Office of the EVP and Chief Financial Officer

PNB

Direct Lines: 573-4074 Fax: 526-3416
Trunk Lines: 526-3131 to 70/891-6040 to 70
Locals: 4074,4499

November 4, 2015

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 corner 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 September 30, 2015.

Thank you,

Very truly yours,

NELSON C. REYES
EVP & Chief Financial Officer

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

Company's Full Name)

9 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

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

Ma. Victoria F. Abanto

Contact Person

891-60-40

Company Telephone Number

9 | **3 0**

Month *Day*

Fiscal Year

17 - Q

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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)

SEPTEMBER 30, 2015

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 THESECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter ended **September 30, 2015**

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	1,249,139,678[1/]

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

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 September 30, 2015 and December 31, 2014 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the nine months ended September 30, 2015 and September 30, 2014 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 2014 Audited Financial Statements except for the new, amendments and improvements to PFRS which became effective as of January 1, 2015.

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

A. Financial Condition

The Group's consolidated assets now stood at ₱653.5 billion as of September 30, 2015, 4.5% or ₱28.0 billion higher compared to ₱625.5 billion total assets reported as of December 31, 2014. Changes (more than 5%) in assets were registered in the following accounts:

- Loans and Receivables reached ₱334.9 billion, posting a growth of 5.9% or ₱18.6 billion compared to the ₱316.3 billion December 2014 level mainly due to loan releases implemented in the current year to various corporate borrowers.

- Available for Sale Investments and Held to Maturity Investment were higher at ₱85.9 billion and ₱24.4 billion as of September 30, 2015, respectively, from their ₱63.1 billion and ₱23.0 billion levels as of December 31, 2014, an improvement of ₱22.8 billion and ₱1.4 billion, respectively, due mainly to acquisition of various investments securities.

- Securities Held Under Agreements to Resell as of September 30, 2015 of ₱7.0 billion represents lending transactions of the Bank with the BSP.

- Investment Properties decreased by ₱4.4 billion from ₱20.2 billion as of December 31, 2014 to ₱15.8 billion as of September 30, 2015, due to the sale of ₱1.0 billion Heritage Park lots, the reclassification of ₱2.0 billion foreclosed properties to Bank Premises and disposal of P1.4 billion worth of foreclosed properties.

- Property and Equipment increased by ₱2.2 billion from ₱19.6 billion as of December 31, 2014 to ₱21.8 billion as of September 30, 2015 mainly due to the reclassification of foreclosed properties as discussed in previous paragraph which will be used as bank premises.

- Due from Other Banks and Interbank Loans Receivable also registered increases in September, by ₱2.5 billion and ₱3.4 billion, respectively from ₱15.6 billion and ₱7.7 billion, respectively as of December 31, 2014. On the other hand, Cash and Other Cash Items and

Due from Bangko Sentral ng Pilipinas decreased by ₱3.4 billion and ₱22.7 billion, respectively from ₱14.6 billion and ₱105.8 billion as of December 31, 2014.

- Intangible assets grew by ₱0.1 billion from ₱2.3 billion as of December 31, 2014 to ₱2.4 billion as of September 30, 2015 mainly due to the recording of initial costs incurred in the ongoing upgrading of the core banking system of the Bank which is targeted for completion in 2017.

- Deferred Tax Assets was lower by ₱0.1 billion from ₱1.5 billion as of December 31, 2014 to ₱1.4 billion as of September 30, 2015.

- Consolidated liabilities went up by ₱23.4 billion from ₱526.4 billion as of December 31, 2014 to ₱549.8 billion as of September 30, 2015. Major changes in liability accounts were as follows:

- Deposit liabilities totaled ₱462.5 billion, ₱14.9 billion higher compared to its year-end 2014 level of ₱447.6 billion. Increases were registered in Demand by ₱3.4 billion, Savings by ₱3.3 billion and Time deposits by ₱8.2 billion.

- Bills and Acceptances Payable increased by ₱6.5 billion, from ₱19.1 billion to ₱25.6 billion, mainly accounted for by various borrowings from other banks.

- Financial liabilities at Fair value through profit or loss was higher at ₱13.7 billion as of September 30, 2015 from last year's ₱10.9 billion attributed to the increase in segregated fund liabilities of PNB Life.

- Income Tax Payable increased by ₱151 million from ₱85 million to ₱236 million coming from income tax provisions in the current quarter.

