



Philippine National Bank

Authorized Depository of the Republic of the Philippines
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August 14, 2013

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 copy of our Press Release re: "PNB's 2013 1st Half Net Income Surges to ₱5.3 Billion, Up 126% Y-O-Y".

We trust you will take note accordingly.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Doris S. Te".

DORIS S. TE
Corporate Secretary



PRESS RELEASE
PNB FIRST SEMESTER 2013 INCOME

**PNB's 2013 1st Half Net Income
Surges to P 5.3 Billion, up 126% Y-O-Y**

Philippine National Bank (PNB) continued to make headway in strengthening its balance sheet and improving profitability even after its merger with Allied Banking Corporation (ABC) last February 9, 2013. PNB's net profit grew by 126% from Php 2.3 billion of the same period last year to close Php 5.3 billion as of June 2013. When compared with the combined Php 3.2 billion net income of PNB and ABC in June 2012, net profits grew 68% year-on-year. Furthermore, against the previous quarter of 2013, bottom-line profits post-merger more than doubled. Total consolidated resources expanded to Php 563.4 billion, up 3% or Php 15.8 billion from that reported by the merged bank in March 31, 2013.

Total operating income of the merged bank registered Php 15.4 billion, up 77% of the same period a year ago. While significant trading gains of Php 5.7 billion were posted, there was a significant contribution in income coming from core business sources even as the market was challenged by thinning spreads and high liquidity. Net interest income closed Php 5.9 billion, up 59% year-on-year. Interest income on loans which rose to Php 6.3 billion was up 62% owing to improved volume and a good grip on spreads largely due to an expanded and diverse clientele which now included the strong SME and Chinese market portfolio of ABC; and a stronger hold on prime corporate customers and the expansion of the consumer loans business. Net loans and receivables grew to Php 238.7 billion, up 82% year-on-year and up by Php 94 billion during the first half of the year. During this period, major loan releases were made to top corporations in the country. In 2013, PNB further entrenched itself as a major market player in consumer loans with the launch of several freebie offerings and aggressive rate-driven promotions: "5.25 % p.a. Cool Rate for Home Loans"; PNB was likewise able to prop up its fee-based income sources which for some time have registered minimal growth. As of June 2013, net service fees and commission income stood at Php 1.2 billion, up 28% from the previous year.

On the other hand, interest expenses on deposit liabilities were managed to be predominantly in low-cost funds even when rates on term placements were kept competitive to acquire new customers and prevent flight of funds to competitor banks. Interest expense only grew by 32% even as total deposits closed strongly at Php 419.7 billion, up 74% from year-end 2012 levels. PNB complemented its aggressive customer acquisition and fresh fund generation efforts with deposit promotions such as "Luxury for Free and D'Great Dollar Catch" raffle promos and the "Free iPad for Top Dollar Placements" for clients; as well as incentive programs for the branch workforce. Branches were also active in cross-selling other business lines: credit cards, bancassurance and trust products. PNB recently launched the country's first comprehensive Unit Investment Trust Fund (UITF) Online Facility that enables clients to invest and redeem funds easily through the web.

Total operating expenses increased by 46% mainly due to the consolidation as a result of the merger, and the anticipated merger-related expenses necessary in managing the transition initiatives. Even with an expanded portfolio, additional provisions for impairment and credit losses were kept at a minimum, increasing by Php 100 million year-on-year. Non-performing loans registered Php 10.5 billion as of the first half of 2013. PNB's NPL ratio dropped to 1.1%



versus 2.9% of the same period last year. Over the year, the Bank improved its cost-efficiency ratio from 62% to 53%. Pre-tax profits grew 142% from Php 2.8 billion to Php 6.7 billion.

Consolidated equity was at Php 83.3 billion, up 120% from end 2012's Php 38.5 billion. The Bank's consolidated risk-based capital adequacy ratio (CAR) has consistently exceeded the minimum regulatory requirement of 10% with total CAR at 21.6% and Tier 1 CAR at 18% by mid-year 2013.

Recently, PNB successfully raised Php 5 billion through a public offering of Long Term Negotiable Certificates of Deposit (LTNCDs). The Bank was able to raise its intended volume in the morning of July 25, 2013, the same day it announced the start of the offer period. With an oversubscribed book early in its offering, the 5.5 year deposit was priced at 3%, the lowest ever coupon for an LTNCD instrument. The strong demand was an affirmation of the investors' continuing positive outlook on PNB and the strength of the PNB franchise.

Following the merger of PNB and ABC last February 9, 2013, PNB became the fourth largest private domestic bank in terms of total resources. It now has a distribution network of 655 domestic branches and offices and 826 ATMs nationwide. It continues to be the only domestic bank with the largest global presence across Asia, Europe, Middle East and North America. For the second year in a row, the Bangko Sentral ng Pilipinas (BSP) awarded PNB as the Top Commercial Bank in Generating Remittances from Overseas Filipinos last July 16, 2013 during the 2013 BSP Stakeholders' Awards. PNB was likewise recognized as Hall of Fame awardee for being the Best Commercial Bank Respondent on Overseas Filipino Remittances for four straight years.