Philippine National Bank

LT GROUP-PNB JOINT ANALYST BRIEFING
May 11, 2018

PNB Performance Results for the First Quarter 2018

The Philippine National Bank (PNB) posted consolidated net profits of P1.5 billion in the first three months of 2018, 20% better compared to P1.2 billion reported in the same period last year, at the back of 24% year-on-year growth in core operating revenues.

The Bank's net interest income increased by 25% to P6.4 billion from P5.2 billion earned in the same period in 2017, largely driven by higher average loan volumes as well as improving net interest margin, at 3.45% as at March 2018 vs 3.10% in March 2017.

Net service fees and commission revenues increased by 20%, to P852.1 million, with loan-related, bancassurance, and deposit-related services contributing to the strong growth. PNB continues to intensify efforts to cross-sell to its customers.

The Bank's non-core income declined by 39% mainly due to lower FX income. Treasury trading gains totaled P141 million for the quarter, 48% higher than reported amount last year, partly offset by revaluation losses arising from foreign exchange. Net gains on sale of repossessed assets amounted to P272 million, almost twice the reported figure in same period last year, as the Bank continues to assess and explore better opportunities to unload and maximize foreclosed assets.

Operating expenses, excluding provisions for impairment and credit losses, grew 14% over the same period last year, as strong revenue growth translated to higher business taxes and other business-related expenses.

As of end of March 2018, the Bank's total consolidated resources stood at P850.7 billion, up 8% compared to March 2017 balances. The Bank expanded its loans and receivables to P502.5 billion, up 16% compared to end-March 2017 level. Total deposits increased year-on-year by 11%, to P658.1 billion, 55% of which comprise of CASA deposits.

PNB's consolidated risk-based capital adequacy ratio (CAR) consistently remain above minimum regulatory requirement of 10% with a CAR at 15.33% and Common Equity Tier (CET) 1 ratio at 14.55% as at March 2018.

Asset quality (parent bank) remained healthy, with non-performing loans (NPL) ratios of 0.35% (net of valuation reserves) and 1.93% (at gross), respectively. NPL coverage is at 128.45%.