Total equity accounts now stood at ₱103.8 billion from ₱99.1 billion as of December 31, 2014, or an improvement of ₱4.7 billion mainly attributed to current year's net income.

B. Results of Operations

- For the nine months ended September 30, 2015, the Bank registered a net income of ₱4.7 billion, ₱1.0 billion higher compared to the ₱3.7 billion net income for the same period last year.

- Net interest income totaled ₱13.2 billion, higher by ₱0.6 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio which accounted for ₱1.4 billion increase in interest income partly offset by the decline in income from deposits with banks by ₱0.9 billion. Total interest income was up by ₱1.0 billion from ₱15.3 billion to ₱16.3 billion. Total interest expense however, was also higher at ₱3.1 billion or by ₱0.4 billion from ₱2.7 billion last year, hence an improvement in Net Interest Margin.

  Other income slightly declined to ₱3.9 billion from ₱4.0 billion compared to same period last year mainly due to the ₱0.7 billion trading gains recognized last year on the sale of a minority equity holdings and the continued reduction in treasury related income in the current year. Growth in gains from sale of foreclosed assets of ₱0.6 billion in the current year also supplemented other income.

- Net service fees and commission income and net insurance premium were at ₱2.4 billion and ₱0.4 billion, respectively, for the nine months ended September 30, 2015.

- Administrative and other operating expenses amounted to ₱13.9 billion for the nine months ended September 30, 2015, slightly lower compared to the same period last year. Decreases were registered in miscellaneous expenses by ₱0.7 billion mainly due to reversal of the ₱1.0 billion accrual of legal liability provisions in view of a recent court decision (please refer to item No. 2 under L. Other Matters), and Depreciation and amortization by ₱0.3 billion. Said decreases were however, partly offset by higher Compensation and Fringe Benefits by ₱0.9 billion and Taxes and Licenses which increased by ₱0.1 billion.

- Total Comprehensive Income for the nine months ended September 30, 2015 amounted to ₱4.6 billion, ₱0.7 billion higher compared to the ₱3.9 billion for the same period last year. Current year's comprehensive income came mainly from the net income totaling ₱4.7 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 20.26% and 17.15% respectively, as of September 30, 2015 and 20.61% and 17.43% respectively, as of December 31, 2014, consistently exceeding the regulatory 10% CAR.

- Asset Quality

  The Group's non-performing loans (gross of allowance) decreased to ₱9.3 billion as of September 30, 2015 compared to ₱9.9 billion as of December 31, 2014. NPL ratios based on BSP guidelines are lower at 0.30% (net of valuation reserves) and 2.99% (at gross), from 0.92% and 3.42%, respectively in December 2014.

- Profitability

	Nine Months Ended	
	9/30/2015	9/30/2014
Return on equity (ROE)[1/]	**6.2%**	5.5%
Return on assets(ROA)[2/]	**1.0%**	0.8%
Net interest margin(NIM)[3/]	**3.2%**	3.1%

[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 September 30, 2015 was 33.7% compared to 34.1% as of December 31, 2014. Ratio of current assets to current liabilities was at 58.4% as of September 30, 2015 compared to 64.7% as of December 31, 2014.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 69.6% for the nine months ended September 30, 2015 compared to 68.1% 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 September 30, 2015 and December 31, 2014 at their equivalent peso contractual amounts is presented in Note 17 of the Selected Notes to Consolidated Financial Statements on page 50 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 nine months ended September 30, 2015 and 2014 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 **September 30, 2015**	Carrying Value December 31, 2014
December 12, 2014	June 12, 2020	₱7,000,000	4.13%	Quarterly	**₱ 6,956,281**	₱6,957,175
October 21, 2013	April 22, 2019	₱4,000,000	3.25%	Quarterly	**3,980,040**	3,976,133
August 5, 2013	February 5, 2019	₱5,000,000	3.00%	Quarterly	**4,978,055**	4,973,448
November 18, 2011	February 17, 2017	₱3,100,000	5.18%	Quarterly	**3,093,747**	3,090,564
					₱19,008,123	₱18,997,320

** Acquired from business combination*

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 3rd quarter of 2015:

PNB and SSS Ink Partnership for Pensioner Loan Program - PNB, in partnership with the Social Security System (SSS), launched the PNB SSS Pensioner Loan Program. Open to all active SSS pensioners up to 70 years old, the program provides faster turnaround time by crediting pensions directly to PNB accounts. Hence, clients can instantly get cash whenever they need it. As part of the program, pensioners will also receive FREE insurance coverages namely: Credit Insurance, existing loan balance will be fully settled upon death of pensioner; ATMSafe, pensioners will be secured and protected from ATM skimming or any of the other forms of ATM theft scams; and Healthy Ka Pinoy, pensioners will get emergency treatment at any of the 890 accredited hospitals and clinics nationwide.

