



Philippine National Bank

Authorized Depository of the Republic of the Philippines
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May 21, 2012

MS. JANET A. ENCARNACION
Head, Disclosure Department
Philippine Stock Exchange, Inc.
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Dear Ms. Encarnacion:

Attached for your information is a Press Release of the Philippine National Bank (PNB) re: "PNB's 1st Quarter Net Income Surges to P1.2 Billion, 11x over YOY".

We trust you will take note accordingly.

Very truly yours,

A handwritten signature in black ink, appearing to read "Doris S. Te".

DORIS S. TE
Corporate Secretary



(Press Release)

**PNB's 1st Quarter Net Income Surges
to P 1.2 Billion, 11x over YOY**

Philippine National Bank (PNB) registered net profits of P 1.2 billion, up 11 times over the same period last year. The volatility of the market enabled the Bank to cash-in on opportunities from trading and investment securities, and foreign exchange. Aggregate gains from these accounted for 45% of total operating income. Alongside this, given its outlook of the market, it beefed up its inventory of available-for-sale investments by 32% vs. end-2011.

The Bank continued to strengthen its core business. Compared to the 1Q of 2011, interest income on loans and receivables was up 10% owing to improved volume and spreads. The robust growth of the Bank's consumer loans and middle market portfolio provided significant buffer to temper the squeeze in spreads from large corporate loans due to stiff competition. On the other hand, there was a reduction of 16% on the cost of funds with greater focus given to the generation of low-cost deposits; and the deliberate move to let go of high-cost funds. The Bank launched a bank-wide internal deposit campaign and a "Deposito Manalo" customer raffle promotion giving away 4 Hyundai Accent cars. It was also in the 1st quarter of 2012 when PNB made a formal bid to capture the high-net worth segment of the market with the launch of its private banking arm: "the PNB Pinnacle Club". Net interest income was up 2% vs. same period of last year. Net loans and receivables increased by P 3.3 billion to close P 129.5 billion while deposits stood at P 227.1 billion by the close of the quarter. Loans to deposit ratio improved to 52% from 43% a year ago.

PNB's asset quality was better with non-performing loans ratio dropping to 3.2% from 4.2% a year ago. NPL coverage stood firmly at 82%. Capital Adequacy Ratio was 21.7%, up from 19.4% a year ago. Total consolidated resources closed the quarter at P 307.9 billion.

Recently, PNB successfully concluded the offering of Tranche II of its Unsecured Subordinated Notes Qualifying as Tier 2 Capital. The Bank can issue up to a maximum

of P 3.5 billion, the remaining balance of the P 10.0 billion approved by the Bangko Sentral ng Pilipinas last year. The PNB Tier 2 Notes generated strong demand even as there were competing issues in the market, prompting the Bank to close the offering earlier than the scheduled end of offer date. This is reflective of investors' continuing positive credit outlook on PNB.

With the forthcoming merger of PNB with Allied Banking Corporation (ABC), the Bank engaged the services of Ernst & Young as Advisor to the integration process. PNB & ABC have stepped-up all merger-related activities to ensure a smooth transition with the least effect on the customers and various publics.