



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

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**DORIS S. TE**  
ASST. CORPORATE SECRETARY

February 8, 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 Doubles Net Income to P2.2 B in 2009".

Trust you will take note accordingly.

Very truly yours,

A handwritten signature in black ink, appearing to read "Doris S. Te", is written over the typed name.

**DORIS S. TE**  
Asst. Corporate Secretary



## PRESS RELEASE

### **PNB Doubles Net Income to P2.2 B in 2009**

Philippine National Bank (PNB) closed 2009 with unaudited net income of P2.2 billion, doubling its previous year's record of P1.1 billion. Strong gains in its core businesses, improvement in asset quality and higher operating efficiencies drove the Bank's banner financial performance in 2009.

Net interest margin rose by 18% from P6.6 billion to P7.8 billion. This came about as interest income grew by 11% due to increased lending activities while interest expense inched up by only 1% given the improved funding mix. The Bank's loans and receivables jumped by 14%. In 2009, PNB participated as either lead or co-arranger of several landmark deals to prime corporate and government clients in the telecommunications, energy and infrastructure industries, among others. Consumer loans also grew briskly with the active cross-selling of auto, housing and multi-purpose loans by the branches coupled with promotional campaigns. Meanwhile, deposits surged by a hefty P13.5 billion or 7% to close strong at P215 billion. PNB expanded its deposit products in 2009 to provide its clientele with wider options to grow their money. In particular, the Bank sold P3.25 billion worth of 5-year Long-Term Negotiable Certificates of Deposits in March 2009. Medium-term dollar and peso time deposits and renminbi savings and time deposits were also launched during the year.

Other operating income sources, like trading and investment securities gains, also significantly lifted profits in 2009. The Bank posted P1.4 billion net gains from trading and investment securities following the recovery in the mark-to-market valuation of securities held for investment. Miscellaneous income improved by 22% to P1.9 billion due largely to the higher profits on sale of foreclosed properties. As a result, total operating income rose by 23%.

In spite of increased business requirements, the ratio of operating expenses to total operating income improved. Additional provision for impairment and credit losses increased in conformance with the Bank's prudent risk management policies. NPL cover as of end 2009 settled at 88% vs. 82% in the prior year. Further, non-performing loans ratio slid to 5.9% from 8.5%.

As of end December 2009, consolidated resources of PNB based on financial statements consistent with Regulatory Accounting Policies (RAP) stood at P284.5 billion, reflecting a 3% annual growth. Aside from increased asset allocation towards loans, the Bank built up its other earning assets including a P2.8 billion equity investment in Allied Commercial Bank in Xiamen, China. PNB and Allied Banking Corporation, which together own 90% of said bank, are the first Philippine banks to acquire a stake in a locally incorporated commercial bank in China. PNB's asset growth during the period came from the expansion in deposit base and stockholders'

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equity by 7% and 9%, respectively. Capital Adequacy Ratio under Basel II improved to 19%, well above the 10% requirement of the Bangko Sentral ng Pilipinas.

In December 2009, Standard & Poor's (S & P) upgraded the rating outlook of the Bank to positive from stable. The move was in cognizance of PNB's improving financial performance, strong franchise in its core businesses and expansive distribution network. In particular, S&P took note of PNB's improving asset quality following the significant reduction in non-performing loans and earnings uptrend.

In 2010, the Bank expects to further build on its solid achievements the past year as it looks forward to the consummation of its legal merger with Allied Bank. This move will further fortify PNB's franchise and enable it to better take advantage of the business opportunities in the new decade. To strengthen customer engagement in 2010, PNB will continue to come up with innovative product and service offerings; improve access to its services through the branches and electronic channels; and leverage on its newly installed core banking system to enhance service delivery.

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