avante added.

Low cost funds grew by 11.8% from ₱21.7 billion to ₱24.2 billion in 2016. Time deposits expanded by 4.0% from ₱33.4 billion to ₱34.7 billion in 2016. As a result, total deposits reached ₱58.9 billion, up 7.1% YoY.

For the last five years the Bank has been aggressive in its expansion initiatives, ending 2016 with a total branch count of 150, of which eight (8) and three (3) are from acquired banks Insular Savers Bank (ISB) and Bataan Savings and Loan Bank (BSLB), respectively. The acquisitions accelerate the Bank's network growth in strategic business centers in the Mega Manila area. ISB serves as the consumer lending platform for PBB. It had a total of ₱174.2 million in salary loans as of 2016, more than double 2015's ₱84.6 million.

"Our resolve to serve the SME market remains the same. We will continue to focus on expanding our footprint throughout the Philippines to reach all corners of the country and answer the financing needs of the SME market," explained Avante.

2017 marks the 20<sup>th</sup> anniversary of Philippine Business Bank. To show the Bank's gratitude and appreciation for its clients and partners, PBB hosted a series of gala nights in February 2017. These events showcased PBB's continuing desire to deepen its relationship with clients and strengthen PBB's foothold as the Bank of choice for the financing needs of SMEs.



PBB finished 2016 with ₱70.3 billion in total resources. Loans and receivables grew to ₱51.4 billion from ₱41.7 billion of 2015, a 23.2% increase YoY. The Bank's loans-to-deposit ratio increased from 75.9% to 87.3% in 2016. Total capital grew from ₱8.5 billion to ₱9.6 billion as of end 2016. Pro-forma book value per share also expanded from ₱11.9 in 2013 to ₱16.7 at the end of 2016, a compounded growth of 11.8%.