B. Other relevant activities of the Bank during the 3rd quarter of 2015

PNB Wins Best Website of the Year - The Asian Banking and Finance Retail Banking Awards recently awarded Philippine National Bank (PNB) with the Best Website of the Year recognition. This honor validates PNB's concerted efforts to address the ever-evolving needs of its clients.

Revamped last August 2014, the PNB website has been a fluent interpretation of the Bank's dedication to meet the diverse digital needs of its customers. It aims to enhance online banking experience through its ability to adapt to different device displays for ease of access. Highlighting the user experience, the PNB website is also fully-responsive when viewed on desktops, laptop computers, tablets, or mobile phones. With a more dynamic look and feel that embraces PNB's new colors, the website gives clients a hassle-free means to access PNB's products and services. They also have ready access to PNB's promotional materials, news, and announcements.

This prestigious award serves as an inspiration for PNB to continue producing innovative products and services, ensuring the best services available for its highly-diverse customer base worldwide.

- **Trip na Trip Magpalit Promo (US Dollar) –** The Dollar FX Program aims to reward new and regular PNB clients that exchanges (buy or sell) US$ with PNB. All transactions must be walk-in and retail based. It will reward one raffle ticket for every US$200 transactions, giving them a chance to win the following prizes:
  - Gift Certificates worth ₱5,000
  - Round trip PAL Economy Class Tickets to Hong Kong for two (2)
  - Round trip PAL Economy Class Tickets to Macau for two (2)
  - Round trip PAL Economy Class Tickets to Singapore for two (2)

L. Other Matters

1. Adoption of PFRS 9 (Financial Instruments Recognition and Measurement) PFRS 9, 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 not liable for certain sums of money. Parties filed submissions before the Singapore Court of Appeal pertaining to the issue on cost and consequential order. The Decision of the Singapore Court of Appeal has a positive impact on the books of the Parent Company.

On May 25, 2015, the Singapore Court of Appeal made some ruling on the issue on costs and required parties to file further submissions on the issue of remission. Hearing with respect to the issue of remission was set on August 12, 2015. Thereafter, the Singapore Court of Appeal submitted the case for resolution. To date, we are still awaiting the resolution of the Singapore Court of Appeal as regards the issue of remission.

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, 2014.

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 Third Quarter of 2015

DATE	PARTICULARS
July 24, 2015	Promotion of the following senior officers from First Vice President to Senior Vice President: (a) Mr. Manuel C. Bahena, Jr., Chief Legal Counsel and Group Head, Legal Group; and (b) Mr. Florencio C. Lat, Division Head, Asset Sales Documentation & Support Division and concurrent Head of Asset Management Operations Division, Special Assets Management Group
July 28, 2015	Effectivity of the promotion of Messrs. Bahena and Lat as Senior Vice President – August 1, 2015
August 4, 2015	Press Release of the Bank: PNB First Half 2015 Operating Results.
September 24, 2015	(a) Hiring of Mr. Bernardo H. Tocmo as Group Head of the Retail Banking Group, with the rank of Executive Vice President (EVP), effective October 1, 2015; (b) Secondment of Mr. Jovencio D.B. Hernandez, EVP, as President of PNB Savings Bank (PNB SB), effective October 1, 2015; and (c) Change of secondment appointment of Ms. Mary Ann A. Santos, Senior Vice President, from Acting President to Head of Bank Banking Group of PNB SB, effective October 1, 2015.

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 51 of this report.

