



**Philippine National Bank**  
Authorized Depository of the Republic of the Philippines

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**RENATO J. FERNANDEZ**  
CORPORATE SECRETARY

May 13, 2010

**MS. JANET A. ENCARNACION**  
Head, Disclosure Department  
Philippine Stock Exchange, Inc.  
4<sup>th</sup> 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 Sustains Earnings Momentum in Q1; Net Income Up 22% to P889 Million".

Trust you will take note accordingly.

Very truly yours,

  
**RENATO J. FERNANDEZ**  
Corporate Secretary



## PRESS RELEASE

### **PNB Sustains Earnings Momentum in Q1; Net Income Up 22% to P889 Million**

Philippine National Bank delivered a strong performance in the first quarter of 2010 as it realized a net income of P889.0 million, 22.1% higher than P728.0 million in the same period last year. A confluence of factors contributed to the growth in profitability: lower cost of funds in tandem with a year-on-year increase in low cost deposits; gains on trading and investment securities; and reduction in operating costs with efficiencies being realized out of investments in technology, reengineering of processes, and prudent risk management.

During the period, PNB was able to substantially reduce its operating expenses by 15.9% year on year notwithstanding the incremental investments in branch rationalization and renovations, technology and staff development. This was realized even as the Bank continued to provide for impairment and credit losses amounting to P256.0 million consistent with its prudent risk management policies. The Bank's cost efficiency ratio thus improved to 64.5% from 69.9% in the same period last year. A more favorable funding mix also contributed to the profit growth in the first three months of 2010. The increased share of low cost deposits to total deposits and redemption in February 2009 of P3.0 billion Lower Tier 2 Notes issued in February 2004 reduced funding costs.

PNB's consolidated resources based on financial statements consistent with Regulatory Accounting Policies closed at a solid level of P283.3 billion as of end March 2010, slightly lower than P284.5 billion as of year-end 2009. This was mainly due to the slight dip in outstanding loans and receivables by 1.2% following the scheduled paydowns by large borrowers during the first quarter of 2010. Total deposits reached P209.1 billion with low cost deposits growing by P1.5 billion during the first quarter of the year as a result of intensified marketing efforts.

Asset quality continued to improve with the reduction in NPL ratio from 7.8% to 6.2% year on year. NPL cover stood at 82.2% as of end March 2010. Recently, PNB was also able to turn

around one of its foreclosed properties into an earning asset through a joint development agreement with Avida Land Corp., a subsidiary of Ayala Land Inc.. Located in Mandaluyong City, the 2.3 hectare property will be developed into a fully integrated residential community for the middle market, subject to approval of the Bangko Sentral ng Pilipinas (BSP).

The Bank's Capital Adequacy Ratio of 18.4 % remained one of the highest in the industry and was well above the 10% minimum requirement of the BSP. Stockholders' equity increased by 3% to P28.7 billion.

In February 2010, PNB received the Financial Insights Innovation Award (FIIA) for Best Channels Innovation for its pioneering Automated Remittance Machines which are deployed in the United States and United Kingdom. The sole winner from the Philippines, PNB was chosen from 135 high-quality initiatives submitted by different financial institutions in the Asia-Pacific region. The IDC Financial Insights, which organizes the FIIA, honors achievements across the region in the innovative use of information technology in business operations. PNB was also awarded as one of the selling agents of the Multi-Currency Retail Treasury Bonds offering of the Philippine Government which is mainly targeted at OFWs and their beneficiaries, one of the Bank's main target markets. Its investment banking arm, PNB Capital and Investment Corporation, was one of the Joint Issue Managers of said bond offering.

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