



**PNB's 1st Half Net Income Surges to P 1.80 Billion --
at 82% of Full Year 09**

Solid earnings performance by Philippine National Bank in the 2nd quarter of 2010 pulled up its first semester net income to P1.80 billion. This nearly equaled its 2009 full year profit of P 2.2 billion at 82%; and likewise 18% higher vs. the same period last year. The Bank's profitability momentum was driven by the robust growth in deposits and treasury operations, prudent lending, and improved operating efficiencies.

On the funding side, total deposits grew a hefty P 10 billion to close P 224.4 billion by the end of the semester. The share of low cost deposits to total deposit mix further improved during the semester which brought down the average effective cost of funds. Branches pursued strategies which intensified cross-selling and diversified the customer base.

Consolidated loans and receivables registered P 119.5 billion, up 14% from year-end 2009. During the period, lending rates were generally lower as the market remained very liquid. Fresh bookings from new corporate, small business and retail clients buoyed lending activities amidst scheduled paydowns from large corporate customers. Even as lending operations expanded, PNB continued to adopt prudent risk management policies. The Bank's NPL ratio dropped further to 4.4% coming from 6.2% in the 1st quarter of 2010. NPL cover rose from 87.6% to 91.3% over the 6-month period in review.

Net interest income from January to June 2010 stood at P 3.8 billion, slightly lower by 10% year-on-year. The dip in net interest margin was compensated by higher service fees, commission income and trading gains. Fee-based income was higher at P 1.2 billion owing to higher contributions from remittance, cash management services, trust operations and bancassurance. Trust assets grew 16%, and remittance value turnover was higher by 4% year-on-year. Trading gains likewise shored up profits as it surged 127% to P 605 million. Recently, PNB sealed a bancassurance partnership with PNB Life Insurance, Inc. to provide its customers with affordable and innovative life insurance packages.

As of end June 2010, PNB's total resources closed strong and higher year-on-year at P 297.4 billion based on financial statements consistent with Regulatory Accounting Policies. With stockholders' equity of P29.7 billion, PNB's risk-

weighted Capital Adequacy Ratio under Basel II remained formidable at 18%, exceeding the 10% statutory requirement of the Bangko Sentral ng Pilipinas and ranks one of the highest in the industry.

PNB looks forward to continue its performance momentum in the second half of 2010. PNB President and CEO Eugene S. Acevedo, who joined the Bank last May 25, is charting new initiatives to fast-track PNB's bid to be back among the top three banks in the country. Product offerings are being rationalized and aligned for leadership position in the market. Programs to improve on customer service are revitalized to improve on overall customer experience at various touch points. Alliances with strategic partners continue to be pursued for wider market coverage. The Bank's vast distribution channel, both local and overseas, will be tapped more efficiently to aggressively cross-sell various product offerings to its more than two million customer base.

The merger with Allied Banking Corporation, which is expected to be finalized within the year, will further bring new growth opportunities for PNB.