



Philippine National Bank
Authorized Depository of the Republic of the Philippines

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CORPORATE SECRETARY'S OFFICE

February 6, 2009

ATTY. PETE M. MALABANAN
Head, Disclosure Department
Philippine Stock Exchange, Inc.
4/F PSE Center, Exchange Road
Ortigas, Pasay City

Dear Atty. Malabanan:

Attached for your information is a Press Release of the Philippine National Bank (PNB) re: "PNB Posts Unaudited Net Income of ₱1.12BN & Pre-Tax Profit Growth of 7% in 2008; Core Business Expansion and Prudent Risk Management Cushion Impact of Market Adversities."

Trust you will take note accordingly.

Very truly yours,


MA.S. ANTONIETTE G. MARQUEZ
Senior Assistant Vice President



PRESS RELEASE

PNB POSTS UNAUDITED NET INCOME OF P1.12 BN & PRE-TAX PROFIT GROWTH OF 7% in 2008;

Core Business Expansion and Prudent Risk Management Cushion Impact of Market Adversities

Despite the global economic and financial crisis that strained the country's financial system in 2008, Philippine National Bank (PNB) still managed to cap the year with solid and respectable results: an unaudited net income after tax of P 1.12 Billion; pre-tax profit growth year-on-year of 7%; and total resources of P 277 Billion. This performance was anchored on the Bank's ability to remain focused on its growth plans, protect and further strengthen its capital base, manage risks prudently, and drive efficiencies in operations.

Although PNB's unaudited net income of P 1.12 Billion was lower by 25% than the previous year, pre-tax profits grew 7% to P 1.9 Billion. The Bank's Net Interest Margin grew significantly by 12% or P 656 Million to close P 6.1 Billion. This is reflective of the Bank's stable base of accrual income, expansion of the loan portfolio and other earning assets, and the ability to source funds at relatively lower costs. The decline in other operating income components was tempered by increases in service fees and commissions, and net foreign exchange gains, both being up 10% and 317%, respectively. Operating expenses, on one hand, were significantly reduced in the year by P 2.2 Billion. PNB continued to reap gains out of its expense rationalization program which included, among others, branch realignments and manpower productivity measures.

The decline in net income is attributed mainly to losses on the required mark-to-market valuation of contracted cross currency swaps which the Bank intends to hold to maturity. These are purely accounting losses, and not real losses. This practice is governed by accounting standards adhered to by the Bank.

PNB's balance sheet proved resilient to pressures from overseas market developments. In 2008, consolidated total resources was up P 37 Billion or 15% to register strong at P 277 Billion based on financial statements consistent with Regulatory Accounting Policies. Total deposits registered a hefty increase of P 22 Billion or 12% higher to end at P 201 Billion in 2008. The growth came primarily from the Bank's retail customer base consistent with the strategy to expand the retail segment. On the other hand, Loans to corporate, SMEs and retail customers grew by 39% or P 23 Billion to reach P 81 Billion by year end.

PNB also strengthened its balance sheet by way of the highly successful Tier 2 Subordinated Notes offering which raised P 6.0 billion in June 2008. The Bank's stockholders' equity stood at a solid P26 Billion. PNB's Capital Adequacy Ratio remained one of the highest in the industry at 17.6%, way above the minimum 10% required by BSP.

PNB has always adhered to rigorous risk management standards to protect capital while pursuing opportunities for business expansion. The Bank has no direct or indirect exposure to Lehman Brothers, AIG, Madoff, Morgan Stanley, and the subprime mortgage industry.

In 2008, PNB has successfully crossed-over a majority of its branches to its newly acquired core banking system – Flexcube. Moving forward, this should provide a distinct competitive advantage to PNB in both client servicing and product innovation. In the same year, PNB was elevated to the Bangko Sentral ng Pilipinas Stakeholders' Hall of Fame Award as Outstanding Commercial Bank Reporter on OFW Remittances from 2005 to 2007. The Bank was likewise conferred the SSS Balikang Bayan Hall of Fame Award for being the Best Paying Bank for eight times and the Best Collecting Bank for OFW Remittances in 2008.

PNB remains to have a strong franchise in its core businesses. Its strict adherence to prudent management principles and risk control standards is reflected in the strength of the Bank's fundamentals and balance sheet.

PNB's merger with Allied Bank is expected to be in place by the second half of 2009. This important milestone in the Bank's history will even further reinforce its position as one of the top and well respected universal banks in the country.

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