



**Philippine National Bank**  
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**RENATO J. FERNANDEZ**  
CORPORATE SECRETARY

March 31, 2008

**ATTY. PETE M. MALABANAN**  
Head, Disclosure Department  
Philippine Stock Exchange, Inc.  
4<sup>th</sup> Flr., PSE Center, Exchange Road  
Ortigas Center, Pasig City  
Fax No. 636-0809

Dear Atty. Malabanan:

Attached for your information is a Press Release of the Philippine National Bank (PNB) re: PNB's Audited Net Income Surges to P1.5 Billion; 83% Growth Year-on-Year.

Trust you will take note accordingly.

Very truly yours,

  
**RENATO J. FERNANDEZ**  
Corporate Secretary

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President Diosdado Macapagal Blvd., Pasay City 1300  
Metro Manila, Philippines



## **PRESS RELEASE**

### **PNB's AUDITED NET INCOME SURGES TO P 1.5 BILLION; 83% GROWTH YEAR-ON-YEAR**

Philippine National Bank (PNB) posted its best earnings performance in 10 years as audited net income surged to P 1.5 Billion based on 2007 audited financial statements. This represents a hefty growth of 83% over 2006, and 29 times over in 5 years. Total consolidated resources closed strong at P 239.7 Billion. It is noteworthy that the Bank's underlying profitability is higher at P 4.8 Billion without provisions for impairment and credit losses.

PNB's income growth in 2007 is mainly attributed to the 10% increase in net interest income ending P 5.9 Billion for the year. This was achieved in spite of a low interest rate scenario that characterized financial markets last year. Loans to SMEs and government accounts registered double-digit growth at 23.6% and 12.4%, respectively year-on-year. PNB's foray into the consumer finance business saw motor vehicle loans and housing loans doubling its production from P 836 Million to P 1.6 Billion new bookings in 2007. On consolidated basis, Loans & Receivables-net stood at P 76.6 Billion.

On the other hand, Fee-based income contribution was significant at P 2.4 Billion coming from deposit-related transactions, remittance business and trading gains. Deposit taking activities were focused at generating low-cost funds closing with P 178.8 Billion in 2007. Total remittances were sustained at \$ 2.8 billion with payout transactions growing three times over despite fierce competition posed by other banks and non-bank channels. The Bank now has a network of 3,000 payment

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outlets worldwide. PNB is only one of two remittance service providers, which can guarantee that funds sent for payout are available within seconds.

While growth required investments in both business opportunities and systems improvement, PNB prudently managed its resources by keeping operating expenses in check at a minimal increase of 6%. The Bank is implementing a next generation core banking system FLEXCUBE, an end-to-end solution designed to automate both its corporate and retail banking businesses. The solution will allow PNB to enhance service delivery across its multiple channels and branches both local and overseas; offer a consolidated view of its customers across segments with true 24/7/365 capability; and effectively in-source core overseas technology operations to its global data center in the Philippines.

PNB scored major milestones in 2007. It became a fully privatized bank with the complete divestment of the government's remaining 12% stake. A successful follow-on equity offering raised fresh capital of P 5.1 Billion. The Bank's Capital Adequacy Ratio under Basel II stood at a solid 19.03%, way beyond the minimum 10% ratio required by BSP. Excess liquidity from operations allowed PNB to pay-off its P 6.1 Billion obligation to the Philippine Deposit Insurance Corporation (PDIC), four years ahead of the loan's due date.

PNB President Omar Byron Mier stated that the Bank's record achievement in 2007 validates the soundness of its three-pronged growth strategy: strengthen core businesses; reduce non-performing assets; and increase profitability. He adds that the Bank is on track with its five-year road map, and is certain that PNB will regain its dominance and foothold in the banking industry both local and overseas.

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