



Press Release

PNB's Pre-Tax Profits Settle at P1.6 Billion as of 3Q 2008; Same Level as 2007 Y-O-Y Despite Market Volatility

Philippine National Bank (PNB) posted pre-tax profits of P1.6 billion as of September 30, 2008, practically at the same level as 2007 with only a marginal 1% drop year-on-year. The Bank managed to cushion the expected effects of the unprecedented volatility in the financial markets through its continued focus on asset quality improvement; regular monitoring of risk and quality profile of its investment and loan portfolios; and core businesses expansion. However, net income after tax closed at P857 million, 23% lower than last year. The Bank's provision for income tax increased by 49% to P719 million.

Net interest income rose by 8% to P4.6 billion for the third quarter ended 2008. The improvement in the share of low-cost funds in its deposit mix enabled the Bank to keep interest expenses lower by 16 % vs. last year.

Net service fees and commission income remained significant at P1.7 billion. PNB beefed up its remittance business during the period with new value-added services to the OFW market such as the rollout of Automated Remittance Machines overseas. It also expanded its remittance network through strategic partnerships with domestic and international companies.

Foreign exchange net gains grew 204% to P2.1 billion from P701 million in the same period last year due to the depreciation of the peso. Meanwhile, trading and investment securities registered a loss of P918 million owing to mark to market valuation adjustments in view of the volatility in the financial market. Total operating expenses went down by 8% year-on-year mainly on account of lower provisions for impairment and credit losses due to better management of risks.

PNB's balance sheet remained strong. As of September 2008, consolidated total resources reached P 256.0 billion, reflecting a 7% growth over the 2007 year-end level. The asset build-up came from double digit increases in its trading portfolio of government securities and loans and receivables. Net loans and receivables increased by 12% or P9.3 billion. Fresh lending to corporate, institutional and retail accounts mainly spurred this growth. Consumer loans, in particular, were up by 100%.

Total deposits expanded by 5% to close at P 188 billion as of September 30, 2008. The growth came from savings deposits as the Bank's distribution network continued to leverage on its wide reach and coverage of the market.

PNB's consolidated equity stood at a solid P28.0 billion. Capital Adequacy Ratio exceeded the 10% minimum requirement by the BSP at 19.2% compared to 19.0% in December 2007.

PNB is the country's fourth largest private domestic bank in terms of assets and branch network. It continues to have the most extensive international footprint among local banks.