



Office of the Controller

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May 4, 2016

MS. JANET A. ENCARNACION
HEAD, DISCLOSURE DEPARTMENT
Philippine Stock Exchange
3/F The Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

MS. VINA VANESSA S. SALONGA
Philippine Dealing & Exchange Corporation
37th Floor, Tower 1, The Enterprise Center
6766 Ayala Avenue cor Paseo de Roxas
Makati City

Mesdames,

In compliance with the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 141 of the Corporation Code of the Philippines, we provide you the SEC Form 17-Q report of the Philippine National Bank as of March 31, 2016.

Thank you,

Very truly yours,

A handwritten signature in black ink, appearing to read "Marlyn M. Pabrua", written over a horizontal line.

MARLYN M. PABRUA
SVP & Controller

COVER SHEET

A S 0 9 6 - 0 0 5 5 5 5

S.E.C. Registration Number

P H I L I P P I N E N A T I O N A L B A N K

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Company's Full Name)

8 t h F l o o r P N B F i n a n c i a l C e n t e R

M a c a p a g a l B L v d . , P a s a y C i t Y

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(Business Address: No. Street City/Town/ Province)

Marlyn M. Pabrua

Contact Person

891-60-40

Company Telephone Number

3

Month

3 1

Day

Fiscal Year

17 - Q

FORM TYPE

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Month Day
Annual Meeting

[Empty box]

Secondary License Type, If Applicable

[Empty grid]

Dept. Requiring this Doc.

[Empty box]

Amended Articles Number/Section

[Empty box]

Total No. of Stockholders

Total amount of Borrowings

[Empty box]

Domestic

[Empty box]

Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SEC Number AS096-005555
File Number _____

**PHILIPPINE NATIONAL BANK
AND SUBSIDIARIES**

(Company's Full Name)

**PNB Financial Center,
Pres. Diosdado P. Macapagal Boulevard, Pasay City**

(Company's Address)

(632) 891-6040 to 70

(Telephone Number)

(Calendar Year Ended)

SEC FORM 17-Q REPORT

Form Type

(Amendment Designation (if applicable))

MARCH 31, 2016

Period Ended Date

LISTED

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THESE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter ended **March 31, 2016**
2. Commission Identification No. ASO96-005555
3. BIR Tax Identification No. 000-188-209-000
4. Exact name of issuer as specified in its charter: Philippine National Bank
5. Philippines
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. PNB Financial Center, Pres. Diosdado P. Macapagal Blvd, Pasay City 1300
Address of principal office Postal Code
8. (632)/891-60-40 up to 70 / (632)526-3131 to 70
Issuer's telephone number, including area code
9. not applicable
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
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Common Shares	1,249,139,678 ^{1/}
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11. Are any or all of these securities listed on a Stock Exchange:

Yes [] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange	Common Stocks
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12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a) – 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

^{1/}A total of 423,962,500 common shares were issued to the stockholders of Allied Banking Corporation (ABC) relative to the merger of PNB with ABC effective February 9, 2013. Said shares were already registered with the Securities and Exchange Commission (SEC) and to be listed to the Philippine Stock Exchange, Inc. (PSE).

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Philippine National Bank (PNB) and its Subsidiaries (the PNB Group) which comprise the consolidated statements of financial position as of March 31, 2016 and December 31, 2015 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the three months ended March 31, 2016 and March 31, 2015 have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) and in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting.

The same accounting policies and methods have been followed in the preparation of the accompanying financial statements, consistent with the 2015 Audited Financial Statements except for the new, amendments and improvements to PFRS which became effective beginning on or after January 1, 2016.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. Financial Condition

The Group's consolidated assets stood at ₱699.1 billion as of March 31, 2016, 2.9% or ₱19.4 billion higher compared to ₱679.7 billion total assets reported as of December 31, 2015. Changes (more than 5%) in assets were registered in the following accounts:

- Securities Held Under Agreements to Resell as of March 31, 2016 of ₱34.3 billion represents lending transactions of the Bank with the BSP, higher by ₱19.7 billion compared to the ₱14.6 billion as of December 31, 2015.
- Investment Properties decreased by ₱0.7 billion from ₱13.2 billion as of December 31, 2015 to ₱12.5 billion as of March 31, 2016, mainly due to the disposal foreclosed properties.
- Due from Other Banks and Interbank Loans Receivable also registered increases as of March 31, 2016, by ₱4.3 billion and ₱3.6 billion, respectively from ₱18.3 billion and ₱5.8 billion, respectively as of December 31, 2015. On the other hand, Cash and Other Cash Items decreased by ₱4.2 billion from ₱15.2 as of December 31, 2015.

Consolidated liabilities went up by 2.8% or ₱16.2 billion from ₱574.9 billion as of December 31, 2015 to ₱591.1 billion as of March 31, 2016. Major changes in liability accounts were as follows:

- Deposit liabilities totaled ₱498.6 billion, ₱12.7 billion higher compared to its year-end 2015 level of ₱485.9 billion. Increases were registered in Time by ₱3.6 billion and Savings by ₱10.1 billion partly offset by decrease in Demand by ₱1.0 billion.
- Bills and Acceptances Payable increased by ₱2.6 billion, from ₱25.8 billion to ₱28.4 billion, mainly accounted for by various borrowings from other banks.

- Financial liabilities at Fair value through profit or loss was higher at ₱0.5 billion as of March 31, 2016 from last year's ₱0.1 billion.
- Income Tax Payable increased by ₱0.7 billion from ₱0.1 million to ₱0.8 million coming from income tax provisions in the current quarter.

Total equity accounts stood at ₱108.1 billion from ₱104.8 billion as of December 31, 2015, or an improvement of ₱3.3 billion attributed to current year's net income of ₱2.6 billion and increase in Net Unrealized Gain (Loss) on Available-for-Sale Investments of ₱1.2 billion, partly offset by decline of ₱0.5 billion in Accumulated Translation Adjustment.

B. Results of Operations

- For the three months ended March 31, 2016, the Bank registered a net income of ₱2.6 billion, ₱1.4 billion higher compared to the ₱1.2 billion net income for the same period last year.
- Net interest income totaled ₱4.7 billion, higher by 12.4% or ₱0.5 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio and investment securities which accounted for ₱0.6 billion and ₱0.3 billion increase in interest income, respectively, partly offset by the decline in income from deposits with banks by ₱0.2 billion. Total interest income was up by ₱0.7 billion from ₱5.1 billion to ₱5.8 billion. Total interest expense however, was also higher at ₱1.1 billion or by ₱0.1 billion from ₱1.0 billion last year.
- Other income significantly increased to ₱2.9 billion from ₱1.1 billion compared to same period last year mainly due to the ₱1.2 billion gains from sale of foreclosed assets.
- Net service fees and commission income and net insurance premium were at ₱0.8 billion and ₱0.1 billion, respectively, for the three months ended March 31, 2016.
- Administrative and other operating expenses amounted to ₱5.0 billion for the three months ended March 31, 2016, slightly higher compared to the same period last year. Increases were registered in miscellaneous expenses by ₱0.5 billion mainly due to increase in promotional expenses and advertising/publicity, professional fees and contractual services, taxes and licenses by ₱0.1 billion, partly offset by decrease in provision for impairment, credit and other losses by ₱0.1 billion.
- Total Comprehensive Income for the three months ended March 31, 2016 amounted to ₱3.3 billion, ₱1.4 billion higher compared to the ₱1.9 billion for the same period last year mainly due to the increase in net income of ₱1.4 billion.

C. Key Performance Indicators

- Capital Adequacy

- The Group's consolidated risk-based capital adequacy ratio (CAR) and Tier 1 ratio computed based on BSP guidelines were 17.77% and 16.91% respectively, as of March 31, 2016 and 19.24% and 16.23% respectively, as of December 31, 2015, consistently exceeding the regulatory 10% CAR.

- Asset Quality

The Group's non-performing loans (gross of allowance) decreased to ₱8.8 billion as of March 31, 2016 compared to ₱9.0 billion as of December 31, 2015. NPL ratios based on BSP guidelines are lower at 0.26% (net of valuation reserves) and 2.43% (at gross), from 0.25% and 2.61%, respectively in December 2015.

- Profitability

	<u>Three Months Ended</u>	
	<u>3/31/2016</u>	<u>3/31/2015</u>
Return on equity (ROE) ^{1/}	9.8%	5.1%
Return on assets(ROA) ^{2/}	1.5%	0.8%
Net interest margin(NIM) ^{3/}	3.2%	3.2%

^{1/} Annualized net income divided by average total equity for the period indicated

^{2/} Annualized net income divided by average total assets for the period indicated

^{3/} Annualized net interest income divided by average interest-earning assets for the period indicated.

- Liquidity

The ratio of liquid assets to total assets as of March 31, 2016 was 35.8% compared to 30.6% as of December 31, 2015. Ratio of current assets to current liabilities was at 64.0% as of March 31, 2016 compared to 66.7% as of December 31, 2015. The Group is in compliance with the regulatory required liquidity floor on government deposits and legal reserve requirements for deposit liabilities.

- Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income improved to 57.4% for the three months ended March 31, 2016 compared to 70.6% for the same period last year.

- Other financial soundness indicators are shown in Annex A

D. Known trends, demands, commitments, events or uncertainties

There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity and continuing operations within the next twelve (12) months.

E. Events that will trigger direct or contingent financial obligation

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because such disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, Provisions, Contingent Liabilities and Contingent Assets. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have material adverse effect on the financial statements.

F. Material off-balance sheet transactions, arrangements or obligations

The summary of various commitments and contingent accounts as of March 31, 2016 and December 31, 2015 at their equivalent peso contractual amounts is presented in Note 17 of the Selected Notes to Consolidated Financial Statements on page 54 of this report.

G. Capital Expenditures

The Bank is in the process of upgrading its Systematics core banking system, which will run on the IBM z-series mainframe, as well as a new branch banking system. This is a top priority enterprise-wide project that will require major capital expenditures within the next two (2) years. For this project and other medium scale projects requiring information technology solutions, expected sources of funds will come from the sale of acquired assets and funds generated from the Bank's operations.

H. Significant Elements of Income or Loss

Significant elements of the consolidated net income of the Group for the three months ended March 31, 2016 and 2015 came from its continuing operations.

I. Issuances, Repurchased and Prepayment of Debts and Equity Securities

Long-term Negotiable Certificates of Time Deposits

Time deposit includes the following Long-term Negotiable Certificates of Time Deposits (LTNCDs) issued by the Parent Company:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					March 31, 2016	December 31, 2015
December 12, 2014	June 12, 2020	₱7,000,000	4.13%	Quarterly	₱ 6,891,713	₱6,958,411
October 21, 2013	April 22, 2019	₱4,000,000	3.25%	Quarterly	3,840,957	3,981,365
August 5, 2013	February 5, 2019	₱5,000,000	3.00%	Quarterly	4,776,683	4,979,615
November 18, 2011	February 17, 2017	₱3,100,000	5.18%	Quarterly	3,166,845	3,094,836

Other significant terms and conditions of the above LTNCDs follow:

- (1) Issue price at 100.00% of the face value of each LTNCD.
- (2) The LTNCDs bear interest rate per annum on its principal amount from and including the Issue Date thereof, up to but excluding the Early Redemption Date or Maturity Date (as the case may be).

Interest in respect of the LTNCD will be calculated on an annual basis and will be paid in arrears quarterly on the last day of each successive Interest Period.

