



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

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**RENATO J. FERNANDEZ**  
CORPORATE SECRETARY

May 15, 2008

**ATTY. PETE M. MALABANAN**  
Head, Disclosure Department  
Philippine Stock Exchange, Inc.  
4th Flr., PSE Center, Exchange Road  
Ortigas Center, Pasig City

Dear Atty. Malabanan:

Attached for your information is a Press Release of the Philippine National Bank (PNB) re: "PNB Bucks Industry Trends: 1<sup>st</sup> Quarter Net Income UP 48% Year-on-Year".

Trust you will take note accordingly.

Very truly yours,

  
**RENATO J. FERNANDEZ**  
Corporate Secretary



## **PRESS RELEASE**

### **PNB Bucks Industry Trends: 1<sup>st</sup> Quarter Net Income UP 48% Year-on-Year**

Taking-off from a breakthrough performance in 2007 with a registered net income of P1.5 billion, PNB continues to reap the benefits from its efforts to strengthen core businesses, reduce non-performing assets and manage costs. Net Income for the 1<sup>st</sup> Quarter of 2008 registered P457 million, up 48% from P308 million of the same period last year. This performance bucks industry trends for the 1<sup>st</sup> quarter of 2008 based on published income reports.

Even as the operating environment proved volatile where negative trends are expected, PNB still managed to reflect a 136% growth in foreign exchange gains year-on-year, from P242 million to P571 million. A relentless focus in generating low-cost funds from deposits and other funding sources led to a reduction in total interest expense by as much as 27%. Total deposits closed firm at P180 billion.

Operating expenses were down 23% despite investments made in systems enhancement and upgrading of facilities. The Bank has recently implemented a new generation core banking system: Flexcube – an end-to-end solution designed to automate both corporate and retail banking businesses; and effectively in-source core overseas operations to its global data center in the Philippines. PNB's Japan, Singapore, Hongkong and United States branches as well as the London subsidiary have already been converted and the rest of the Bank is expected to go live soon.

As of March 31, 2008, PNB's consolidated total asset size remained strong at P242 Billion, up P2.7 billion versus end-2007. With the significant strengthening of its balance sheet over the past few years, PNB has been able to concentrate on generating new client relationships in the corporate segment, both in the large and SME categories. The contribution from the consumer finance business has likewise continued to register accelerated growth. Total consumer loans portfolio stood at P3.3 billion, up 25% from end-2007. Combined new bookings for the 1st quarter 2008 already reached the half-billion mark. PNB's Net Loans and Receivables closed P77 billion.

As of March 31, 2008, PNB's Capital Adequacy Ratio under Basel II remained formidable at 18.51%, still way above the 10% ratio required by the Bangko Sentral ng Pilipinas. Subject to appropriate approvals and clearances, PNB is going to the capital markets to raise a minimum of P3 billion of Tier 2 Capital in preparation for its maturing subordinated notes in February 2009.

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**PNB will emerge as the 4<sup>th</sup> largest domestic bank in the country in terms of asset size once its planned merger with Allied Banking Corporation (ABC) is completed. The respective Board of Directors of PNB and ABC passed resolutions last April 30, 2008 approving the plan to merge the two banks. This transaction is subject to the approval of shareholders and regulatory authorities and is expected to be completed by the 3<sup>rd</sup> quarter of 2008.**

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