PART III - INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2015
(With Comparative Audited Figures as of December 31, 2014)
(In Thousands)

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Cash and Other Cash Items	**₱11,231,327**	₱14,628,489
Due from Bangko Sentral ng Pilipinas	**83,031,848**	105,773,685
Due from Other Banks	**18,141,113**	15,591,406
Interbank Loans Receivable	**11,032,461**	7,671,437
Securities Held Under Agreements to Resell	**7,000,000**	–
Financial Assets at Fair Value Through Profit or Loss	**17,969,447**	17,351,626
Available-for-Sale Investments	**85,873,570**	63,091,497
Held to Maturity Investments	**24,418,136**	22,970,306
Loans and Receivables	**334,883,694**	316,253,021
Property and Equipment	**21,820,235**	19,574,383
Investment Properties	**15,844,405**	20,248,482
Deferred Tax Assets	**1,392,301**	1,461,938
Intangible Assets	**2,402,761**	2,294,824
Goodwill	**13,375,407**	13,375,407
Other Assets	**5,078,257**	5,159,331
TOTAL ASSETS	**₱653,494,962**	₱625,445,832

LIABILITIES AND EQUITY

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
LIABILITIES		
Deposit Liabilities		
Demand	**₱104,969,046**	₱101,561,040
Savings	**296,478,703**	293,201,308
Time	**61,047,782**	52,881,409
	462,495,531	447,643,757
Financial Liabilities at Fair Value Through Profit or Loss	**13,651,287**	10,862,025
Bills and Acceptances Payable	**25,593,771**	19,050,058
Accrued Taxes, Interest and Other Expenses	**5,543,390**	5,441,349
Subordinated Debt	**9,982,063**	9,969,498
Income Tax Payable	**236,293**	85,505
Other Liabilities	**32,240,869**	33,332,758
TOTAL LIABILITIES	**549,743,204**	526,384,950

(Forward)

	September 30, 2015 (Unaudited)	December 31, 2014 (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**	537,620
Surplus	**23,252,015**	18,702,394
Remeasurement Losses on Retirement Plan	**(2,567,667)**	(2,292,833)
Accumulated Translation Adjustment	**672,308**	(59,854)
Net Unrealized Gain (Loss) on Available-for-Sale Investments	**(2,923,209)**	(2,336,142)
Parent Company Shares Held by a Subsidiary	**–**	–
	100,284,548	95,848,023
NON-CONTROLLING INTERESTS	**3,467,210**	3,212,859
TOTAL EQUITY	**103,751,758**	99,060,882
TOTAL LIABILITIES AND EQUITY	**₱653,494,962**	₱625,445,832

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 Nine Months Ended September 30		For the Quarter Ended September 30	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
INTEREST INCOME ON				
Loans and receivables	**₱12,585,752**	₱11,210,055	**₱4,375,499**	₱3,746,702
Trading and investment securities	**2,955,652**	2,521,064	**1,057,531**	854,596
Deposits with banks and others	**707,506**	1,564,102	**167,766**	430,779
Interbank loans receivable	**28,907**	12,780	**12,652**	6,913
	16,277,817	15,308,001	**5,613,448**	5,038,990
INTEREST EXPENSE ON				
Deposit liabilities	**2,217,821**	2,088,841	**800,471**	672,709
Bills payable and other borrowings	**829,352**	606,779	**271,053**	222,886
	3,047,173	2,695,620	**1,071,524**	895,595
NET INTEREST INCOME	**13,230,644**	12,612,381	**4,541,924**	4,143,395
Service fees and commission income	**3,073,959**	2,616,338	**1,219,121**	941,548
Service fees and commission expense	**627,007**	601,188	**155,562**	211,563
NET SERVICE FEES AND COMMISSION INCOME	**2,446,952**	2,015,150	**1,063,559**	729,985
Net insurance premiums	**2,152,987**	1,865,695	**558,348**	620,349
Net insurance benefits and claims	**1,723,965**	1,455,416	**511,596**	500,897
NET INSURANCE PREMIUMS (BENEFITS AND CLAIMS)	**429,022**	410,280	**46,752**	119,452
OTHER INCOME				
Trading and investment securities gains - net	**437,500**	1,167,740	**72,081**	(27,695)
Foreign exchange gains – net	**902,182**	1,024,953	**322,633**	256,452
Net gain on sale or exchange of assets	**1,149,018**	508,565	**555,304**	183,396
Miscellaneous	**1,376,919**	1,309,984	**69,454**	147,171
TOTAL OPERATING INCOME	**19,972,237**	19,049,053	**6,671,707**	5,552,156
OPERATING EXPENSES				
Compensation and fringe benefits	**6,356,984**	5,471,781	**1,896,163**	1,960,827
Taxes and licenses	**1,555,284**	1,462,844	**508,637**	500,633
Occupancy and equipment-related costs	**1,047,622**	1,089,471	**386,989**	366,746
Depreciation and amortization	**1,104,877**	1,421,550	**360,008**	432,881
Provision for impairment, credit and other losses	**1,008,825**	1,053,034	**419,769**	120,992
Miscellaneous	**2,819,842**	3,536,603	**1,508,803**	1,252,611
TOTAL OPERATING EXPENSES	**13,893,434**	14,035,283	**5,080,369**	4,634,690
INCOME BEFORE INCOME TAX	**6,078,803**	5,013,769	**1,591,338**	917,466
PROVISION FOR INCOME TAX	**1,369,265**	1,299,001	**479,760**	412,077
NET INCOME	**4,709,538**	3,714,768	**1,111,578**	505,389
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	**4,566,264**	3,622,054	**1,067,465**	468,610
Non-controlling Interests	**143,274**	92,714	**44,113**	36,779
	₱4,709,538	₱3,714,768	**₱1,111,578**	₱505,389
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	**₱3.66**	₱3.13	**₱0.86**	₱0.29

