



PRESS RELEASE

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PNB sustains strong profitability in 2022, total operating income up by 19%

Philippine National Bank (PSE: PNB) registered net income of P11.6 billion in 2022, with total operating income growing by 19 percent from 2021, coming from sustained growth in core income and supplemented by substantial gains on disposal of the Bank's low-earning foreclosed properties.

Amid the rising interest rate environment in 2022, the net interest income of the Bank reached P37.3 billion, up by 7 percent year-on-year due to higher yields on interest-earning assets. This translated to the Bank's net interest margin improving to 3.61 percent from 3.27 percent a year ago. The Bank's core income was further boosted by the 5 percent growth on its fee-based revenues largely coming from fees on its deposits, bancassurance and underwriting transactions.

As part of its strategic initiatives to reduce low-earning assets, the Bank concluded several sale transactions involving high-value foreclosed properties in 2022, which generated net gains on sale and exchange of P7.8 billion during the year, almost 8 times higher than the gains recorded in 2021.

Furthermore, gains from foreign exchange transactions expanded to P1.6 billion, up by 116 percent year-on-year. These gains cushioned the impact of trading losses recorded in 2022 amounting to P1.3 billion with the uptrend in interest rates, brought about by the global monetary tightening during the year.

In 2021, the Bank reported a one-off gain coming from the properties-for-shares swap transaction implemented that year, which significantly increased the prior year net income by P33.3 billion. This caused the comparative net income in 2022 to be lower by 63 percent. However, taking out the effect of this one-off gain, the Bank's pre-tax income showed growth of 3.5 times year-on-year on the back of stronger core operating income in 2022.

Operating expenses posted a moderate increase of 8 percent year-on-year on account of the taxes related to the property sales, as well as higher amortization costs for the leased properties of the Bank where it is currently holding its operations. These properties were the subject of the properties-for-shares swap executed in 2021.

The Bank's gross loan portfolio settled at P613.6 billion as of end-December 2022, lower by 3 percent from prior year's level, reflective of the Bank's lending stance to fast-track collection of short-term loans with minimal profitability and re-direct new loan grants to essential sectors that thrive in the new norm. Credit provisions on the loan accounts are 44 percent lower than year-ago level arising from improvements in payment and credit status in 2022 of certain large exposures of the Bank.

On the funding side, the Bank's deposit liabilities likewise were reduced by 3 percent mainly due to the Bank's strategy to trim down higher-cost time deposits. However, this decline was tempered by the continued build-up of the Bank's current and savings deposits, which together grew by 4 percent year-on-year.

Consequently, total resources of the Bank stood at P1.15 trillion by end-2022, 4 percent lower compared to previous year's balance. Despite the economic challenges in 2022, the Bank's equity remained robust as it increased by 5 percent year-on-year, bringing the Bank's Capital Adequacy Ratio to 15.38 percent and Common Equity Tier 1 Ratio to 14.58 percent.

"PNB improved its efficiency and profitability amidst challenging conditions and economic headwinds," said PNB Acting President Florido Casuela. "PNB's performance in 2022 is a good indicator that the Bank continues to deliver real value to our clients, investors, and the overall economy," he added.

In November 2022, PNB was awarded for the second year in a row by a joint program of the European Union and the UN Women as Runner Up for Transparency and Reporting during the UN Women 2022 Philippines Women's Empowerment Principles (WEPs) event. PNB was cited for its commitment to transparency and reporting pertaining to gender data and indicators as well as report on performance and impact of gender on its adaptive policies and programs, tracking performance in progress towards gender equality, and women's economic empowerment. Last December 2022, PNB was also awarded by Asia Corporate Excellence and Sustainability Awards (ACES) as one of Asia's Most Influential Companies during the recent ACES Awards 2022 Ceremony and Gala Dinner held in Kuala Lumpur, Malaysia. The award is given to companies that show genuine interest in the well-being of its stakeholders through corporate social responsibility initiatives that are integrated into policies and operations, with a high level

of employee and top management involvement on community engagement, environment, and social empowerment programs.

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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. 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.