

News Release

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PNB net income up 17% to P9.6B in 2018

The Philippine National Bank (PSE: PNB) registered a net profit of Php9.6 billion, 17% higher than the earnings of Php8.2 billion in 2017. At the end of 2018, PNB's total consolidated resources stood at Php983.6 billion, up Php147.3 billion or 18% from year-ago level.

The growth in net profit resulted from sustained efforts in strengthening the Bank's core business. Total operating income improved by 20% to Php38.9 billion from year-ago level of Php32.3 billion on the back of increases in core revenues as well as gains from asset disposals. Net interest income reached Php27.0 billion, 23% higher compared to the previous year, driven by a 19% expansion in gross loans and the widening of net interest margin to 3.3% from 3.1%. Funding efficiencies were achieved behind a 22% increase in low-cost demand deposits which fueled growth in deposit liabilities.

Net service fees and commission income grew by 9% driven by improvements in deposit, trade, and credit card-related fees as well as bancassurance income which were partly offset by the decline in underwriting fees. Meanwhile, net gains from sale of acquired assets increased to Php5.9 billion compared to last year's Php3.9 billion in line with the Bank's ongoing strategy of reducing its non-earning assets. Excluding net gains from sales of foreclosed asset sales, the improvement in total operating income remains significant at 16% year-on-year.

Operating expenses, excluding provisions for impairment and credit losses, grew by 13% over the same period last year as strong revenue growth translated to higher business taxes and other business-related expenses. Without taxes and licenses, core operating expenses grew by 8%.

The 18% growth in assets was funded primarily by deposits, consisting mostly of CASA deposits, as the Bank continued to focus on generating low-cost funds and other stable sources of funding.

Despite the robust loan growth, PNB's asset quality remained strong with non-performing loan (NPL) ratios of 0.34% net of valuation reserves and 1.76% at gross. NPL coverage on the other hand stood at 156.87%. PNB's consolidated risk-based capital adequacy ratio (CAR) continued to exceed the minimum regulatory requirement of 10%, with CAR at 14.35% and Common Equity Tier (CET) 1 ratio at 13.55% by end-2018.

In April 2018, PNB successfully issued US\$300 million of 5-Year Fixed Rate Senior Notes out of its US\$1 billion Medium Term Note (MTN) Program in Singapore and Hong Kong. This marked the first time that PNB tapped the international bond market for medium term dollar funding. Demand for the offering reached approximately US\$1.2 billion at its peak, equivalent to an oversubscription of 4x the issue size. The high demand for the initial issue was a testament to the international investors' strong confidence in PNB.

Recognizing the consistent improvement in PNB's credit profile, Fitch Ratings affirmed in November 2018 PNB's long-term Issuer Default Rating at BB+. Likewise, Moody's affirmed in December 2018 the Bank's foreign currency and local currency deposit ratings at Baa2/P-2, two notches above investment grade.

About PNB

Philippine National Bank is one of the country's largest private universal banks in terms of assets and deposits. It provides a full range of banking and other financial services to its highly diverse clientele comprised of individual depositors, small and medium enterprises, domestic and international corporations, government institutions, and overseas Filipinos.

In September 2018, the Bank disclosed its integration with its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB). The integration highlights PNB and PNBSB's aim to strengthen its consumer and SME business, and improve synergy of its branch networks. With the integration, PNB now has a total domestic footprint of 711 branches and more than 1,240 ATMs strategically located nationwide. The Bank maintains its position as the Philippine bank with the most extensive international reach with more than 70 overseas branches, representative offices, remittance centers and subsidiaries across Asia, Europe, the Middle East, and North America.

Backed by over a century of stability and excellence, PNB looks forward to more years of serving its customers first.

To know more about PNB, visit its official website: www.pnb.com.ph.