



Philippine National Bank

Authorized Depository of the Republic of the Philippines
Trunk Lines: (632) 526-3131 to 70/891-6040 † 70
P.O. Box 1884 (Manila) • P.O. Box 410 (Pasay)

September 26, 2012

MS. JANET A. ENCARNACION

Head, Disclosure Department
The Philippine Stock Exchange, Inc.
3rd Flr., Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Dear Ms. Encarnacion:

Attached for your information is a Press Release of the Philippine National Bank (PNB) re: "PNB's 2012 1st Semester Net Income Registers ₱1.77 Billion, Up 144% Y-O-Y."

We trust you will take note accordingly.

Very truly yours,


MA. S. ANTONIETTE G. MARQUEZ
Senior Assistant Vice President



PNB's 2012 1st Semester Net Income Registers P 1.77 Billion, Up 144% Y-O-Y

Philippine National Bank's (PNB) net profit grew by 144% versus the same period last year, to close P 1.77 billion in net income as of June 2012. The net income figures for the comparative periods are net of the amortization of deferred charges on SPV in compliance to the Bangko Sentral ng Pilipinas (BSP) reportorial requirement to deduct the amortization of deferred losses on SPV against current operations instead of charging them against surplus.

Total operating income grew 34% to P 8.7 Billion compared to P 6.5 Billion of the same period a year ago. Interest income on loans was up 6% owing to improved volume and better spreads coming out of a good mix of corporate, SME and consumer lending. Net loans and receivables grew by P 5.3 billion during the first half of the year to close at P 131.5 billion. Trading and investment securities gains expanded 16 times over year-on-year to close P 2.6 billion, attributed largely to the gain on sale and redemption of available for sale securities. Given its outlook of the market, PNB beefed up its inventory of available-for-sale investments by 13% vs. end-2011. Income from transactional foreign exchange was likewise up 42%.

On the other hand, the deliberate move to focus on generating low cost funds resulted in an improvement on average cost of funds, thus shoring up net margins by 3% as interest expense went down by 24% compared to the same period last year. PNB launched two bank-wide external deposit campaigns --- the "Deposito Manalo" and "Luxury for Free" raffle promotions primarily designed to attract low cost deposits. These were complemented by an internal deposit fund drive which mobilized the potential of the entire workforce to solicit new customers and fresh funds. Deposit levels stood firmly at P 223.2 billion. The branch network was also active in cross-selling other product lines such as off-book placements, PNB Mastercard and Visa credit cards, bancassurance, and trust funds. In the 2nd quarter of 2012, PNB launched the PNB High Dividend Fund, the first and only equity unit investment trust fund in the market that seeks dividend income and capital appreciation. The fund generated as much as P 254 million on its first day of offering.

Operating expenses increased by 20% largely due to merger-related expenses and additional provisions for impairment and credit losses which remain consistent with the conservative provisioning stance of the Bank. Non-performing loans dropped further to P 6.6 billion as of the first half of 2012 compared to P 6.9 billion of year-end 2011. Over the year, PNB further improved its cost-efficiency ratio from 75% to 64%. Pre-tax profits registered twice over the same period last year at P 2.18 billion.

Consolidated equity was at P 40.3 billion, up 3% from end 2011. Subordinated debt increased by P 3.5 billion, from P 6.4 billion to P 9.9 billion. On May 9, 2012, the Bank issued P 3.5 billion Unsecured Subordinated Notes qualifying as Tier II capital to finance asset growth and strengthen the Bank's capital base. The PNB Tier 2 Notes generated strong demand prompting the Bank to close the offering earlier than the scheduled end of offer date. This is reflective of investors' continuing positive credit outlook on PNB. The Bank's capital adequacy ratio (CAR) has consistently exceeded the 10% regulatory CAR at 22.4% by mid-year, up from 21.7% in December 2011. Total consolidated resources closed at P 307.1 billion.

Recently, BSP gave recognition to PNB as the Top Commercial Bank in generating remittance from overseas Filipinos. PNB is already a BSP Hall of Fame Awardee as best commercial bank respondent on overseas Filipino remittances having received the award for three straight years from 2005-2007. In 2009, the Bank was likewise conferred the Global Excellence Award as the most outstanding remittance bank by the Asia-Pacific Awards Council. For two consecutive years (2010-2011), PNB received the Silver Award for Good Corporate Governance from the Institute of Corporate Directors in recognition of its professional practice of corporate directorship in line with the global principles of good corporate governance. The award was given during ICD's 9th Annual Dinner last May 30, 2012.

PNB obtained approval on its merger with Allied Banking Corporation (ABC) from PDIC and BSP, and is expecting final approval from SEC and overseas regulatory agencies after which the merger can finally happen. As the expected date of merger draws near, both banks have further stepped-up all merger related activities focused on managing communications and operational concerns affecting customers and various publics come day one of the merger.