



Philippine National Bank
Authorized Depository of the Republic of the Philippines

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RENATO J. FERNANDEZ
CORPORATE SECRETARY

November 17, 2010

MS. JANET A. ENCARNACION

Head, Disclosure Department
Philippine Stock Exchange, Inc.
4th Flr., PSE Center, Exchange Road
Ortigas Center, Pasig City

Dear Ms. Encarnacion:

Attached for your information is a Press Release of the Philippine National Bank (PNB) re: "PNB's 9-month Net Income of P2.45 Billion Surpasses 2009 FY Level".

Trust you will take note accordingly.

Very truly yours,


RENATO J. FERNANDEZ
Corporate Secretary



PNB's 9-Month Net Income of P2.45 Billion Surpasses 2009 FY Level

Philippine National Bank achieved consolidated net profits of P2.45 billion as of September 30, 2010, exceeding its full year 2009 net income of P2.20 billion. Year on year growth was 16%. The continued expansion of its core businesses, strong trading gains and judicious cost management anchored PNB's profitable operations. Return on equity thus improved to 10.2 % from 9.2% in the same period in 2009.

The Bank's deposit taking business grew briskly. Total deposits rose by P18.8 billion or 9% to close at P233.15 billion in September 2010. During the period, further expansion and account deepening of the customer base was pursued through intensive marketing efforts. The share of low cost funds to total deposit base likewise increased to favorably impact on the funding mix.

Consolidated loans and receivables amounted to P102.30 billion, reflecting a 2% growth in the first three quarters of the year. The Bank participated in many big-ticket loan syndications during the period in tandem with its investment banking arm, PNB Capital and Investment Corp. However, scheduled loan paydowns tempered the overall growth in loan portfolio. Alongside the loan build-up, asset quality improved. The Bank's NPL ratio dropped from 5.9 % as year-end 2009 to 5.3% in September 2010.

Total operating income advanced by 12% on an annual basis from P11.67 billion to P13.12 billion. This was mainly boosted by the 152% increase in trading and investment securities gains of P2.58 billion as the Bank capitalized on trading opportunities, particularly in the third quarter, coupled with the favorable mark to market valuation on marketable securities. This cushioned the 5% dip in net interest margin to P5.73 billion following the reduction in average yield on loans and investments due to liquid market conditions.

Operating expenses rose by 12% year-on-year following the expansion in business volumes and the provision for impairment and credit losses of P2.45 billion. With disciplined spending, other operating costs were kept in check. The additional provisioning reflected the Bank's prudent risk management policies and improved the non-performing loan coverage ratio to 90.9% vs. 87.6% in December 2009.

Total resources reached P306.95 billion as of September 30, 2010. This was P23.65 billion or 8% higher vs. the 2009 year-end level. Stockholders' equity increased by 7.2% to P33.21 billion. The Bank's Capital Adequacy Ratio settled at 19%, well above the 10% statutory requirement of the Bangko Sentral ng Pilipinas.

With its strong earnings results in the first three quarters, PNB looks forward to another banner year this 2010. To further enhance its competitive position, product and service offerings continue to be strengthened while processes are being reengineered to improve operating efficiencies. Two trust products were rolled out in the third quarter to provide clients more investment options that provide high yields, risk diversification and stability. Also launched in the third quarter was a consumer promotion for dollar depositors where three brand new vehicles were put at stake. To better serve its customers, PNB recently expanded its Saturday banking program in Metro Manila, extended by two hours its operations in select branches and introduced early opening by 15 minutes on Monday and Friday and by 30 minutes the next day after a local or national holiday in all branches.

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