



PNB

Philippine National Bank

Authorized Depository of the Republic of the Philippines

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November 22, 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 Q3 Profit Jumps 92.5% Y-O-Y to ₱3.8 Billion".

We trust you will take note accordingly.

Very truly yours,

DORIS S. TE
Corporate Secretary



PNB Q3 Profit Jumps 92.5% Y-O-Y to P 3.8 Billion

Philippine National Bank's (PNB) net income grew by 92.5% versus the same period last year to close P 3.8 Billion as of September 2012. This translated to a return on equity of 14% following 9% of the previous year.

Total operating income was up 32% to P 14.1 billion largely accounted for by improvements in interest income from loans and receivables, reduction in interest expense, and net gains from trading and investment securities. Net gain on trading and investment securities was significantly up 13 times over year-on-year, from P 315.2 million to P 4.0 billion by the close of the 3rd quarter due to the gain on sale and redemption of available for sale securities. PNB beefed up its inventory of available-for-sale investments by 18% or P 9.3 billion vs. end-2011. Net profit on foreign exchange was likewise up 31%.

Interest income on loans and receivables grew a respectable 3% or higher by P184 million due mainly to the continuous drive to shore up lending across segments: top-tier corporates; the SME and middle markets; and retail for consumer loans. Loans and receivables grew by P4.2 billion to close at P130.4 billion. Non-performing loans dropped further to P 6.5 billion compared to P 6.9 billion of year-end 2011. Last August 2012, PNB participated in FINEX's SMEplus Loan Portal designed to be a platform for communication for financing advice between SMEs and lending institutions. The Bank also made significant headway in building its consumer loans business. Home and Auto loan bookings grew over 100% and 30% respectively year-on-year, surpassing 2011 levels by the 3rd quarter of the year. To further its bid for market share in the consumer loans market, PNB joined Home Guaranty Corporation's "Bankers-Builders-Buyers Program" which aimed to enable online the property buying cycle process. PNB likewise partnered with Chevrolet Philippines- The Covenant Car Company Incorporated for an exclusive consumer promotion giving away various freebies and special rates for auto loan borrowers.

On the other hand, there was a 19% reduction in interest expense year-on-year owing mainly to an improvement in the average cost of funds given the deliberate move to focus on generating low cost deposits. The decrease in high cost term placements was partly offset by the P 1.7 billion increase in savings deposits. Among other initiatives, the Bank had both the "Deposito Manalo" and "Luxury for Free" raffle promotions primarily designed to attract fresh and low cost funds. PNB's deposit levels stood firmly at P 235.9 billion.

Administrative and other operating expenses were up 18% due to the accrual of adequate provisions for loss on legal cases and fire loss on a certain property.

Nonetheless, the Bank's cost efficiency ratio further improved to 58% vs. 70% a year ago with the surge in revenues.

The Bank's consolidated risk-based adequacy ratio (CAR) computed based on Bangko Sentral ng Pilipinas' (BSP) guidelines has consistently exceeded the 10% regulatory CAR at 17.8% as of September 30, 2012. Consolidated equity stood at P 38.3 billion after the write-down of the full remaining unamortized SPV losses against retained earnings consistent with the BSP Memorandum No. M-2012-036 dated July 24, 2012. Consequently, the Bank's financial statement which was previously qualified by external auditors, in view of the deferral and amortization of the SPV losses is now considered fully compliant with the Philippine Financial Reporting Standards. PNB's total resources expanded to P 320.7 billion.

Last July 25, 2012, PDIC granted consent to the proposed merger between PNB and Allied Banking Corporation (ABC). This was followed by BSP's advice of August 2, 2012 approving the Plan and Articles of Merger of PNB and ABC. Both banks await the final approval and clearance from the Securities and Exchange Commission (SEC) and overseas regulatory agencies after which the merger can finally proceed.

On November 5, 2012, the Hongkong Monetary Authority (HKMA) has given its approval for PNB to become a majority shareholder controller of Allied Banking Corporation (Hongkong) Limited in relation to the merger.