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	For the Nine Months Ended September 30	
	2015 (Unaudited)	2014 (Unaudited)
NET INCOME	**₱4,709,538**	₱3,714,768
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that recycle to profit or loss in subsequent periods:		
Net unrealized loss on available-for-sale investments	**(587,067)**	317,402
Accumulated translation adjustment	**732,162**	(180,620)
Items that do not recycle to profit or loss in subsequent periods:		
Remeasurement gains (losses) on retirement plan	**(274,834)**	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**129,739**	136,782
TOTAL COMPREHENSIVE INCOME FOR PERIOD	**₱4,579,799**	₱3,851,550
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	**₱4,325,448**	₱3,648,741
Non-controlling Interests	**254,351**	202,809
	₱4,579,799	₱3,852,838

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)

	Attributable to Equity Holders of the Parent Company												
	Capital Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Revaluation Increment on Land and Buildings	Accumulated Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Equity in Net Unrealized Gain on AFS Investment of an Associate	Parent Company Shares Held by a Subsidiary	Remeasurement Losses on Retirement Plan	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2015, as previously reported	**₱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	–	–	–	**4,566,264**	–	**732,162**	**(587,067)**	–	–	**(274,834)**	**4,436,525**	**254,351**	**4,690,8760**
Issuance of capital stock	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-controlling interest arising on a business combination	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer to surplus reserves	–	–	**16,643**	**(16,643)**	–	–	–	–	–	–	–	–	–
Disposal of Parent Company shares held by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–
Balance at September 30, 2015`	**₱ 49,965,587**	**₱ 31,331,251**	**₱554,263**	**₱23,252,015**	**₱–**	**₱672,308**	**₱ (2,923,209)**	**₱–**	**₱–**	**₱(2,567,667)**	**₱100,284,548**	**₱3,467,210**	**₱103,751,758**
Balance at January 1, 2014, as previously reported	₱43,448,337	₱26,499,909	₱524,003	₱12,432,838	₱2,489,722	₱291,371	₱(3,581,865)	₱-	₱-	(₱1,278,372)	₱80,825,943	₱3,071,685	₱83,897,628
Effect of restatement				924,504	(2,489,722)						(1,565,218)		(1,565,218)
Balance at January 1, 2014, as restated	43,448,337	26,499,909	524,003	13,357,342	–	291,371	(3,581,865)	–	–	(1,278,372)	79,260,725	3,071,685	82,332,410
Total comprehensive income (loss) for the period	–	–	–	3,622,054	–	(180,620)	317,402	–	–	–	3,758,836	202,809	3,961,645
Issuance of capital stocks	6,517,250	4,831,342									11,348,592	–	11,348,592
Transfer from surplus reserves	–	–	14,817	(14,817)	–	–	–	–	–	–	–	–	–
Balance at September 30, 2014	₱49,965,587	₱31,331,251	₱538,820	₱ 16,964,579	₱–	₱110,751	(₱3,264,463)	₱–	₱-	(₱1,278,372)	₱94,368,153	₱ 3,274,494	₱97,642,647