- (3) Unless earlier redeemed, the LTNCDs shall be redeemed by the Parent Company on maturity date at an amount equal to one hundred percent (100.00%) of the aggregate issue price thereof, plus any accrued and unpaid interest thereon. The LTNCDs may not be redeemed at the option of the holders.
- (4) The LTNCDs constitute direct, unconditional, unsecured, and unsubordinated obligations of the Parent Company, enforceable according to these Terms and Conditions, and shall at all times rank pari-passu and without any preference or priority among themselves and at least pari-passu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.
- (5) Subject to the “Events of Default” in the Terms and Conditions, the LTNCDs cannot be pre-terminated at the instance of any CD Holder before Maturity Date. In the case of an event of default, none of the CD Holders may accelerate the CDs on behalf of other CD Holders, and a CD Holder may only collect from the Parent Company to the extent of his holdings in the CDs. However, the Parent Company may, subject to the General Banking Law of 2000, Section X233.9 of the Manual of Regulations for Banks, Circular No. 304 Series of 2001 of the BSP and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding CDs on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.
- (6) The LTNCDs are insured by the PDIC up to a maximum amount of ₱500,000 subject to applicable laws, rules and regulations, as the same may be amended from time to time.
- (7) Each Holder, by accepting the LTNCDs, irrevocably agrees and acknowledges that: (a) it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the LTNCDs; and (b) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Syndicated Loan

Bills Payable includes \$150 million 3 years syndicated loan (3M libor + 1.380%) borrowings issued last June 18, 2015 with maturity date on April 24, 2018.

J. Seasonal Aspects

There are no seasonal aspects that had a material effect on the PNB Group’s financial condition and results of operations.

K. Other Bank's Activities

A. Major Products and Services launched by the Bank during the 1st quarter of 2016:

Corporate Bills Payment – Corporate Bills Payment is a collection service wherein corporate billers/merchants outsource the administrative task of collecting payments from their corporate payors/customers to the Bank. Through Auto Debit Arrangement (ADA), business entities, as the enrolled Accountholder/s (payors), are able to settle or pay, among others, bills/premiums/service fees and charges/membership dues (payables) by authorizing the Bank to charge the amount thereof against their enrolled current/savings account/s maintained with the Bank.

ATM Switch Migration – All PNB ATMs consolidated under one ATM switch, providing a more robust and higher capacity machine for customers, resulting to faster processing time and less downtime.

B. Other relevant activities of the Bank during the 1st quarter of 2016

PNB Wins Silver Anvil Award for the 2014 Annual Report – PNB was honored with a Silver Anvil for its 2014 Annual Report during the Public Relations Society of the Philippines' (PRSP) Gabi ng Parangal 51st Anvil Awards held at the Makati Shangri-La Hotel last February 26, 2016.

With the theme, “Exemplifying Filipino Banking Excellence”, the 2014 Annual Report showcased the improved business and financial results brought about by an enhanced customer focus, improved profitability, higher asset quality, and a maximization of synergy between PNB and the former Allied Banking Corporation in its second year of merger.

Chinese New Year Customer Appreciation Event – At the Chinese New Year Customer Appreciation Event, PNB welcomed the Year of the Fire Monkey with a toast at Century Park Hotel. PNB expressed their appreciation to their valued clients and colleagues who have been with the Bank through the years. As a true sign of commitment, PNB Senior Officers and Directors attended the affair to welcome the Bank's retail and corporate clients. Subsequently, PNB hosted two separate Customer Appreciation events, one held in Cebu City and another in Davao City.

PNB Thematic Marketing Campaign – In February 2016, PNB launched its first TV commercial in 30 years, with couples Dingdong Dantes and Marian Rivera-Dantes and James Reid and Nadine Lustre as the newest members of the PNB family.

The new tagline, **You First**, also made its first appearance on Philippine National TV. **You First** speaks of a renewed promise. PNB makes to put customers first, with the goal of becoming the financial partner that customers can lean on. More than just a tagline, **You First** invokes PNB's long standing message of stability to its customers while placing the highest priority on their banking needs.

L. Other Matters

1. Adoption of PFRS 9 (Financial Instruments Recognition and Measurement), Financial Instruments

The final version of PFRS 9, Financial Instruments, was issued in July 2014. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The Bank is evaluating the effect of the adoption of PFRS 9 and the impact on its financials; hence the interim financial statements do not reflect the impact of the said standard.

In case of adoption of PFRS 9, the following accounts may be affected:

- a. Loans and Receivables
- b. Investment Securities
- c. Financial Liabilities Designated at FVPL
- d. Retained Earnings
- e. Undivided Profits

2. National Steel Corporation

On March 31, 2015, Singapore Court of Appeal issued a Decision upholding the Singapore High Court's Decision in part, i.e., setting aside the monetary portions of the Arbitral Award that rendered the bank Consortium/Secured Creditors not liable for certain sums of money by way of damages.

Background information on the case was disclosed under Note 35 (Provisions, Contingent Liabilities and Other Commitments) in the Group's annual consolidated financial statements as of and for the year ended December 31, 2015.

3. Other Disclosures

The PNB Group has nothing to disclose on the following:

- Change in estimates reported in prior interim periods and in prior financial years
- Dividends paid
- Material subsequent events subsequent to the end of the interim period
- Changes in the composition of the enterprise during the interim period, including business combinations, acquisitions and disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

PART II – OTHER INFORMATION

ITEM 1. List of submitted SEC FORM 17- C Reports during the First Quarter of 2016

<u>DATE</u>	<u>PARTICULARS</u>														
February 1, 2016	<p>Board approvals of the following:</p> <ol style="list-style-type: none"> 1. Renaming of the Board Credit and Policy Committee (BCPC) as Board Policy Committee (BPC) and the amendment of its Charter; 2. Dissolution of the Board ICAAP Steering Committee; 3. Amendment of the Executive Committee (Excom) Charter; 4. Election of the following directors as members of the committees opposite their names: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Name</u></th> <th style="text-align: left;"><u>Committee</u></th> </tr> </thead> <tbody> <tr> <td>Leonilo G. Coronel</td> <td>BPC</td> </tr> <tr> <td>Christopher J. Nelson</td> <td>Voting member of Excom</td> </tr> <tr> <td>Florencia G. Tarriela</td> <td>Non-voting member of Excom</td> </tr> <tr> <td>Felix Enrico R. Alfiler</td> <td>Non-voting member of Excom</td> </tr> <tr> <td>Federico C. Pascual</td> <td>Non-voting member of Excom</td> </tr> <tr> <td>Deogracias N. Vistan</td> <td>Non-voting member of Excom</td> </tr> </tbody> </table> <ol style="list-style-type: none"> 5. Election of Ms. Florencia G. Tarriela as Chairman of the Risk Oversight Committee; 6. Confirmation of the terms and conditions of the sale of 51% equity in PNB Life Insurance, Inc. to Allianz SE, and agreements in relation thereto; and 7. Resignation of Mr. Jovencio DB. Hernandez, Executive Vice President of the Bank, effective on February 8, 2016. He will be directly hired by PNB Savings Bank as its President. 	<u>Name</u>	<u>Committee</u>	Leonilo G. Coronel	BPC	Christopher J. Nelson	Voting member of Excom	Florencia G. Tarriela	Non-voting member of Excom	Felix Enrico R. Alfiler	Non-voting member of Excom	Federico C. Pascual	Non-voting member of Excom	Deogracias N. Vistan	Non-voting member of Excom
<u>Name</u>	<u>Committee</u>														
Leonilo G. Coronel	BPC														
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Felix Enrico R. Alfiler	Non-voting member of Excom														
Federico C. Pascual	Non-voting member of Excom														
Deogracias N. Vistan	Non-voting member of Excom														
March 2, 2016	Board approvals on the Notice/Agenda of the 2016 Annual Stockholders' Meeting and Amendment on the Amended By-Laws of the Bank.														
March 11, 2016	Press Release – PNB Reports ₱6.3 Billion Net Income in 2015														
March 17, 2016	Press Release – PNB Savings Bank 2015 Operating Results														

ITEM 2. Aging of Loans Receivables

The schedule of aging of loans receivables as required by Philippine Stock Exchange (PSE) in its Circular letter No. 2164-99 dated August 23, 2001 is shown on page 55 of this report.

PART III - INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2016

(With Comparative Audited Figures as of December 31, 2015)

(In Thousands)

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Cash and Other Cash Items	₱10,985,153	₱15,220,536
Due from Bangko Sentral ng Pilipinas	79,951,761	81,363,444
Due from Other Banks	22,541,903	18,287,308
Interbank Loans Receivable	9,357,279	5,800,383
Securities Held Under Agreements to Resell	34,259,000	14,550,000
Financial Assets at Fair Value Through Profit or Loss	1,887,600	4,510,545
Available-for-Sale Investments	70,295,407	68,341,024
Held to Maturity Investments	23,019,692	23,231,997
Loans and Receivables	364,157,811	365,725,146
Property and Equipment	22,307,970	22,128,464
Investment Properties	12,493,043	13,230,005
Deferred Tax Assets	1,150,650	1,173,575
Intangible Assets	2,394,721	2,442,878
Goodwill	13,375,407	13,375,407
Assets of Disposal Group Classified as Held For Sale	24,123,527	23,526,757
Other Assets	6,807,098	6,780,268
TOTAL ASSETS	₱699,108,022	₱679,687,737

LIABILITIES AND EQUITY

LIABILITIES

Deposit Liabilities

Demand	₱108,991,248	₱110,029,680
Savings	325,474,899	315,355,056
Time	64,177,091	60,552,445
	498,643,238	485,937,181
Financial Liabilities at Fair Value Through Profit or Loss	458,384	135,193
Bills and Acceptances Payable	28,442,243	25,752,222
Accrued Taxes, Interest and Other Expenses	5,884,279	5,875,228
Subordinated Debt	9,990,680	9,986,427
Income Tax Payable	851,741	134,720
Liabilities of Disposal Group Classified as Held for Sale	22,087,137	21,452,621
Other Liabilities	24,698,368	25,658,284
TOTAL LIABILITIES	591,056,070	574,931,876

(Forward)

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock	₱49,965,587	₱49,965,587
Capital Paid in Excess of Par Value	31,331,251	31,331,251
Surplus Reserves	554,263	554,263
Surplus	27,372,096	24,799,259
Remeasurement Losses on Retirement Plan	(2,358,959)	(2,357,873)
Accumulated Translation Adjustment	144,827	612,468
Net Unrealized Gain (Loss) on Available-for- Sale Investments	(2,600,008)	(3,763,667)
Reserves of Disposal Group Classified as Held for Sale	628,181	593,237
Other Equity adjustment	13,959	13,959
Parent Company Shares Held by a Subsidiary	(9,945)	(9,945)
	105,041,252	101,738,539
NON-CONTROLLING INTERESTS	3,010,700	3,017,322
TOTAL EQUITY	108,051,952	104,755,861
TOTAL LIABILITIES AND EQUITY	₱699,108,022	₱679,687,737

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Earnings Per Share)

