



**PNB Posts 1st Semester 2009 Record Net Income of P 1.53 Billion –
Surpasses 2008 Full Year Profit; up 88% Y-O-Y**

As early as the 1st half of 2009, Philippine National Bank (PNB) already surpassed its 2008 profits by registering a record net income of P 1.53 billion. This remarkable income performance reflected an 88% improvement year-on-year, and was 37% better than full-year 2008's P 1.12 billion.

In recent years, the Bank's profitability momentum has been fueled by building a sustainable base of core earnings, harnessing the branches' potential to generate low cost funds, managing asset quality, and efficiencies in operations. PNB remained focused in delivering its best ever bottom line performance in 2009 in spite of the volatility in the global financial markets and the projected weakening of the domestic economy.

Net interest income was higher by 40% year-on-year from P 3.0 billion to P 4.2 billion. Income earned from loans and investment securities grew an average 39%, more than enough to outpace the increase in interest paid for deposits and other borrowings. In the first half of 2009, lending activities steadily grew across all segments – corporate, consumer and SME. New loan releases amounted to over P 43 billion during the period. PNB participated in several big ticket syndicated loans during the 1st semester either as lead-lender or co-arranger. Loans accounted for a bigger share of total assets at 36% compared to only 33% as of year-end 2008. The Bank likewise availed of the Bangko Sentral ng Pilipinas' (BSP) rediscounting facilities to further improve its net interest margins. Deposits, on one hand, held steadily at the P 200 billion mark with the deposit mix improving in favor of low cost funds.

Non-interest income grew 24% over the year. Compared to year-ago levels, net trading gains registered positive at P 266 million, owing to the significant recovery in accounting losses coming out of the required mark to market valuation of securities ending June 2009. Total operating income closed at P 7.8 billion, higher by 32% year-on-year.

During the 1st semester of 2009, the Bank's total operating expenses inched up 28% compared to the same period last year due largely to the impact of the early retirement program implemented in December 2008, and the recently signed collective bargaining agreement between management and the employees'

union. Additional provisions were made for impairment losses to conservatively position itself for possible deterioration in the quality of credit for some accounts which may be affected by market conditions. PNB's non-performing loans ratio was down to 8.2% from 12.2% a year ago. All other operating expense components were managed more efficiently in support of the growth in business requirements.

By the end of June 2009, PNB's total resources closed strong at P 274.6 billion. This was slightly lower by 0.8% compared to year-end 2008 considering the Bank's redemption of P 3.0 billion worth of Tier 2 notes in February 2009. With the upsurge in profitability, stockholder's equity grew by 5% to close P 27.0 billion. PNB's Capital Adequacy Ratio under Basel II stood steady at 18% exceeding the 10% statutory requirement of the BSP.

PNB has made significant progress in various components of its integration with Allied Banking Corporation (ABC). This has enabled both banks to identify best practices and areas of synergy even as the actual date of merger has yet to be finalized. Anthony Q. Chua who used to head PNB's Global Operations Sector is now the president of ABC. In addition, PNB has embarked on a corporate branding program to determine a credible, high impact, and visionary brand positioning for the merged bank. The program will also include translating the positioning into a distinct visual identity, retail branch design, and other aspects of the brand experience.

Last July 22, PNB marked its 93rd anniversary highlighting the corporate values of tradition and excellence. It featured a display of memorabilia safekept over the years: the steel gates of the 1st Head Office at the Masonic Temple in Escolta; the Bank's first ever accounting ledger dated 1916; TCTs of mining properties dated 1917 and 1919 covered by a mortgage trust indenture agreement; the prototype of the first ever ATM rolled-out by the Bank; and a depositor passbook circa 1923. The Bank likewise honored officers and staff who have excelled in their work and have contributed significantly to further the company's objectives. PNB continues to nurture excellence amongst its workforce as a key driver to ensure the delivery of the best possible service to its customers.