See accompanying Notes to Consolidated Financial Statements

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Nine Months Ended September 30	
	2015 (Unaudited)	2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱6,078,803**	₱5,013,769
Adjustments for:		
Realized trading gain on available-for-sale (AFS) investments	**(518,253)**	(151,928)
Depreciation and amortization	**793,110**	1,063,491
Amortization of premium on AFS investments	**757,286**	864,284
Provision for impairment, credit and other losses	**1,008,825**	1,053,034
Net gain/(loss) on sale or exchange of assets	**1,030,142**	13,080
Mark-to-market loss (gain) on derivatives	**80,753**	102,099
Amortization of intangible assets	**311,767**	358,058
Loss (gain) on mark-to-market of financial liability designated at fair value through profit or loss (FVPL)	**-**	122,134
Amortization of capitalized transaction costs	**12,565**	11,763
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Financial assets at FVPL	**(698,574)**	(4,028,264)
Loans and receivables	**(19,995,876)**	(31,076,750)
Other assets	**930,785**	(1,150,046)
Increase (decrease) in amounts of:		
Financial assets at FVPL	**2,789,262**	2,113,722
Deposit liabilities	**14,851,774**	(26,094,717)
Accrued taxes, interest and other expenses	**102,041**	(648,797)
Other liabilities	**(1,366,722)**	11,883,397
Net cash generated from (used in) operations	**6,167,688**	(40,551,671)
Income taxes paid	**(1,218,477)**	(721,006)
Net cash provided by (used in) operating activities	**4,949,211**	(41,272,677)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
AFS investments	**67,465,049**	82,190,316
Investment properties	**3,629,456**	553,168
Property and equipment	**1,603,934**	508,502

(Forward)

	Nine Months Period Ended September 30	
	2015	2014
	(Unaudited)	(Unaudited)
Acquisitions of:		
AFS investments	**(₱90,918,805)**	(₱62,255,330)
Held to Maturity Investments	**(1,602,247)**	(23,094,870)
Property and equipment	**(4,479,960)**	(721,234)
Intangible assets	**(418,620)**	(82,693)
Net cash provided by (used in) investing activities	**(24,721,193)**	(2,902,141)
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlement of bills and acceptances payable	**(77,402,110)**	(13,924,630)
Proceeds from bills and acceptances payable	**83,945,824**	7,235,457
Proceeds from issuances of shares	**-**	11,348,592
Net cash provided by (used in) financing activities	**6,543,714**	4,659,419
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(13,228,268)**	(39,515,399)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	**14,628,489**	11,804,746
Due from BSP	**105,773,685**	153,169,330
Due from other banks	**15,591,406**	14,881,541
Interbank loans receivable	**7,671,437**	8,405,250
Securities held under agreements to resell		–
	143,665,017	188,260,867
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	**11,231,327**	10,036,587
Due from BSP	**83,031,848**	116,292,161
Due from other banks	**18,141,113**	16,838,162
Interbank loans receivable	**11,032,461**	5,578,558
Securities held under agreements to resell	**7,000,000**	-
	₱ 130,436,749	₱148,745,468
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest received	**₱ 15,362,013**	₱17,488,985
Interest paid	**3,056,716**	2,689,461
Dividends received	**184,382**	4,115

See accompanying Notes to 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.

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 662 domestic branches as of September 30, 2015. The Parent Company has the largest overseas network among Philippine banks with 75 branches, representative offices, remittance centers and subsidiaries as of September 30, 2015, 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 non-life insurance, merchant banking, leasing, stock brokerage, foreign exchange trading and/or related services.

On February 9, 2013, the Parent Company concluded its planned merger with ABC as approved and confirmed by the Board of Directors (BOD) of the Parent Company and of ABC on January 22 and 23, 2013, respectively. The purchase consideration as of February 9, 2013, the acquisition date, amounted to ₱41.5 billion, representing 423,962,500 common shares at the fair value of ₱97.90 per share in exchange for the 100.00% voting interest in ABC at the share swap ratio of 130 Parent Company common shares for one ABC share and 22.763 Parent Company common shares for one ABC preferred share. The fair value of the shares was the published price of the shares of the Parent Company as of February 9, 2013. There were no contingent considerations arrangements as part of the merger. Following the Parent Company's stock rights offering in the first quarter of 2014, the LT Group Inc. (LTGI) increased its indirect ownership in the Parent Company to 59.83% as of June 30, 2015 through its various holding companies. Director Lucio C. Tan directly owns 1.19% of the Parent Company's shares while the shareholders who issue proxies/special powers of attorney in favor of Director Lucio C. Tan from time to time held a total of 17.95% of the Parent Company's shares. The remaining 21.03% of the Parent Company's shares are held by other stockholders.