For the Three Months Ended
March 31

	2016 (Unaudited)	2015 (Unaudited)
INTEREST INCOME ON		
Loans and receivables	₱4,624,196	₱4,004,682
Trading and investment securities	1,073,726	798,881
Deposits with banks and others	83,727	297,650
Interbank loans receivable	9,427	7,414
	5,791,076	5,108,627
INTEREST EXPENSE ON		
Deposit liabilities	836,913	699,177
Bills payable and other borrowings	298,900	267,297
	1,135,813	966,474
NET INTEREST INCOME	4,655,263	4,142,153
Service fees and commission income	1,017,953	869,807
Service fees and commission expense	171,675	155,473
NET SERVICE FEES AND COMMISSION INCOME	846,278	714,334
Net insurance premiums	289,423	235,984
Net insurance benefits and claims	211,967	192,635
NET INSURANCE PREMIUMS (BENEFITS AND CLAIMS)	77,456	43,349
OTHER INCOME		
Trading and investment securities gains - net	340,664	206,303
Foreign exchange gains – net	404,998	290,595
Net gain on sale or exchange of assets	1,480,154	300,200
Miscellaneous	678,735	299,570
TOTAL OPERATING INCOME	8,483,548	5,996,504
OPERATING EXPENSES		
Compensation and fringe benefits	2,232,518	2,183,882
Taxes and licenses	613,353	514,689
Occupancy and equipment-related costs	313,184	312,651
Depreciation and amortization	365,075	373,072
Provision for impairment, credit and other losses	104,624	159,202
Miscellaneous	1,358,565	901,044
TOTAL OPERATING EXPENSES	4,987,319	4,444,540
INCOME BEFORE INCOME TAX	3,496,229	1,551,964
PROVISION FOR INCOME TAX	953,249	414,770
NET INCOME FROM CONTINUING OPERATIONS	2,542,980	1,137,194
NET INCOME FROM DISCONTINUING OPERATIONS	63,984	104,510
NET INCOME	2,606,964	1,241,704
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	2,572,835	1,201,227
Non-controlling Interests	34,129	40,477
	₱2,606,964	₱1,241,704
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	₱ 2.06	₱ 0.96

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	For the Three Months Ended March 31	
	2016 (Unaudited)	2015 (Unaudited)
NET INCOME	₱2,606,964	₱1,241,704
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that recycle to profit or loss in subsequent periods:		
Net unrealized gain on available-for-sale investments	1,163,660	634,494
Accumulated translation adjustment	(467,641)	(20,416)
Share in equity adjustments of an associate	-	-
Items that do not recycle to profit or loss in subsequent periods:		
Remeasurement gains (losses) on retirement plan	(1,086)	(3,403)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	694,933	610,675
TOTAL COMPREHENSIVE INCOME FOR PERIOD	₱3,301,897	₱1,852,379
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	₱3,295,275	₱1,789,404
Non-controlling Interests	6,622	62,975
	₱3,301,897	₱1,852,379

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

Unaudited

	Attributable to Equity Holders of the Parent Company										Total	Non-controlling Interests	Total Equity
	Capital Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Reserves of a Disposal Group Classified as Held for Sale	Accumulated Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Other Equity Adjustment	Parent Company Shares Held by a Subsidiary	Remeasurement Losses on Retirement Plan			
Balance at January 1, 2016, as previously reported	₱49,965,587	₱31,331,251	₱554,263	₱24,799,259	₱593,237	₱612,468	₱ (3,763,667)	₱13,959	₱(9,945)	₱ (2,357,873)	₱101,738,539	₱3,017,322	₱104,755,861
Total comprehensive income (loss) for the period	-	-	-	2,572,837	34,944	(467,641)	1,163,659	-	-	(1,086)	3,302,713	(6,622)	3,296,091
Issuance of capital stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest arising on a business combination	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of Parent Company shares held by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2016	₱ 49,965,587	₱ 31,331,251	₱554,263	₱27,372,096	₱628,181	₱144,827	₱(2,600,008)	₱13,959	₱(9,945)	₱(2,358,959)	₱105,041,252	₱3,010,700	₱108,051,952
Balance at January 1, 2015	₱49,965,587	₱ 31,331,251	₱ 537,620	₱18,702,394	-	₱(59,854)	₱ (2,336,142)	-	-	₱ (2,292,833)	₱95,848,023	₱3,212,859	₱99,060,882
Total comprehensive income (loss) for the period	-	-	-	1,201,227	-	(20,416)	634,494	-	-	(3,403)	1,811,902	62,975	1,874,877
Issuance of capital stocks	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from surplus reserves	-	-	(7,679)	-	-	-	-	-	-	-	(7,679)	-	(7,679)
Balance at March 31, 2015	₱49,965,587	₱31,331,251	₱ 529,941	₱19,903,621	₱-	₱(80,270)	₱(1,701,648)	₱-	₱-	₱(2,296,236)	₱97,652,246	₱3,275,834	₱100,928,080

See accompanying Notes to Consolidated Financial Statements

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Three Months Ended March 31	
	2016	2015
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,560,213	₱1,656,474
Adjustments for:		
Realized trading gain on available-for-sale (AFS) investments	(274,974)	(265,293)
Depreciation and amortization	365,075	373,072
Amortization of premium on AFS investments	282,104	57,860
Provision for impairment, credit and other losses	104,624	159,202
Net gain on sale or exchange of assets	(1,442,684)	13,080
Unrealized foreign exchange loss on held to maturity investments	191,856	80,077
Mark-to-market loss (gain) on derivatives	(65,690)	42,365
Amortization of capitalized transaction costs	4,253	4,098
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Financial assets at FVPL	2,369,894	997,990
Loans and receivables	1,276,216	5,114,452
Other assets	(576,004)	(259,760)
Increase (decrease) in amounts of:		
Financial liabilities at FVPL	569,545	70,088
Deposit liabilities	12,706,057	(6,608,439)
Accrued taxes, interest and other expenses	(96,417)	246,729
Other liabilities	(467,369)	(1,053,330)
Net cash generated from (used in) operations	18,506,699	628,665
Income taxes paid	(236,228)	(185,780)
Net cash provided by (used in) operating activities	18,270,471	442,885
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
AFS investments	32,696,493	11,343,863
Investment properties	2,327,705	430,321
Property and equipment	-	30,941

(Forward)

Three Months Period Ended March 31		
	2016	2015
	(Unaudited)	(Unaudited)
Acquisitions of:		
AFS investments	(33,648,010)	(₱14,679,470)
Held to Maturity Investments	-	(906,400)
Property and equipment	(420,559)	(288,048)
Software cost	(42,696)	
Net cash provided by (used in) investing activities	912,933	(4,068,793)
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlement of bills and acceptances payable	(79,354,762)	(17,827,658)
Proceeds from bills and acceptances payable	82,044,783	18,224,268
Net cash provided by (used in) financing activities	2,690,021	396,610
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,873,425	(3,229,298)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	15,220,536	14,628,489
Due from BSP	81,363,444	105,773,685
Due from other banks	18,287,308	15,591,406
Interbank loans receivable	5,800,383	7,671,437
Securities held under agreements to resell	14,550,000	
	135,221,671	143,665,017
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	10,985,153	11,073,415
Due from BSP	79,951,761	108,238,361
Due from other banks	22,541,903	12,538,753
Interbank loans receivable	9,357,279	8,585,190
Securities held under agreements to resell	34,259,000	-
	₱157,095,096	₱140,435,719
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest received	₱5,549,215	₱5,472,379
Interest paid	1,078,690	953,617

See accompanying Notes to Consolidated Financial Statements.

PART IV - NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousand Pesos Except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (the Parent Company) was established in the Philippines in 1916 and started commercial operations that same year. On May 27, 1996, the Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) with a corporate term of 50 years. Its principal place of business is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila. As of March 31, 2016, the LT Group, Inc. (LTG) held indirect ownership of 59.83% of the Parent Company's shares through various holding companies, while 17.37% of the Parent Company's shares were held by Philippine Central Depository Nominee Corporation. The remaining 22.80% of the Parent Company's shares were held by other stockholders holding less than 10.00% each of the Parent Company's shares. As of December 31, 2015, the LT Group, Inc. (LTG) held indirect ownership of 59.83% of the Parent Company's shares through various holding companies, while 17.37% of the Parent Company's shares were held by Philippine Central Depository Nominee Corporation. The remaining 22.80% of the Parent Company's shares were held by other stockholders holding less than 10.00% each of the Parent Company's shares.

The Parent Company's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services to corporate, middle-market and retail customers, the National Government (NG), local government units (LGUs) and government-owned and controlled corporations (GOCCs) and various government agencies. The Parent Company's principal commercial banking activities include deposit-taking, lending, bills discounting, foreign exchange dealing, investment banking, fund transfers/remittance servicing and a full range of retail banking and trust services through its 669 and 665 domestic branches as of March 31, 2016 and December 31, 2015, respectively.

The Parent Company has the largest overseas network among Philippine banks with 70 and 75 branches, representative offices, remittance centers and subsidiaries as of March 31, 2016 and December 31, 2015, respectively, in 16 locations in the United States, Canada, Europe, the Middle East and Asia.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, life and nonlife insurance, banking, leasing, stock brokerage, foreign exchange trading and/or related services.

The Parent Company previously operated under a rehabilitation program pursuant to the memorandum of agreement signed by the Republic of the Philippines, the Philippine Deposit Insurance Corporation (PDIC) and the LTG on May 3, 2002. In May 2007, the Parent Company concluded its 5-year Rehabilitation Plan as approved by the Bangko Sentral ng Pilipinas (BSP).

2. Basis of Preparation and Changes to the Group's Accounting Policies

Basis of Preparation

The accompanying interim condensed consolidated financial statements of the Parent Company and its subsidiaries (the Group) as of March 31, 2016 and for the three months ended March 31, 2016 and 2015 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2015.

Amounts in the interim condensed consolidated financial statements are presented to the nearest thousand pesos (₱000) unless otherwise stated.

Seasonality or Cyclicity of Interim Operations

Seasonality or cyclicity of interim operations is not applicable to the Group's type of business.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments and improvements to PFRS which are effective beginning on or after January 1, 2016. Changes in the accounting policies that did not have any significant impact on the financial position or performance of the Group follow:

- Philippine Accounting Standards (PAS) 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)

Annual Improvements to PFRSs (2010-2012 cycle)

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
- PAS 24, *Related Party Disclosures – Key Management Personnel*

Annual Improvements to PFRSs (2011-2013 cycle)

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
- PFRS 13, *Fair Value Measurement – Portfolio Exception*
- PAS 40, *Investment Property*

3. Fair Value Hierarchy

The Group has assets and liabilities that are measured at fair value on a recurring basis in the statement of financial position after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the statement of financial position at the end of each reporting period. These include financial assets and liabilities at FVPL, AFS investments and land and buildings measured at revalued amount.

