



**PNB Posts Record Profits of P3.54 Billion in 2010;  
Surpasses 2009 by 61%**

In 2010, Philippine National Bank registered its highest income ever in recent years as net profits surged to P3.54 Billion, surpassing the previous year's level of P2.20 billion by a hefty 61%. Return-on-equity sprung back to double-digit levels at 11%, up from 7% a year ago.

The Bank's strong earnings performance was buoyed by the 21% growth in non-interest income of P9.10 Billion. PNB considerably built up its trading portfolio during the year with trading assets growing 86%. Net gains on trading and investment securities more than doubled to P3.03 billion. Net interest margins, on the other hand, remained fairly at the same levels at P 7.80 Billion as the increase in earning assets compensated for the reduction in spreads spawned by the market liquidity in 2010. Net loans and receivables grew by 10%. The year 2010 saw PNB successfully acquiring prime accounts and participating in major capital raising deals for clients from both the government and private sectors. Together with PNB Capital and Investment Corporation, its investment banking arm, PNB was a major player in many high profile fund raising transactions during the year. Some of these were: First Gen Hydro Power Corp., Beacon Electric Asset Holdings, Sem Calaca Power Corp., Manila North Tollways, First Philec Solar Corp., and Panay Energy Development Corp. On the other hand, cost of funds remained in check, a reduction of 6% in interest expense year-on-year in spite of the deposit build-up. Total operating income improved by 9% to P16.58 billion vs. the 2009 level.

Operating expenses, inclusive of provisions for impairment and credit losses, grew minimally by 0.8%. The improved operating efficiency was reflective of the Bank's productivity improvement efforts and the philosophy to generally align expenditures with the business it generates. Provisions for impairment and credit losses booked during the year amounted to P2.40 billion compared to P1.51 billion in 2009 in line with the Bank's conservative risk management policies.

As of end December 2010, consolidated resources of PNB expanded by 7% or P 18.83 Billion to close strong at P302.13 Billion. Total deposits jumped by P12.12 billion or 6% to P226.44 billion, driven by the growth in low-cost funds. The Bank's capital base remains solid with a

Capital Adequacy Ratio of 19.41% compared to 18.50% a year ago and far exceeding the 10% statutory requirement of the Bangko Sentral ng Pilipinas (BSP). Earlier in January 2011, the Bank submitted to BSP its Internal Capital Adequacy Assessment Process (ICAAP), which serves as its comprehensive blueprint for risk management and capital raising efforts.

Asset quality indices showed further improvements with non-performing loan (NPL) ratio declining from 5.6% a year ago to 4.1% as of December 31, 2010. In absolute terms, there was a reduction of P 1.82 billion year-on-year. NPL cover stood at 68.4% as of year-end 2010.

Significant changes happened in PNB in 2010. The year saw the beginning of a more aggressive, competitive and reenergized PNB. The Bank successfully made a bid to be a major player in the foreign exchange business. To make this offensive effort widely known, it launched the "Palit FX" promo where a Hyundai Starex was up for grabs. PNB likewise made drastic operational changes to improve turnaround time for the processing of auto and home loans. It even offered a low one-year 7.5% p.a. interest on home loans. Moving forward, the Bank is now well positioned to grab market share in the consumer loans business. PNB also made a lot of progress in improving customer service across the organization. PNB declared "war" against long customer lines. Through technology solutions, operational process adjustments, and a relentless campaign to drive a customer-centered sales and service culture, customer waiting time in the branches was cut significantly. Servicing time was extended beyond regular banking hours. Branches now open 15 minutes ahead of regular schedule on Mondays and Fridays; and 30 minutes earlier than usual on the banking day following a holiday. The crucial re-branding project has started to take shape with the installation of new signages and the simultaneous renovation of branches. The image change is expected to be massive across and should further reinforce the changes happening in the Bank.

Last January 2011, PNB launched a major corporate social responsibility initiative, the Global Filipino Scholar, which will provide P100,000 annual scholarship grant each to 20 incoming college freshmen who are dependents of OFW clients of PNB.