

## **PNB'S Robust 31% Earnings Growth in 1st Semester 2008 Beats Industry Trend**

Philippine National Bank (PNB) registered a net income of P 813 million in the first half of 2008, representing a vigorous 31% growth year-on-year. This solid performance was achieved amidst adverse international and local financial market conditions that halted the profit momentum of most banks.

PNB's robust income growth was driven by the continued expansion of its core businesses, income diversification, sound asset deployment moves and effective cost management strategies.

The Bank's net interest income increased by 8% to P3.0 billion in the first six months of 2008. Other income from service fees, commission, and foreign exchange gains was also significant at P2.9 billion. With the stepped-up drive on operational efficiency improvements, operating expenses posted a 4% drop in the first semester inspite of the business requirements for growth.

Consolidated total resources rose by P 4.6 billion over the 2007 year-end level to close firmly at P 244.3 billion as of June 30, 2008. Active lending activities mainly spurred asset expansion. Net loans and receivables increased by P2.5 billion to P79 billion with the focus on relationship-building and new business development amongst the Bank's target markets.

PNB also strengthened its balance sheet by way of the highly successful Tier 2 Subordinated Notes offering which raised P 6.0 billion in June 2008. The offer generated demand of more than P 9.0 billion, three times greater than the announced deal size of P 3.0 billion. This prompted the Bank to increase the issue size to P 6.0 billion, the maximum amount approved by the Bangko Sentral ng Pilipinas (BSP). Accordingly, PNB's Capital Adequacy Ratio under Basel II improved further to 20.6% from 19.0% in December 2007, way above the minimum 10% required by the BSP. Meanwhile, total deposits ended steady at P 178.2 billion as of June 30, 2008.

PNB's merger with Allied Banking Corporation is progressing as scheduled. Following the approval of the merger plan by the shareholders of both banks last June 24, 2008, PNB has already filed its Articles of Merger and Plan of Merger with the Securities and Exchange Commission. Regulatory approvals are expected in the third quarter of 2008. Once this strategic initiative materializes, post-merger PNB is expected to move up as the 4th largest bank in terms of assets.