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	Valuation Date	Carrying Value	Consolidated			Total
			Level 1	Level 2	Level 3	
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	3/31/2016	₱1,129,940	₱877,267	₱252,673	₱-	₱1,129,940
Equity securities	3/31/2016	153,412	153,242	170	-	153,412
Derivative assets	3/31/2016	376,496	-	314,496	62,000	376,496
Private debt securities	3/31/2016	210,492	113,304	97,188	-	210,492
Designated at FVPL:						
Investment in UITFs	3/31/2016	17,261	-	17,261	-	17,261
Segregated fund assets	3/31/2016	13,953,428	8,173,191	-	5,780,237	13,953,238
AFS investments:						
Government securities	3/31/2016	42,054,274	33,591,954	8,462,320	-	42,555,505
Private debt securities	3/31/2016	27,441,725	25,533,641	1,997,423	-	27,042,587
Equity securities*	3/31/2016	661,713	661,713	14,555	-	561,553
		₱ 85,998,741	₱ 69,014,973	₱ 11,156,086	₱ 5,842,237	₱ 85,998,741
Liabilities measured at fair value:						
Financial Liabilities						
Financial liabilities at FVPL:						
Derivative liabilities	3/31/2016	₱458,384	₱-	₱458,384	₱-	₱458,384
Liabilities of disposal group classified as held for sale						
Financial liabilities at FVPL:						
Segregated fund liabilities**	3/31/2016	13,971,675	8,191,438	-	5,780,237	13,971,675
		₱14,430,059	₱8,191,438	₱458,384	₱5,780,237	₱14,430,059
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	3/31/2016	₱ 23,019,692	₱ 21,151,705	₱ 61,559	₱-	₱ 21,213,265
Loans and receivables:						
Receivables from customers	3/31/2016	355,759,466	-	-	344,105,060	344,105,060
Unquoted debt securities	3/31/2016	4,356,543	-	-	6,554,861	6,554,861
		₱ 383,135,701	₱ 21,151,705	₱61,559	₱ 350,582,718	₱ 371,795,983

Consolidated						
March 31, 2016						
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Nonfinancial Assets						
Investment properties:***						
Land	3/31/2016	₱13,362,531	₱-	₱-	₱16,344,529	₱16,344,529
Buildings and improvements	3/31/2016	4,038,059	-	-	3,037,568	3,037,568
		₱17,400,590	₱-	₱-	₱19,382,097	₱19,382,097
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	3/31/2016	₱ 64,177,091	₱-	₱-	₱65,660,741	₱65,660,741
Bills payable	3/31/2016	27,552,438	-	-	27,552,438	27,552,438
Subordinated debt	3/31/2016	9,990,680	-	-	10,213,380	10,213,380
		₱ 101,720,208	₱-	₱-	₱103,426,559	₱103,426,559

Consolidated						
2015						
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	12/29/2015	₱3,968,214	₱2,636,413	₱1,331,801	₱-	₱3,968,214
Equity securities	12/29/2015	199,922	199,752	170	-	199,922
Derivative assets	12/29/2015	181,348	-	118,016	63,332	181,348
Private debt securities	12/29/2015	143,800	143,800	-	-	143,800
Designated at FVPL:						
Investment in UITFs	12/29/2015	17,261	-	17,261	-	17,261
AFS investments:						
Government securities	12/29/2015	45,260,397	33,499,835	11,760,562	-	45,260,397
Private debt securities	12/29/2015	22,252,980	21,614,280	638,700	-	22,252,980
Equity securities*	12/29/2015	653,931	560,272	93,659	-	653,931
Assets of disposal group classified as held for sale:						
Financial assets at FVPL:						
Segregated fund assets	12/29/2015	13,634,687	7,854,450	-	5,780,237	13,634,687
AFS investments						
Government securities	12/29/2015	2,485,902	2,485,902	-	-	2,485,902
Private debt securities	12/29/2015	3,604,065	3,604,065	-	-	3,604,065
Equity securities*	12/29/2015	1,378,686	1,378,686	-	-	1,378,686
		₱93,781,193	₱73,977,455	₱13,960,169	₱5,843,569	₱93,781,193
Liabilities measured at fair value:						
Financial Liabilities						
Financial liabilities at FVPL:						
Derivative liabilities	12/29/2015	₱135,193	₱-	₱135,193	₱-	₱135,193
Liabilities of disposal group classified as held for sale						
Financial liabilities at FVPL:						
Segregated fund liabilities**	12/29/2015	13,634,687	7,854,450	-	5,780,237	13,634,687
		₱13,769,880	₱7,854,450	₱135,193	₱5,780,237	₱13,769,880
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/2015	₱23,231,997	₱18,729,222	₱5,887,982	₱-	₱24,617,204
Loans and receivables:						
Receivables from customers	12/29/2015	349,176,265	-	-	360,136,440	360,136,440
Unquoted debt securities	12/29/2015	625,802	-	-	648,046	648,046
Assets of disposal group classified as held for sale:						
HTM investments	12/29/2015	1,269,398	1,336,814	-	-	1,336,814

Consolidated						
2015						
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
		P374,303,462	P20,066,036	P5,887,982	P360,784,486	P386,738,504
Nonfinancial Assets						
Investment properties:***						
Land	2015	P11,432,653	P-	P-	P21,012,616	P21,012,616
Buildings and improvements	2015	1,797,352	-	-	3,584,585	3,584,585
		P13,230,005	P-	P-	P24,597,201	P24,597,201
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2015	P60,552,445	P-	P-	P60,762,710	P60,762,710
Bills payable	12/29/2015	25,407,406	-	-	25,033,940	25,033,940
Subordinated debt	12/29/2015	9,986,427	-	-	10,241,659	10,241,659
		P95,946,278	P-	P-	P96,038,309	P96,038,309

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Significant input used in determining fair values of financial instruments under Level 2 comprises of interpolated market rates of benchmark securities.

As of March 31, 2016 and December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows a reconciliation of the beginning and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	Consolidated	
	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Financial assets		
Balance at beginning of year	P5,843,569	P5,339,628
Fair value changes recognized in profit or loss	(1,332)	503,941
Balance at end of year	P5,842,237	P5,843,569
Balance at beginning of year	P5,780,237	P5,268,468
Fair value changes recognized in profit or loss	-	511,769
Balance at end of year	P5,780,237	P5,780,237

The structured Variable Unit-Linked Notes can be decomposed into bond components and options components. The fair value of structured notes has been computed by counterparties using present value calculations and option pricing models, as applicable. The valuation requires management to make certain assumptions about the model inputs particularly the credit spread of the Issuer. The model also used certain market observable inputs including the counterparty's credit default swap (CDS), PHP interest rate swap (IRS) rates (for the Peso-denominated issuances) and ROP CDS rates (for the USD-denominated issuances).

Description of valuation techniques are as follows:

Structured Notes	Valuation Methods	Significant Unobservable Inputs	Significant Observable Inputs
Peso-denominated	DCF Method / Monte Carlo Simulation	Issuer's Funding rate / Issuer's CDS as proxy	PHP IRS
Dollar-denominated	DCF Method / Monte Carlo Simulation	Issuer's Funding rate / Issuer's CDS as proxy	ROP CDS / USD IRS

The sensitivity analysis of the fair market value of the structured notes as of December 31, 2015 and 2014 is performed for the reasonable possible movement in the significant inputs with all other variables held constant, showing the impact to profit and loss follows:

Sensitivity of the fair value measurement to changes in unobservable inputs:

2015			
Structured Investments	Significant Unobservable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	Bank CDS Levels	47.28 - 92.37 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱65,500,462
Dollar-denominated	Bank CDS Levels	40.179 - 76.344 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱41,710,217

* The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range

Sensitivity of the fair value measurement to changes in observable inputs:

2015			
Structured Investments	Significant Observable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	PHP IRS (3Y)	180.25 - 355.00 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱65,500,462
Dollar-denominated	ROP CDS (5Y)	126.15 - 193.33 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱28,095,617

* The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range

The fair values of warrants have been determined using price quotes received from a third-party broker without any pricing adjustments imputed by the Parent Company. The valuation model and inputs used in the valuation which were developed and determined by the third-party broker were not made available to the Parent Company. Under such instance, PFRS 13 no longer requires an entity to create quantitative information to comply with the related disclosure requirements.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group and Parent Company's investment properties are as follow:

Valuation Techniques

Market Data Approach

A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

Replacement Cost Approach

It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building “as if new” and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of the improvement’s Reproduction Cost New.

Significant Unobservable Inputs

Price per square meter

Ranges from ₱500 to ₱30,000

Reproduction Cost New

The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.

Size

Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.

Shape

Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.

Location

Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.

Time Element

“An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors’ perceptions of the market over time”. In which case, the current data is superior to historic data.

Discount

Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Corner influence

Bounded by two (2) roads.

4. Financial Risk Management

The bank's Capital Adequacy Ratio as of end of March 31, 2016 stands at 17.77% on a consolidated basis while the bank's Risk Weighted Assets (RWA) as of end March 31, 2016 amounted to ₱466,380 million composed of ₱423,719 million (Credit Risk Weighted Assets), ₱2,588 million (Market Risk Weighted Assets) and), ₱40,073 million (Operational Risk Weighted Assets).

The Board of Directors has the ultimate responsibility for the risk appetite of Philippine National Bank and the monitoring of risks on a regular basis. Risk governance is undertaken by a structured hierarchy of committees (both at board level and at the executive / management level) each with specified accountabilities.

The continuous flow of information between the board and board-level committees and the corresponding management committees; allow for consistent evaluation of the risks inherent in the business, raise the alarms, if any, and manage the business effectively with strong adherence to process management guidelines and controls.

Members of the senior management team play a pivotal role in the day-to-day running of the bank. Executive officers are assigned to various management committees that provide the leadership and execution of the vision and policies approved by the bank's board of directors. The bank's business objectives are driven for most part by the day-to-day directions decided by these management committees with approvals and notation by the various board level committees as follows (see Figure 1):

Board of Directors	President & CEO
<ul style="list-style-type: none"> • Corporate Governance Committee • Board Audit and Compliance Committee • Risk Oversight Committee • Board Oversight Committee - Domestic and Foreign Offices/Subsidiaries • Board Oversight RPT Committee • Board Policy Committee • Executive Committee • Trust Committee • Board Information Technology Governance Committee 	<ul style="list-style-type: none"> • Senior Management Credit Committee • Senior Management Team Committee • Acquired Assets Disposal Committee • Operations Committee • Administrative Investigation Committee • Bids and Awards Committee • IT Evaluation Committee • Asset Liability Committee (with sub committee on Capital Management) • Anti-Money Laundering Review Committee • IT Management Committee • Product Committee • PNB Retirement Fund Board • Promotions Committee • Branch Site Selection Committees • Asset Disposal Committee • Selection Committee for Expatriate Personnel • Committee on Accreditation of Overseas Remittance Agent (CAORA) • Committee on Decorum and Investigation

Figure 1: Board & Management Committees

While the first line of defense in risk management lies primarily on the bank's risk taking units as well as the bank's support units, the Risk Management Group is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained. The Risk Management Group (RMG) is independent from the business lines and is organized in 7 divisions: Credit Risk Management Division, ICAAP & BASEL Implementation Division, Market Risk & ALM Division, Operational Risk Management Division, Information Security and Technology Risk Division, Trust Risk Division and Business Intelligence & Data Warehouse Division.

Each division monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audits & compliance testing, to measure the effectiveness and suitability of the risk management structure. RMG also functions as the Secretariat to the Risk Oversight Committee which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the bank in its ICAAP document. Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at the moment of origination.

Risk Categories and Definitions

Amongst the emerging risks, that the bank faces - are those revolving around information security & outsourcing:

1. Cyber Attacks - Cyber security experts have raised the alarm on their top security risks involving the use of identify-theft mechanisms and corporate hacking attacks. They have raised the highest alarms on the increasing incidences of malware attacks; "internet of things" (IoT) vulnerabilities – where the increased in devices connected to the internet have grown by leaps and bounds; cyber-corporate espionage. Still the weakest link would be people as the cyber threats involving use of social engineering can lead to vulnerabilities that will result to negative financial impact to both client and the bank. As more activity moves to digital platforms, the risk only increases.

