



**RENATO J. FERNANDEZ**  
Corporate Secretary

**Philippine National Bank**  
Authorized Depository of the Republic of the Philippines

Trunk Lines: (632) 526-3131 to 70 / 891-6040 to 70  
P.O. Box 1844 (Manila) • P.O. Box 410 (Pasay City)

November 5, 2009

**MS. JANET A. ENCARNACION**  
Head, Disclosure Department  
Philippine Stock Exchange, Inc.  
4/F PSE Center, Exchange Road  
Ortigas, Pasig City

Dear Ms. Encarnacion:

Attached for your information is a Press Release of the Philippine National Bank (PNB) re: "PNB's 9-Month Profit Jumps 134% to ₱2.11 Billion; Tops 2008 Full Year Net Income by 88%."

Trust you will take note accordingly.

Very truly yours,

  
**RENATO J. FERNANDEZ**  
Corporate Secretary



## PRESS RELEASE

### **PNB's 9-Month Profit Jumps 134% to P 2.11 Billion; Tops 2008 Full Year Net Income by 88%**

Sustained growth and expansion in its core businesses primarily in the areas of loans and deposits generation enabled Philippine National Bank (PNB) to post unprecedented record earnings of P 2.11 billion as of September 2009. This was 134% higher year-on-year, and 88% better than its full year net income of P 1.12 billion in 2008.

Net interest income surged by 30% from P 4.7 billion to P 6.0 billion, owing to the increase in business volume and wider interest margins. Total loans and receivables closed P 113.9 billion, up 24% year-on-year. Corporate lending activities focused on acquiring new customers, expanding relationships with existing accounts, and participating in big ticket syndicated loans either as lead-lender or co-arranger. The consumer lending business, particularly home and auto loans, improved on its cross-selling efforts to the Bank's domestic and overseas customer base. The share of loans to total assets went up from 33% in December 2008 to 40% in September 2009. As a result, the deployment of funds to higher-yielding assets improved the Bank's interest margins. On the other hand, deposits grew P 10 billion to date this year to close strong at P 211.2 billion with the deposit mix improving in favor of low-cost funds.

PNB's bottomline income was further buoyed by the 50% increase year-on-year in other operating income which closed at P 5.6 billion. Net trading and investment securities gain was positive at P 1.02 billion, up 215% from year-ago levels partly due to favorable mark-to-market valuations of securities ending September 2009. The Bank registered higher income on properties sold and likewise out of fair value adjustments on foreclosed assets. The increase in all other operating income components was more than sufficient to cover the reduction in foreign exchange income caused by the lower revaluation of foreign currency denominated accounts.

Operating expenses rose 32% largely due to higher provisions for impairment and credit losses. Specifically, the Bank made additional provisions of P 1.1 billion for impairment loss covering loans and receivables, and foreclosed assets. NPL cover stood at 79%. PNB opted to take a more prudent stance given the lingering vulnerability of the local economy to adverse market conditions which may cause some deterioration in the credit quality of some accounts. PNB's non-performing loans ratio continued to improve, and was further down to single-digit levels at 6.9% from 10.6% a year ago. All other expense components continued to be managed more efficiently year-on-year.

In August 2009, PNB together with Allied Banking Corporation (ABC) infused \$ 80 million equity in Xiamen-based Allied Commercial Bank (ACB), thus bringing their combined stake to 90.4%. With this investment, PNB gained a share in the net income of ACB amounting to P 22 million. PNB and ABC are the only Philippine banks which own a locally-incorporated commercial bank in China.

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By the end of September 2009, PNB's total resources closed solid at P 286 billion, up P 9 billion or 3.4% higher versus December 2008. Asset growth was primarily funded by the 5% expansion in deposits and the 9% increase in stockholders' equity. Total stockholders' equity grew to P 28 billion. PNB's Capital Adequacy Ratio under Basel II was consistently formidable at 18%.

The year 2009 is proving to be a banner year for PNB. The Bank is expected to close the year with its highest bottomline income performance ever in 12 years, now surpassing the P 2 billion mark. It completed its full migration to a new core banking system in mid-2009, and is seen to take full advantage of the system's capabilities to support new product innovations and provide more efficient customer servicing beginning 2010. PNB was recently awarded as Best Collecting Bank for OFW Remittances by the Social Security System for the 5<sup>th</sup> straight year. The award recognizes PNB's vital role in facilitating collection of contributions from SSS members based overseas.

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