



LT GROUP-PNB JOINT ANALYST BRIEFING March 16, 2018

Philippine National Bank Performance Results for the Year 2017

The Philippine National Bank's (PNB) net income for the full year 2017 reached Php8.2 billion, 14% higher compared to the Php7.2 billion reported in 2016. Total operating income amounted to Php32.6 billion, 10% higher than year-ago level as the Bank sustained the growth in its core business cushioning the substantial drop in non-core income. Net interest income increased by 13% to P22 billion on the back of growth in core lending, primarily in commercial/SME and consumer loans. Net service fees and commission income grew by 16% as the Bank intensified its cross-selling efforts to its customers.

The Bank's non-core income declined by 22% in the absence of significant non-recurring revenues (primarily one-off gain from the sale of its interest in PNB Life plus the collection of non-performing assets) and the decline in trading gains which were partly offset by higher net gains on disposal of foreclosed properties and FX-related income.

Total operating expenses slightly declined by 4% to Php22.1 billion as a result mainly of the reduction in provisions for impairment, credit and other losses. Operating expenses excluding provisions for credit impairment grew moderately by 7% as strong revenue growth translated to higher business taxes as well as employment, occupancy and equipment-related costs.

By end-2017, PNB's total consolidated resources stood at Php836.2 billion, up by Php82.2 billion or 11% from year-ago level. Loans and receivables, which accounted for 60% of total assets grew by 17% to Php502.1 billion. Deposit liabilities, on the other hand, increased by 12% to Php637.9 billion, of which 57% consisted of CASA deposits. In 2017, the Bank successfully raised a total of Php10.1 billion from the issuances of the second and third tranches of its Php20-billion Long Term Negotiable Certificates of Deposit (LTNCD).

The parent's asset quality remained strong with non-performing loans (NPL) ratios of 0.26% (net of valuation reserves) and 2.01% (at gross), respectively. NPL coverage is now at 130.59%.

PNB's consolidated risk-based capital adequacy ratio (CAR) has consistently exceeded the minimum regulatory requirement of 10% with a CAR at 15.35% and Common Equity Tier (CET) 1 ratio at 14.58% by end-2017.

As of December 31, 2017 and 2016, gross and net NPL ratios of the Parent Company were 2.01% and 0.26%, and 2.31% and 0.18%, respectively.

Affirming the consistent improvement in the Bank's credit profile, international financial research and credit rating agency Moody's upgraded PNB's Philippine peso currency and foreign currency deposit ratings in 2017, to Baa2/P-2 from Baa3/P-3, two notches above investment grade status.