PNB has institutionalized various risk mitigating tools and activities to minimize, if not, totally eliminate the said cyber threats – installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet), logs review thru Security Information & Event Management (SIEM). The Bank has also implemented segmentation to control access within a given segment. Policy on regular change of password is implemented to prevent password guessing or unauthorized access. Policy on password tries is limited to prevent brute-force attack. Continuous education / InfoSec Awareness are also conducted thru classroom orientation, email blast and posters.

2. ATM Skimming - where the bank's clients are exposed to threats of financial losses due to compromise of ATM machines. PNB and other banks' machines are installed with devices to cloning of ATM card which illegally copies account details. Fraudsters use the details to create a fake or 'cloned' card and proceed to withdraw money from ATM Machines.

PNB has institutionalized alert mechanism to immediately inform the clients of probable compromise and block the accounts for immediate client protection. The clients are then requested to confirm with their PNB branch of account to re-issue "cleaned" cards. Further, the bank has implemented the ATM SAFE product which provides insurance protection to clients for cases like these, among others. The same ATM SAFE product has been recognized by government authorities & regulators as innovative product for the client protection.

A very useful monitoring tool implemented by the bank is the OTP (one-time-password) for clients who access their accounts via the bank's **Internet Banking** facilities. The tool has significantly reduced the risk of account takeover and unauthorized transactions.

3. Credit Card Skimming - where bank credit card holders are exposed to threats of financial losses due to theft of credit card details to create fake and "cloned" credit cards. Fraudsters then use these fake cards to purchase items which will be charged to the legitimate credit card holder. Skimming occurs most frequently at retail outlets that process credit card payments -particularly bars, restaurants and gas stations.

A similar mode of card details' theft occurs in *Credit Card Not Present* – where bank credit card holders are exposed to threats of financial losses due to theft of credit cards details which are used by perpetrators / fraudsters for unauthorized bulk purchase goods online which will be charged to the legitimate credit card holder. Theft of card details usually occurs in retail outlets – particularly bars, restaurants, gas stations, etc.

PNB's Credit Card Division continues to provide awareness memoranda, via various media channels (e.g., including information security advisory thru SOA, website, email, etc.) to increase client awareness to protect their identity for credit cards. The bank has institutionalized an SMS alert to clients to inform them of their use of said cards and enjoining clients to immediately report untoward activities. The bank has also implemented the OTP (one-time-password) application where online purchases are allowed after the legitimate card holder keys in an OTP – received via SMS to their mobile number on record from the bank.

Further the bank has embarked on the EMV project where identity chips will replace the outdated magnetic strips. This is expected to go-live by late 2016.

4. Outsourcing / Vendor Management – As more services are continually slated for outsourcing – from the traditional (i.e. armored car services) to the new trends (i.e. IT outsourced services, mobile platform providers, customer care, business processes) banks are growing skeptical that that providers will be able deliver the same type of quality as does the business owners. Further, there also runs the risk the vendor provider of the outsourced service would not be a continually viable and consistent provider as the outsourced business expands. PNB has instituted a working Vendor Management Policy to ensure regular assessment, review and accreditation process is performed according to the Service Level Agreements. Providers are also run through tight background checks and contracts are thoroughly scrutinized by the bank's legal counsel.

We broadly classify and define risks into the following categories, and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2014 program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market.	Value at Risk Utilization Results of Marking to Market Risks Sensitivity/Duration Report Exposure to Derivative/Structured Products	VAR Limits Stop Loss Limits Potential Loss Alerts ROP Exposure Limit Limit to Structured Products 30-day AFS Holding Period Traders' Limit Exception Report on Rate Tolerance
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract.	Loan Portfolio Analysis Credit Dashboards	Trend Analysis (Portfolio / Past Due and NPL Levels Regulatory and Internal Limits Stress Testing Rapid Portfolio Review CRR Migration Movement of Portfolio Concentrations and Demographics Review Large Exposure Report Counterparty Limits Monitoring Adequacy of Loan Loss Reserves Review

Country Risks	Country risk refers to uncertainties arising from economic, social and political conditions of a country which may cause obligors in that country to be unable or unwilling to fulfill their external obligations	Risk identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk)	Country Risk Limits Monitoring Limits to Exposures to ROPs Limits to exposures on CLNs and Structured Products
Operational Risk	Operational risk is the current and prospective risk to earnings or capital arising from fraud, error, and the inability to deliver products or services, maintain a competitive position, and manage information. It encompasses: product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.	Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment Major Integration Factors considered: Products Technology People Policies and Processes Stakeholders (including customer and regulators)	Internal Control Board Approved Operating Policies and Procedures Manuals Board Approved Product Manuals Loss Events Report (LER) Risk and Control Self-Assessment (RCSA) Key Risk Indicators (KRI) Business Continuity Management (BCM) Statistical Analysis
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from an FI's inability to meet its obligations when they come due.	Funding Liquidity Plan Liquidity Ratios Large Fund Providers MCO Liquid Gap Analysis	MCO Limits Liquid Assets Monitoring Stress testing Large Fund Provider Analysis Contingency Planning
Interest Rate Risk in the Banking Books (IRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. The	Interest Rate Gap Analysis Earnings at Risk Measurement	EAR Limits Stress Testing Balance Sheet Profiling Repricing Gap Analysis

	amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Circ 510, dated 03 Feb 2006)		
Included in the Operational Risks:			
Process Management Risk	Process Management Risk is the current and prospective risk to earnings or capital arising from poor or failed transaction processing or poor management of the process. These losses could be due to individual mistakes or due to a poor process itself.	<p>Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk)</p> <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p> <p>Major Integration Factors considered: Products Technology People Policies and Processes Stakeholders (including customer and regulators)</p>	<p>Internal Control Board Approved Operating Policies and Procedures Manuals Board Approved Product Manuals Loss Events Report (LER) Risk and Control Self-Assessment (RCSA) Key Risk Indicators (KRI) Business Continuity Management (BCM) Statistical Analysis</p>
Technology (including Information Security Risks / Technology Integration – delay in Core Banking Project Implementation)	Information Technology Risk is a business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank (ISACA Risk IT Framework). IT Risk results to Information Security Risk since the risk would somehow result to non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and		<p>Risk Asset Register Incident Reporting Management Information Security Policy Formulation Project Management Framework Risk Assessment Project Progress Reporting Approvals for major scope changes Risk Assessment for new/upgrade of information / automated systems</p>

	<p>availability of information asset (NIST IR 7298 Revision 2). Technology Integration risk is another aspect and is defined as the negative impact on the organization for the possible delay or failure of the institution to integrate its various systems application, such as the Core Banking implementation. It also includes the risk of delay in appropriate servicing of clients requirements to maintain competitiveness in the market & prevent reputational risks.</p>		<p>Harmonization Timeline Tracking</p>
Strategic Risks	<p>Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.</p>		<p>Management Profitability Reports Benchmarking vis-a-vis Industry, Peers Economic Forecasting</p>
Customer Franchise & Reputational Risk	<p>Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. Customer franchise risk is defined as the failure to find, attract, and win new clients, nurture and</p>		<p>Account Closures Report Service Desk Customer Issues Report Evaluation/ Risk Mitigation of negative media coverage Review of Stock Price performance</p>

	retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services.		
Litigation Risk (under Legal Risk)	Litigation risk is the likelihood or possibility that the Bank will suffer a financial loss due to payment of damages or other form of financial sanction as a result of losing a case, whether in a litigious or non-litigious setting. Litigation risk focuses on the completeness and timeliness of filing of various pleadings before appropriate courts and other administrative or adjudicatory bodies in connection with cases or actions filed for and against the Bank.		Status of Legal Cases >Ph50MM at risk Review of pending tax assessment/s Adequate provisioning for probable losses Issuance of circulars, tax guidelines and procedures
Natural Events (including Man-made) Risks	Natural Events Risk is the current and prospective risk to earnings or capital arising from natural catastrophes considered as costly events causing business disruption such as fire, earthquake, typhoon, flood, any form of terrorist acts, etc.		Implementation of the BCP Program to include the completion of Call Tree Exercise, Business Impact Analysis, Risk Assessment of Threats to Business, Table Top and BCP Testing by all units of the group Continuous Upgrade / Update

			of the Disaster Recovery Program under the auspices of IT Group
New Regulations Risk (under Compliance Risk)	New Regulations Risk is the current and prospective risk to earnings or capital arising from highly regulated jurisdiction and when rules and regulations are constantly changing. It is an important qualitative risk which must be monitored and managed, as regulatory sanctions from non-compliance, especially in extreme cases, may involve not just mere loss of reputation or financial penalties, but in extreme cases, a revocation of the banking charter or franchise (BAP Risk Manual, P103).	Compliance Visitation/testing of operating units Compliance checklist/testing questionnaires Project Implementation Monitoring (particularly for data aggregation and reporting compliance) Risk Supervision Guidelines RCSA Matrix for operating and non-operating units; Discussions and deliberations of updates to compliance for new regulations by the Board of Directors and the different Board Committees; IAGs Audit Rating System / Review for compliance to new regulations Other activities that may measure and record the results of compliance with banking laws, rules and regulations	Circularization of new laws, circulars and regulations; Creation of Adhoc task Forces to perform gap analysis on compliance and subsequent planned activities for implementation Issuance of internal general and selected circulars by the implementing office; Information awareness campaigns for new regulations and impact to products, services, processes

5. **Segment Information**

Business Segments

The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group's business segments follow:

Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;

Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers; and

Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of T-bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

Other Segments - include Global Filipino Banking Group, Trust Banking Group, Domestic Subsidiaries, Insurance, Leasing, Remittances and other support services. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on a pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD and Senior Management Team (SMT) is based on the Regulatory Accounting Principles (RAP) submitted to the BSP in compliance with the reportorial requirements under the Financial Reporting Package (FRP) for banks, which differ from PFRS. Significant differences arose from the manner of provisioning for impairment and credit losses, measurement of investment properties and the fair value measurement of financial instruments. The report submitted to SMT represents only the results of operation for each of the reportable segment.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

	March 31, 2016					Total
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	
Net interest margin						
Third party	₱188,414	₱ 3,604,074	₱799,149	₱25,478	₱38,148	₱ 4,655,263
Inter-segment	1,177,300	(1,371,558)	194,258	–	–	–
Net interest margin after inter-segment transactions	1,365,714	2,232,516	993,407	25,478	38,148	4,655,263
Other income	1,064,287	2,487,807	207,830	683,076	(167,089)	4,275,911
Segment revenue	2,430,001	4,720,323	1,201,237	708,554	(128,941)	8,931,174
Other expenses	1,822,878	213,717	51,371	587,273	322,740	2,997,979
Segment result	₱ 607,123	₱4,506,607	₱1,149,866	₱ 121,280	(₱451,681)	5,933,195
Unallocated expenses						(2,372,981)
Net income before income tax						3,560,214
Income tax						(953,249)
Net income from continuing operations						2,606,965
Non-controlling interests						(34,129)
Net income for the year attributable to equity holders of the Parent Company						₱2,572,836
Other segment information						
Capital expenditures	₱ 244,961	₱1,357	₱121	₱103,065	₱–	₱ 349,504
Unallocated capital expenditure						106,413
Total capital expenditure						₱455,917
Depreciation and amortization	₱ 147,695	₱ 25,503	₱ 942	₱ 128,201	₱ 32,013	₱ 334,354
Unallocated depreciation and amortization						30,721
Total depreciation and amortization						₱365,075
Provision for (reversal of) impairment, credit and other losses	₱ 44,658	(₱114,537)	₱10,102	₱930	₱163,470	₱104,623

