



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

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**RENATO J. FERNANDEZ**  
CORPORATE SECRETARY

May 11, 2009

**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 Takes Off in 2009 with a Remarkable Post-Tax Income: P728 Million for 1st Quarter 2009, up 59% Year-on-Year".

Trust you will take note accordingly.

Very truly yours,

  
**RENATO J. FERNANDEZ**  
Corporate Secretary

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Press Release

**PNB Takes Off in 2009 with a Remarkable Post-Tax Income:  
P728 Million for 1<sup>st</sup> Quarter 2009, up 59% Year-on-Year**

While business conditions remain volatile amidst the looming effects of the global financial turmoil, PNB kicked off 2009 with a remarkable first quarter post-tax income of P728 million --- higher by 59% from the same period last year. This translates to 65% of its full year income in 2008.

Given the trend, PNB is optimistic that 2009 will see the Bank registering its highest ever bottomline performance in 7 years. The upsurge in profitability came on the strength of sustained volume growth in its core businesses, improved yield profile, and effective management of risks.

Net interest income was up 61% year-on-year from P1.3 billion to P2.1 billion, owing to the growth in loans, deposits and investments. Loans and receivables grew 31% from the same period last year. Lending activities to corporate, consumer and SME segments continued to expand with new account acquisitions, higher line utilization of existing borrowers, and a relentless drive to harness the Bank's customer base for cross-selling of products and services. Deposits, on one hand, rose by P20 billion or 11% higher year-on-year to close P200 billion. PNB effectively managed the deployment of its stable low cost fund base to higher yielding assets. Loans accounted for 36% of total assets compared to 32% a year ago. Revenues from investment securities contributed 33% to total interest income.

Net gains from foreign exchange transactions grew a hefty 172% to P1.6 billion from P571 million a year ago. This more than negated the effect of mark to market losses on investment securities, thus keeping income from other sources up 34% year-on-year.

PNB's impressive earnings results were achieved in spite of the rise in total operating expenses. During the first quarter of 2009, PNB incurred significant retirement expense following its implementation of an early retirement program which began in December 2008. This move was in preparation for the merger with Allied Banking Corporation (ABC) and at the same time part of the Bank's continuing manpower rationalization and productivity initiatives. Further, the Bank took a conservative stance in evaluating its loan portfolio, thus accelerating provisions for impairment and credit losses for the first quarter of 2009 at P265 million. This move was well-placed as the local economy remains vulnerable to

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adverse developments following the global financial crisis. PNB's non-performing loans ratio improved to 7.8% after a reduction of close to a billion in NPL levels to P9.8 billion from P10.6 billion a year ago. NPL cover stood at 83% as of the end of the first quarter of 2009.

As of March 31, 2009, PNB's consolidated total resources closed higher by 14% from previous year's level. The Bank's Capital Adequacy Ratio under Basel II stood firm at 18.1% exceeding the 10% requirement of the Bangko Sentral ng Pilipinas.

The Bank redeemed last February 2009 P3 billion of unsecured subordinated debt issued in 2004 ahead of its maturity in 2014. Further, PNB successfully raised P3.25 billion in Long Term Negotiable Certificates of Time Deposit (LTNCD) last March 2009. The LTNCDs were subscribed to mainly by retail investors, and carry with it features such as: senior debt ranking, tax-exemption for certain individuals and institutions, and PDIC coverage.

The final date of actual merger between PNB and ABC, with PNB as surviving entity, still awaits the approval of regulatory authorities contingent on the completion of ABC's divestment of its 28% equity share in California-based Oceanic Bank. Even with the delay, both banks have made significant progress to fast track the integration process which resulted among others in the following: combined training programs; alignment of procurement policies which will lead to a centralized set-up; joint review and rationalization of branches and locations; and interconnection of both banks' ATM systems. PNB's Global Operations Sector Head EVP Anthony Q. Chua has been seconded to ABC on a full-time basis to assist in hastening the assimilation process.

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