

PRESS RELEASE

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PNB registers 34% increase in net income for the first quarter of 2021

Philippine National Bank (PSE: PNB) reported a net income of P1.8 billion for the first quarter of 2021, a growth of 34 percent compared to its performance in the same quarter last year due primarily to improvements in net service fees and commission income, reduced operating expenses and significantly lower provisions for credit losses

For the first quarter of 2021, the Bank booked P2.1 billion in provisions for credit losses, lower by 38 percent compared to the year-ago level of P3.4 billion. The lower provisioning level resulted essentially from the Bank's anticipatory build-up of provisions for most part of 2020 as a pro-active approach in addressing potential delinquencies that may arise from the impact of the prolonged pandemic.

Net service fees and commissions, on the other hand, grew 35 percent on the back of higher fees from underwriting activities as well as credit cards and bancassurance businesses.

Operating expenses, excluding provisions for impairment and credit losses, declined 8 percent over the same period last year due to sustained rationalization of non-essential expenditures as well as operational efficiencies as the Bank transitions to more automation and technology-driven processes to adapt to the demands of the new normal.

PNB's net interest income declined 7 percent to P8.2 billion on account of reduced earnings from loans to corporate, commercial and small and medium enterprises, alongside investment securities, reflecting the downward trajectory of benchmark interest rates beginning the second quarter of 2020. Loan receivables stood at P609.3 billion as of end-March 2021, lower by 6 percent from prior year owing to weak loan demand combined with the Bank's continued focus on strengthening its liquidity position amid lingering economic uncertainties. Deposit liabilities in contrast increased by 7 percent to P848 billion from March 2020 levels, driven by steady growth in low cost CASA.

Other income declined by 38 percent to P1.6 billion resulting mainly from lower trading income due to limited trading opportunities in the market.

"We continue to be vigilant of the effects of the economic fallout from COVID-19 on the Bank's operations and businesses. It is for this reason that PNB continues to adopt a prudent approach in asset deployment which affected the Bank's net interest margins. However, we remain confident that such strategy together with the tactical actions we are taking will ensure that the Bank will be able to emerge from the crisis stronger. Along this line, we have also undertaken initiatives to improve the Bank's services in the digital space. Specifically, we launched last February 18, the Phase 1 of our new PNB Digital App with improved user design, less clicks, intuitive navigation, easier sign-up, and QR code payments. Further enhancements will include digital account opening supported by video KYC through website, credit card functions, and new internet banking, among others" PNB President and CEO Wick Veloso said.

As of end-March 2021, PNB's consolidated resources stood at P1.1 trillion, up by 4 percent from year-ago level. The Bank's Capital Adequacy Ratio of 14.77% and Common Equity Tier 1 Ratio of 14.11% remained well above the minimum regulatory requirement of 10%.

In reference to previous news articles that have been published regarding PNB's investment in PNB Holdings Corporation, PNB would like to clarify, in the interest of an accurate and factual appreciation of the transaction, that the Bank received regulatory approval from the Securities and Exchange Commission in January 2021 to increase its equity investment in PNB Holdings Corporation, and not from the Bangko Sentral ng Pilipinas (BSP) as some articles have reported. Earlier, the BSP approved in December 2020, PNB's request for temporary exemption from prudential limits on its equity investments in PNB Holdings Corporation.

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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.