	As of March 31, 2016					Total
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	
Segment assets	₱60,795,578	₱279,003,199	₱207,903,063	₱ 284,409,030	(₱133,670,192)	₱698,440,678
Unallocated assets						667,344
Total assets						₱ 699,108,022
Segment liabilities	₱346,114,966	₱52,285,624	₱53,674,307	₱162,139,817	(₱134,181,943)	₱480,032,771
Unallocated liabilities						111,023,299
Total liabilities						₱591,056,070

Three Months Ended March 31, 2015						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Interest income	₱ 1,103,800	₱ 2,911,219	₱ 1,032,688	₱ 32,240	₱ 28,680	₱ 5,108,627
Interest expense	618,804	102,577	273,899	3,063	(31,869)	966,474
Net interest margin	484,996	2,808,642	758,789	29,176	60,552	4,142,153
Other income	686,977	585,015	336,641	905,510	(207,176)	2,306,969
Other expenses	1,766,371	212,979	50,060	390,168	59,974	2,479,551
Segment result	(594,398)	3,180,678	1,045,370	544,518	(206,597)	3,969,571
Inter-segment						
Imputed income	₱ 943,443	₱-	₱-	₱-	₱-	₱ 943,443
Imputed cost	-	(824,699)	(118,744)	-	-	(943,443)
Segment result to third party	₱ 349,045	₱ 2,355,979	₱ 926,625	₱ 544,518	₱ (206,597)	₱ 3,969,571
Unallocated expenses						2,313,097
Net income before share in net income of an associate and income tax						
Share in net income of an associate						
Net income before income tax						1,656,474
Income tax						414,770
Net income						1,241,704
Non-controlling interest						40,477
Net income for the year attributable to equity holders of the Parent Company						₱ 1,201,227
Other Segment Information						
Capital expenditures	₱ 219,715	₱ 3,080	₱ 1,332	₱ 63,921	₱-	₱ 288,048
Depreciation and amortization	₱ 95,887	₱ 38,851	₱ 1,894	₱ 173,931	₱ 38,524	₱ 349,087
Unallocated depreciation and amortization						23,985
Total depreciation and amortization						₱ 373,072
Provision for impairment, credit and other losses	₱ 17,673	₱ (343,791)	₱-	₱ 1,271	₱ 484,049	₱ 159,202

* The eliminations and adjustments column mainly represent the RAP to PFRS adjustments

As of December 31, 2015						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱ 70,842,231	₱ 278,330,998	₱ 192,617,758	₱ 273,895,363	(₱ 138,148,929)	₱ 677,537,421
Unallocated assets						2,150,316
Total assets						₱ 679,687,737
Segment liabilities	₱ 328,801,574	₱ 51,043,083	₱ 50,222,776	₱ 189,688,815	(₱ 137,664,873)	₱ 482,091,375
Unallocated liabilities						92,840,501
Total liabilities						₱ 574,931,876

* The eliminations and adjustments column mainly represent the RAP to PFRS adjustments

Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in five (5) principal geographical areas of the world. The distribution of assets, liabilities and credit commitments items as of March 31, 2016 and December 31, 2015 and capitalized expenditures and revenues for the three month periods ended March 31, 2016 and March 31, 2015 by geographic region of the Group follows:

	Non Current Assets		Liabilities		Credit Commitments	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Philippines	₱ 291,697,739	₱ 325,295,519	₱563,402,680	₱ 550,838,120	₱ 16,930,633	₱16,083,883
Asia (excluding Philippines)	5,577,582	5,348,679	23,484,331	20,378,499	83,230	465,026
USA and Canada	62,977,110	17,493,794	3,767,342	3,661,259	472,135	796
United Kingdom	1,375,506	9,535	401,717	53,998	–	–
	₱ 361,627,937	₱ 348,147,527	₱591,056,070	₱574,931,876	₱17,485,998	₱16,549,705

	Capital Expenditures		Revenues	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Philippines	₱ 450,519	₱285,103	₱9,432,234	₱ 6,829,822
Asia (excluding Philippines)	519	2,939	379,031	302,572
USA and Canada	4,879	6	154,087	139,585
United Kingdom	–	–	37,651	39,107
Other European Union Countries	–	–	–	–
	₱455,917	₱288,048	₱10,003,003	₱ 7,311,086

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

The areas of operations include all the business segments.

6. Due from BSP

As of March 31, 2016 and December 31, 2015, 5.37% and 8.69% of the Parent Company's Due from BSP are placed under the SDA with the BSP. Those SDAs bear interest at annual interest rates of 2.5% as of March 31, 2016 and annual interest ranging from 2.00% to 2.50% as of December 31, 2015.

7. Trading and Investment Securities

The Group has the following trading and investment securities:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Financial assets at FVPL	1,887,600	₱4,510,545
AFS investments	70,295,407	68,341,024
HTM investments	23,019,692	23,231,997
	95,202,699	₱96,083,566

Financial Assets at FVPL

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Held-for-Trading:		
Government securities	₱1,129,940	₱3,968,214
Private debt securities	210,492	143,800
Derivative assets	376,496	181,348
Equity securities	153,411	199,922
	1,870,339	4,493,284
Designated at FVPL:		
Segregated fund assets	-	17,261
Investment in UITF	17,261	-
	₱1,887,600	₱4,510,545

AFS Investments

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Government securities	₱42,054,276	₱45,260,397
Private debt securities	27,441,724	22,252,980
Equity securities - net of allowance for impairment losses of ₱0.9 billion	799,407	827,647
	₱70,295,407	₱68,341,024

Trading and investment securities gains - net

This account consists of:

	Three Months Ended	
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Financial assets at FVPL:		
Held-for-trading	₱67,783	₱(19,695)
Derivatives	(2,093)	(22,670)
Designated at FVPL	-	-
AFS investments		
Government securities	143,369	136,023
Other debt securities	131,605	129,270
Equity securities	-	-
Financial liabilities at FVPL:		
Derivative liabilities	-	-
Designated at FVPL	-	-
	₱340,664	₱222,928

8. Loans and Receivables

This account consists of:

	Consolidated	
	March 31, 2016	December 31, 2015
Receivable from customers:		
Loans and discounts	₱333,830,814	₱333,910,923
Customers' liabilities on letters of credit and trust receipts	8,312,807	10,501,665
Credit card receivables	5,465,154	5,363,750
Bills purchased	3,576,480	3,832,905
Lease contracts receivable	3,684,405	3,686,791
Customers' liabilities on acceptances	889,805	344,816
	355,759,466	357,640,850
Less unearned and other deferred income	₱2,013,528	₱1,834,517
	353,745,938	355,806,333
Unquoted debt securities	4,356,543	4,245,069
Other receivables:		
Accounts receivable	7,315,813	8,212,190
Sales contract receivables	6,805,982	5,491,409
Accrued interest receivable	4,927,993	4,968,236
Miscellaneous	432,862	429,923
	19,482,650	19,101,758
	377,585,131	379,153,160
Less allowance for credit losses	13,427,320	13,428,014
	₱364,157,811	₱365,725,146

	Consolidated			
	March 31, 2016		December 31, 2015	
	Carrying Amount	%	Carrying Amount	%
Primary target industry:				
Wholesale and retail	₱ 51,410,072	14.45	₱51,740,591	14.47
Electricity, gas and water	51,313,546	14.42	49,944,409	13.96
Manufacturing	34,355,623	9.66	42,115,959	11.78
Financial intermediaries	47,238,817	13.28	38,910,047	10.88
Transport, storage and communication	28,761,508	8.08	29,358,316	8.21
Public administration and defense	25,898,417	7.28	26,128,861	7.31
Agriculture, hunting and forestry	6,058,069	1.70	6,211,092	1.74
Secondary target industry:				
Real estate, renting and business activities	44,386,365	12.48	45,723,378	12.78
Construction	10,107,155	2.84	11,697,215	3.27
Others	56,229,894	15.81	55,810,982	15.60
			₱	
	₱ 355,759,466	100.00	357,640,850	100.00

The information (gross of unearned and other deferred income and allowance for credit losses) relating to receivable from customers as to secured and unsecured and as to collateral follows:

	Consolidated			
	March 31, 2016		December 31, 2015	
	Carrying Amount	%	Carrying Amount	%
Secured:				
Real estate mortgage	₱ 49,774,371	13.99	₱57,028,872	15.94
Chattel mortgage	13,864,049	3.90	17,162,402	4.80
Bank deposit hold-out	5,870,766	1.65	1,924,828	0.54
Shares of stocks	4,500	0.00	889,340	0.25
Others	27,945,027	7.86	30,352,753	8.49
	97,458,715	27.39	107,358,195	30.02
Unsecured	258,300,751	72.61	250,282,655	69.98
	₱355,759,465	100.00	₱357,640,850	100.00

9. Property and Equipment

For the three months ended March 31, 2016, the Group purchased assets with a cost of ₱413.2 million and disposed assets with book value of ₱79.6 million.

As of December 31, 2015 the Group purchased assets with a cost of ₱4.2 billion and disposed assets with net book value of ₱520.8 million.

10. Investment Properties

For the three months ended March 31, 2016, the Group received foreclosed assets with a fair value of ₱152.3 million as settlement of the NPLs and disposed assets with net book value of ₱895.2 million.

As of December 31, 2015, the Group received foreclosed assets with a fair value of ₱0.5 billion and disposed assets with net book value of ₱3.4 billion.

As of March 31, 2016 and December 31, 2015, the balance of accumulated impairment losses on investment properties amounted to ₱3.2 billion and ₱ 3.3 billion, respectively.

The aggregate fair value of the Group's investment properties as of March 31, 2016 and December 31, 2015 amounted to ₱19.4 billion and ₱24.6 billion, respectively. The fair values of the Group's investment properties have been determined by the appraisal method on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made.

11. Financial Liabilities

Bills and Acceptances Payable

Foreign currency-denominated borrowings of the Group and the Parent Company bear annual interest ranging from (-2.65%) to 2.50% and from (-0.01%) to 2.50% as of March 31, 2016 and December 31, 2015, respectively.

Peso-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.625% to .625%, from 0.38% to 0.88% as of March 31, 2016 and December 31, 2015, respectively.

The Parent Company's bills payable to BSP includes the transferred liabilities from Maybank amounting to ₱1.8 billion as of March 31, 2016 and December 31, 2015.

As of March 31, 2016, bills payable with a carrying amount of ₱15.2 billion is secured by a pledge of certain AFS with fair value of ₱9.6 billion and HTM investments with fair value of ₱10.3 billion.

As of December 31, 2015, bills payable with a carrying amount of ₱12.8 billion is secured by a pledge of certain AFS with carrying value and fair value of ₱8.5 billion and HTM investments with carrying value and fair value of ₱7.0 billion and ₱7.5 billion, respectively.

Subordinated Debt

5.875% ₱3.5 Billion Subordinated Notes

On May 9, 2012, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱3.5 billion that qualify as Lower Tier 2 capital. EIR on this note is 6.04%.

Significant terms and conditions of the subordinated notes follow:

- (1) The 2012 Notes bear interest at the rate of 5.88% per annum from and including May 9, 2012 to but excluding May 9, 2022. Interest will be payable quarterly in arrears on the 9th of August, November, February and June of each year, commencing on May 9, 2012, unless the 2012 Notes are redeemed at a redemption price equal to 100.00% of the principal amount on May 10, 2017, call option date.
- (2) Each noteholder, by accepting the 2012 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2012 Notes.

6.75% ₱6.5 Billion Subordinated Notes

On May 15, 2011, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱6.5 billion that qualify as Lower Tier 2 capital. EIR on this note is 6.94%.

Significant terms and conditions of the subordinated notes follow:

- (1) The 2011 Notes bear interest at the rate of 6.75% per annum from and including June 15, 2011 to but excluding June 15, 2021. Interest will be payable quarterly in arrears on the 15th of September, December, March and June of each year, commencing on June 15, 2011, unless the 2011 Notes are redeemed at a redemption price equal to 100.00% of the principal amount on June 16, 2016, call option date.
- (2) Each noteholder, by accepting the 2011 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2011 Notes.

12. Equity

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares		Amount	
	March 31, 2016 (Unaudited) (Three Months)	December 31, 2015 (Audited) (One Year)	March 31, 2016 (Unaudited) (Three Months)	December 31, 2015 (Audited) (One Year)
Common - ₱40 par value				
Authorized	1,750,000,001	1,750,000,001	70,000,000	70,000,000
Issued and Outstanding				
Balance at the beginning of the period	1,249,139,678	1,249,139,678	49,965,587	49,965,587
Issued during the period	-	-	-	-
	1,249,139,678	1,249,139,678	49,965,587	49,965,587
Parent Company Shares Held by a Subsidiary	(120,000)	(120,000)	(9,945)	(9,945)
	1,249,019,678	1,249,019,678	₱49,955,642	₱49,955,642

Stock Rights Offering

The Parent Company has successfully completed its stock rights offering of common shares following the closure of the offer period on February 3, 2014. A total of 162,931,262 Rights Shares were issued to Eligible Shareholders at a proportion of a fifteen Rights Share for every one hundred existing Common Shares held as of the record date of January 16, 2014 at the Offer price of ₱71.00 per Right Share. 33,218,348 common shares were listed on February 11, 2014 while the remaining shares were listed on July 25, 2014.

The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. The Offer strengthens the Group's capital position under the Basel III standards, which took effect on January 1, 2014.

Regulatory Qualifying Capital

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The Parent Company has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

The Group and its individually regulated subsidiaries/operations have complied with all externally imposed capital requirement throughout the reporting period.

Restrictions to Amounts for Dividend Declaration

Surplus and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱9.0 billion which represents the balances of accumulated translation adjustment and revaluation increment from land that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and BSP.

Financial Performance

The following basic ratios measure the financial performance of the Group for the periods ended March 31, 2016 and March 31, 2015 (amounts in millions):

	March 31, 2016 (Unaudited) (Three Months)	March 31, 2015 (Unaudited) (Three Months)
Return on average equity (a/b)	9.8%	5.1%
a.) Net income	₱2,607	₱1,242
b.) Average total equity 1/	106,686	98,839
Return on average assets (c/d)	1.5%	0.8%
c.) Net income	₱2,607	₱1,242
d.) Average total assets 1/	689,398	623,028
Net interest margin on average earning assets (e/f)	3.2%	3.2%
e.) Net interest income	₱4,775	₱4,252
f.) ADB of interest earning assets	604,389	544,180

1/ Average balances were the sum of previous year-end balance and monthly ending balances divided by the number of months in the current period plus 1.

13. Miscellaneous Income and Expense

Miscellaneous income consists of:

	Three Months Ended	
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Rental and leasing income	₱93,437	₱92,331
Recoveries from SPV	500,000	-
Sales deposit forfeiture	2,444	2,788
Recoveries	12,646	90,582
Legal Department Income	556	3,613
Referral and trust fees	1,083	503
Dividend - others	1,303	797
Others	67,266	108,956
	678,735	₱299,570

Miscellaneous income includes penalty charges, dividend income and other miscellaneous income.

Miscellaneous expenses consist of:

	Three Months Ended	
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Insurance	₱280,155	₱ 264,525
Security, clerical, messengerial	274,324	164,464
Information technology	92,412	106,720
Management and professional fees	80,281	38,363
Transportation and travel	55,931	39,908
Stationery and supplies used	72,065	24,147
Litigation	81,593	53,633
Repairs and maintenance	10,687	29,992
Postage, telephone and telegram	48,149	31,910
Freight	7,748	5,755
Entertainment and representation	33,401	5,114
Fuel and lubricants	5,906	4,485
Marketing expenses	243,403	59,262
Real property disposition	3,232	8,871
Others	69,278	63,895
	₱1,358,565	₱901,044

14. Income Taxes

Provision for income tax consists of:

	Three Months Ended	
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Current		
Regular	₱ 824,144	₱ 294,582
Final	94,966	118,316
	919,110	412,898
Deferred	34,139	1,872
	₱953,249	₱ 414,770

15. Earnings Per Share

The earnings per share of the Group, attributable to equity holders of the Parent Company, are calculated as follows:

	Three Months Ended	
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
a) Net income attributable to equity holders of the Parent Company	₱2,572,835	₱1,201,227
b) Weighted average number of common shares for basic earnings per share	1,249.020	1,249,140
c) Basic and diluted earnings per share (a/b)	₱2.06	₱0.96

There are no potential common shares that would dilute the earnings per share.

16. Related Party Transactions

In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Parent Company's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the Parent Company's total loan portfolio, whichever is lower. As of March 31, 2016 and December 31, 2015, the Parent Company was in compliance with such regulations.

The information relating to the DOSRI loans of the Group follows:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Total Outstanding DOSRI Accounts*	₱9,587,410	₱7,681,274
Percent of DOSRI accounts to total loans	2.69%	2.14%
Percent of unsecured DOSRI accounts to total DOSRI accounts	2.69%	2.14%
Percent of past due DOSRI accounts to total DOSRI accounts	2.69%	2.14%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	0.01%	0.02%

*Includes outstanding unused credit accommodations of ₱173.5 million as of March 31, 2016 and ₱291.5 million as of December 31, 2015.

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of a bank's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

Details on significant related party transactions of the Group follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

March 31, 2016

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		₱569,478	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.13%
Interest expense	₱1,499		Interest expense on deposits
Net deposits	338,819		Net deposits during the period
Subsidiaries			
Receivables from customers		1,748,667	Term loan maturing in 2014 with 3.85% nominal rate; Revolving credit lines with interest rates of 3.00% maturity of three months; Unsecured
Loan commitments		1,263,848	Money market line; pre-settlement risk
Investment in non-marketable equity securities		269,719	Common shares with acquisition costs ranging from P5.0 to P100.0 per share
Interbank loans receivable		144,061	Foreign currency-denominated interbank term loans with interest rates ranging from 0.03% to 0.35% and maturity terms ranging from 15 to 150 days.
Availments	434,692		
Settlements	448,823		
Due from other banks		7,151,151	Foreign currency-denominated demand deposits and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50%.
Accrued interest receivable		26,177	Interest accrual on receivables from customers and interbank loans receivable
Accounts Receivable		15,417	Advances to finance remittance cover.
Deposit liabilities		6,388,400	Peso-denominated and foreign currency-denominated demand and savings deposits with annual interest rates ranging from 0.10% to 2.35%; Foreign currency-denominated time deposits with annual interest rates ranging from 0.62% to 1.25% and maturity terms of 30 days.
Bills payable		3,881,278	Foreign currency-denominated bills payable with interest rates ranging from 0.20% to 2.50% and maturity terms ranging from 30 to 365 days
Availments	16,055,879		
Settlements	14,077,067		
Due to other banks		173,094	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accrued interest payable		26,719	Accrued interest on deposit liabilities and bills payable
Rental deposit		202	Advanced rental and security deposits received for two and three months
Other liabilities		461	Various manager's check related to premium insurance
Interest income	58,863		Interest income on receivable from customers, due from other banks and interbank loans receivable
Interest expense	45,597		Interest expense on deposit liabilities and bills payable
Rental income	10,948		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Dividend income	1,578		Dividend income related to dividend declaration of subsidiaries
Fees and commission income	169,149		Income from client referrals and professional fees on service agreements with Legal Group
Rental expense	22,065		Monthly rent payments to related parties with terms ranging from 24 to 240 months.
Miscellaneous income	27,902		Premiums collected
Miscellaneous expense	10,692		Claims expense and comprehensive insurance
Securities transactions			
Purchases	239,078		Outright purchase of securities
Sales	327,055		Outright sale of securities
Trading gains	111		Loss from sale of investment securities
Loan releases	1,242,000		Loan drawdowns
Loan collections	1,372,000		Settlement of loans and interest

March 31, 2016

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Net deposits	421,346		Net deposits during the period
Affiliates			
Receivables from customers		₱27,231,567	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.82% to 6.00, maturity terms ranging from 90 days to 12 years and payment terms ranging from monthly to quarterly payments.
Loan commitments		35,427,056	Omnibus line; Approved credit lines
Sales contract receivable		2,360,178	Purchase of the Parent' Company's investment properties on installment; secured with interest rate of 6.00%, maturity term of five years
Accrued interest receivable		24,528	Accrued interest on receivables from customers
Deposit liabilities		7,804,398	Peso-denominated and foreign currency-denominated demand and savings deposits with annual interest rates ranging from 0.10% to 1.50%; Peso-denominated and foreign currency-denominated time deposits with annual interest rates ranging from 0.88% to 1.75% and maturity terms ranging from 30 days to 365 days.
Accrued interest payable		140	Accrued interest payable from various deposits
Other liabilities		437	Various manager's check related to EISP and premium insurance
Rental income	₱ 18,142		Rental income on operating lease with term of 10 years
Rental expense	2,757		Rent payments on operating leases with term ranging from 24 to 240 months
Interest income	173,639		Interest income on receivable from customers
Interest expense	13,065		Interest expense on deposit liabilities
Gain on sale of investment properties	1,281,742		20.00% to 30.00% downpayment; 80.00% to 70.00% balance payable in 5 years. Interest bearing at 6.00%
Service fees and commission income	18,758		Income on insurance premiums collected
Service fees and commission expense	192		Claims expense, comprehensive insurance, service and referral fees
Loan releases	11,914,526		Loan drawdowns
Loan collections	2,851,582		Settlement of loans and interest
Net deposits	385,548		Net deposits during the period
Key Management Personnel			
Loans to officers		16,494	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan releases	-		Loan drawdowns
Loan collections	503		Settlement of loans and interest
Transactions of subsidiaries with other related parties			
Receivable from customers		₱80,000	Short-term loan with interest rate of 3.00% with maturity of three months
Accrued interest receivable		463	Interest accrual on receivables from customers
Due from other banks		413,254	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities up to 90 days
Deposit liabilities		413,274	Peso-denominated savings and time deposits with annual interest rates ranging from 0.10% to 2.35%
Bills payable		80,000	Peso-denominated bills payable with interest rate of 3.00% and maturity of three months
Accrued interest payable		58	Accrued interest payable on bills payable
Interest income	₱2,017		Interest income on receivable from customers
Interest expense	1,830		Interest expense on bills payable

Category	2015		Nature, Terms and Conditions
	Amount/ Volume	Outstanding Balance	
Significant Investors			
Deposit liabilities		₱230,659	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.13%
Interest expense	₱16,406		Interest expense on deposits
Net withdrawals	4,743,187		Net withdrawals during the period
Subsidiaries			
Receivables from customers		1,878,667	Term loan maturing in 2017 with 3.85% nominal rate; Revolving credit lines with interest rate of 3.00% maturity of three months; Unsecured
Loan commitments		566,497	Money market line; pre-settlement risk
Interbank loans receivable		158,192	Foreign currency-denominated interbank term loans with interest rates ranging from 0.03% to 0.35% and maturity terms ranging from 15 to 150 days
Availments	1,041,975		
Settlements	940,815		
Due from other banks		504,201	Foreign currency-denominated demand deposits and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50%.
Accrued interest receivable		3,923	Interest accrual on receivables from customers and interbank loans receivable
Deposit liabilities		5,967,054	Peso-denominated and foreign currency-denominated demand and savings deposits with annual interest rates ranging from 0.10% to 2.35%; Foreign currency-denominated time deposits with annual interest rates ranging from 0.62% to 1.25% and maturity terms of 30 days.
Bills payable		1,902,466	Foreign currency-denominated bills payable with interest rates ranging from 0.20% to 2.50% and maturity terms ranging from 30 to 365 days
Availments	3,296,949		
Settlements	3,648,952		
Due to other banks		252,997	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accrued interest payable		25,066	Accrued interest on deposit liabilities and bills payable
Rental deposit		10,637	Advanced rental and security deposits received for two and three months
Other liabilities		2	Various manager's check related to premium insurance
Interest income	57,385		Interest income on receivable from customers, due from other banks and interbank loans receivable
Interest expense	112,529		Interest expense on deposit liabilities and bills payable
Rental income	61,616		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Dividend income	180,000		Cash dividends
Fees and commission income	130,082		Income from client referrals and professional fees on service agreements with Legal Group
Miscellaneous income	716,247		Proceeds from fire insurance claims on the Ever Gotesco property
Securities transactions			
Purchases	3,141,507		Outright purchase of securities
Sales	3,410,775		Outright sale of securities
Trading gains	287		Gain from sale of investment securities
Loan releases	5,650,750		Loan drawdowns
Loan collections	9,982,760		Settlement of loans and interest
Net deposits	2,045,599		Net deposits during the period
Affiliates			
Receivables from customers		₱18,168,623	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.82%

March 31, 2016

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Loan commitments		6,340,087	to 6.00%, maturity terms ranging from 90 days to 12 years and payment terms ranging from monthly to quarterly payments.
Investment in non-marketable equity securities		269,719	Term loan with maturity in 2023; various short-term lines with expiry in 2016; counterparty line
Sales contract receivable		2,047,347	Common shares with acquisition costs ranging from ₱5.0 to ₱100.0 per share
Due from other banks		3,994,475	Purchase of the Parent Company's investment properties on installment; secured with interest rate of 6.00%, maturity term of five years
Accrued interest receivable		27,861	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Rental deposits		10,346	Accrued interest on receivables from customers
Deposit liabilities		7,418,850	Advance rental and security deposits received for two months, three months and two years
Accrued interest payable		57,058	Peso-denominated and foreign currency-denominated demand and savings deposits with annual interest rates ranging from 0.10% to 1.50%;
Other liabilities		666	Peso-denominated and foreign currency-denominated time deposits with annual interest rates ranging from 0.88% to 1.75% and maturity terms ranging from 30 days to 365 days.
Rental income	₱27,152		Accrued interest payable from various deposits
Rental expense	51,006		Various manager's check related to EIP and premium insurance
Interest income	337,899		Rental income on operating lease with term of 10 years
Interest expense	35,288		Rent payments on operating leases with term ranging from 24 to 240 months
Gain on sale of investment properties	369,000		Interest income on receivable from customers
Service fees and commission income	136,908		Interest expense on deposit liabilities
Service fees and commission expense	22,245		20.00% to 30.00% downpayment; 80.00% to 70.00% balance payable in 5 years. Interest-bearing at 6.00%
Securities transactions			Income on insurance premiums collected
Purchases	1,216		Claims expense, comprehensive insurance, service and referral fees
Sales	1,216		Outright purchase of securities
Trading gains	–		Outright sale of securities
Loan releases	15,858,440		Gain from sale of investment securities
Loan collections	8,888,360		Loan drawdowns
Net deposits	1,329,040		Settlement of loans and interest
Net deposits			Net deposits during the period
Key Management Personnel			
Loans to officers		16,998	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan releases	3,170		Loan drawdowns
Loan collections	2,246		Settlement of loans and interest
Other expenses	2,910		Payment of legal fees
Transactions of subsidiaries with other related parties			
Receivable from customers		₱80,000	Short-term loan with interest rate of 3.00% with maturity of three months
Accrued interest receivable		44	Interest accrual on receivables from customers
Investment in marketable equity securities		39,898	Various investments under management account placed with the TBG; composed of cash assets, deposits with the Parent Company, deposits with

March 31, 2016			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Bills payable		80,000	other banks and AFS government securities Peso-denominated bills payable with interest rate of 3.00% and maturity of three months
Accrued interest payable		90	Accrued interest payable on bills payable
Interest income	₱8,514		Interest income on receivable from customers
Interest expense	2,299		Interest expense on bills payable
Net insurance premiums	4,623		Income on insurance premiums collected
Net insurance benefits and claims	3,497		Claims expense, comprehensive insurance, service and referral fees

The related party transactions shall be settled in cash. There are no provisions for credit losses for the three-months ended March 31, 2016 and December 31, 2015 in relation to amounts due from related parties.

The Group accounts for its investments in OHBVI as a subsidiary although the Group holds less than 50.00% of OHBVI's issued share capital on the basis of the voting rights of 42.78% assigned by certain stockholders to the Parent Company under a voting trust agreement. There are no other transactions with OHBVI during the year.

The compensation of the key management personnel follows:

	Three Months Ended (In Thousand Pesos)	
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Short-term employee benefits	₱135,039	₱125,198
Post-employment benefits	13,292	11,961
	₱148,331	₱137,159

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance.

Joint Arrangements

The Parent Company and EPPI signed two Joint Venture Agreement (JVA) for the development of two real estate properties of the Parent Company included under 'Other assets' and with carrying values of ₱1.2 billion. EPPI and the Parent Company are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the Joint Venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Hence, there are no receivables from each party with respect to the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs. These joint arrangements qualify as joint operations under PFRS 11.

Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by the PNB Trust Banking Group (TBG). The fair values and carrying values of the funds of the Parent Company amounted to ₱3.9 billion and ₱3.8 billion as of March 31, 2016 and December 31, 2015, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets as of March 31, 2016 and for the year ended December 31, 2015 and for the three months ended March 31, 2016 and March 31, 2015 follows:

	Consolidated (in millions)	
	March 31, 2016	December 31, 2015
Investment securities:		
Held for trading	₱478,856	₱473,724
Available-for-sale	1,813,961	1,464,379
Held-to-maturity	–	–
Deposits with other banks	1,263,714	1,486,200
Deposits with PNB	350,669	342,722
Loans and other receivables	15,333	10,905
Total Fund Assets	₱ 3,922,532	₱3,777,930
Due to BIR	75	117
Trust fees payable	1,161	1,135
Total Fund Liabilities	1,236	1,251
	March 31, 2016	March 31, 2015
	(Unaudited)	(Unaudited)
	(Three Months)	(Three Months)
Interest income	₱27,990	₱24,029
Trading gains	–	–
Dividend income	–	360
Unrealized loss on HFT	5,132	(22,022)
Gains on sale of investment securities	–	–
Other Income	36,022	2,188
Fund Income	₱36,022	₱ 4,554
Trust fees	₱1,161	₱ 1,206
Other expenses	626	822
Fund Expense	₱1,787	₱2,028

As of March 31, 2016 and December 31, 2015, the retirement fund of the Group includes 9,008,864 PNB shares of the Parent classified under HFT. Such shares have a market value of ₱473 million and ₱468 million as of March 31, 2016 and December 31, 2015, respectively. No limitations and restrictions are provided and voting rights over these shares are exercised by a trust officer or any of its designated alternate officer.

As of March 31, 2016 and December 31, 2015, AFS and HTM investments include government and private debt securities and various funds. Deposits with other banks pertain to SDA placement with BSP. Loans and other receivables include accrued interest amounting to ₱11.4 million and ₱10.9 million as of March 31, 2016 and December 31, 2015, respectively, and income include interest on deposits with PNB amounting to ₱14.9 million and ₱11.2 million for the three months periods ended March 31, 2016 and 2015, respectively. Deposits with PNB under Prime Savings Account bear annual interest rate of 0.30% while deposits under PNBSB Power Earner bear annual interest rate of 4.5% and will mature on April 10, 2020. Investments are approved by an authorized fund manager or trust officer of TBG.

17. Contingent Liabilities and Other Commitments

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts:

	Consolidated	
	March 31, 2016	December 31, 2015
Trust department accounts	₱ 82,159,811	₱78,708,656
Derivative forwards	51,915,622	32,378,255
Standby letters of credit	24,599,199	22,031,604
Deficiency claims receivable	21,601,351	21,562,415
Credit card lines	16,493,184	15,725,684
Interest rate swaps	9,121,860	9,317,880
Derivative spots	4,201,575	5,526,044
Other credit commitments	974,377	974,377
Inward bills for collection	453,630	356,152
Outward bills for collection	342,034	320,428
Other contingent accounts	310,001	298,336
Confirmed export letters of credit	88,498	88,409
Unused commercial letters of credit	93,868	48,957
Shipping guarantees issued	13,652	10,033
Items held as collateral	1,131	42

18. Events After Reporting Date

None.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

SCHEDULE OF AGING OF LOANS RECEIVABLES*

(PSE Requirement per Circular No. 2164-99)

As of March 31, 2016

(In Thousand Pesos)

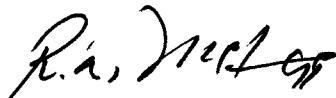
Current accounts (by maturity)	
Up to 12 months	137,067,935
over 1 year to 3 years	36,634,696
over 3 years to 5 years	38,342,648
over 5 years	135,179,940
Past due and items in litigations	<u>8,534,246</u>
Loans Receivables (gross)	355,759,465
Less:	
Unearned and Other deferred income	(2,013,528)
Allowance for credit losses	<u>(6,563,085)</u>
Loans Receivables (net)	<u><u>347,182,852</u></u>

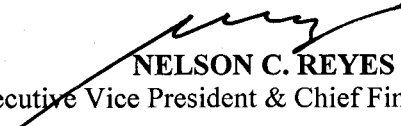
* includes loans and discounts, bills purchased, customers' liability under acceptances, letters of credits and trust receipts, lease contract receivable and credit card accounts.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILIPPINE NATIONAL BANK
Issuer


REYNALDO A. MACLANG
President


NELSON C. REYES
Executive Vice President & Chief Financial Officer

Date: May 2, 2016

Annex A**Selected Financial Ratios
For the Periods Indicated**

	03/31/2016	12/31/2015
Current Ratio	64.0%	66.7%
Liquid assets to total assets-net	35.8%	30.6%
Liquid assets to Liquid Liabilities	47.9%	42.1%
Debt to Equity	547.0%	548.8%
Assets to Equity	647.0%	648.8%
Book value per share	84.10 ^{1/}	81.45

	03/31/2016	03/31/2015
Interest Coverage	412.9%	272.6%
Profitability		
Return on average equity	9.8% ^{2/}	5.1%
Return on average assets	1.5%	0.8%
Net interest margin	3.2%	3.2%
Cost efficiency ratio	57.4%	70.6%
Basic Earnings per share	2.06	0.96

^{1/} Book value per share without goodwill - ₪ 73.39

^{2/} ROE without goodwill –11.2%