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 September 30, 2015 and for the nine months ended September 30, 2015 and 2014 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, 2014.

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

Seasonality or Cyclicality of Interim Operations

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the Group's annual financial statements as of and for the year ended December 31, 2014, except for the adoption of the following new, amendments and improvements to Philippine Financial Reporting Standards (PFRS) which became effective as of January 1, 2015.

Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Group:

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group since none of the entities in the Group would qualify as an investment entity under PFRS 10.

PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance.

PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

Philippine Interpretation IFRIC 21, Levies
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 does not have material financial impact in the consolidated financial statements.

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:

	September 30, 2015 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Assets measured at fair value:				
Financial Assets				
Financial assets at FVPL:				
Financial assets at FVPL:				
Held-for-trading:				
Government securities	**₱3,630,786**	**₱551,570**	**₱–**	**₱ 4,182,356**
Derivative assets	**9,018**	**137,878**	**85,767**	**232,663**
Private debt securities	**136,792**	**8,042**	**–**	**144,834**
Equity securities	**224,929**	**–**	**–**	**224,929**
Designated at FVPL:				
Segregated fund assets	**7,356,879**	**–**	**5,827,786**	**13,184,665**
	₱ 11,358,404	**₱ 697,490**	**₱ 5,913,553**	**₱17,969,447**
AFS investments:				
Government securities	**₱46,763,928**	**₱8,546,591**	**₱–**	**₱55,310,520**
Other debt securities	**24,773,874**	**3,477,492**	**128,753**	**28,380,120**
Equity securities*	**1,726,715**	**291,960**	**–**	**2,018,675**
	73,264,517	**12,316,043**	**128,753**	**85,709,313**
	₱84,622,921	**₱13,013,533**	**₱6,042,306**	**₱103,678,760**

	September 30, 2015 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Financial Liabilities				
Financial Liabilities at FVPL:				
Designated at FVPL:				
Segregated fund liabilities**	**₱7,458,621**	**₱–**	**₱5,827,786**	**₱13,286,407**
Derivative liabilities	**–**	**364,880**	**–**	**364,880**
	₱7,458,621	**₱364,880**	**₱5,827,786**	**₱ 13,651,287**
Assets for which fair values are disclosed:				
Financial Assets				
Held to Maturity Investments:				
Government securities	**₱ 22,335,528**	**₱61,559**		**₱ 22,397,087**
Loans and Receivables				
Receivables from customers	**₱–**	**₱–**	**₱ 307,364,210**	**₱307,364,210**
Unquoted debt securities	**₱–**	**₱–**	**6,407,601**	**6,407,601**
	₱ 22,335,528	**₱61,559**	**₱ 313,771,811**	**₱ 313,771,811**
Non-financial Assets				
Investment property***				
Land	**₱–**	**₱–**	**₱ 21,595,468**	**₱ 21,595,468**
Buildings and improvements	**–**	**–**	**3,163,185**	**3,163,185**
	₱–	**₱–**	**₱29,948,935**	**₱29,948,935**
Liabilities for which fair values are disclosed:				
Financial Liabilities				
Financial liabilities at amortized cost				
Time deposits	**₱–**	**₱–**	**₱62,443,245**	**₱62,443,245**
Bills payable			**25,593,771**	**25,593,771**
Subordinated debt	**–**	**–**	**10,400,541**	**10,400,541**
	₱–	**₱–**	**₱98,437,557**	**₱98,437,557**

* *Excludes unquoted available-for-sale securities*
** *Excludes cash component*
*** *Based on the fair values from appraisal reports which are different from their carrying amounts which are carried at costs.*

	Consolidated					
	2014					
	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	12/29/2014	₱6,131,278	₱3,802,179	₱2,329,099	₱–	₱6,131,278
Private debt securities	12/29/2014	218,193	218,193	–	–	218,193
Equity securities	12/29/2014	210,834	210,674	160	–	210,834
Derivative assets	12/29/2014	136,551	–	65,391	71,160	136,551
Designated at FVPL:						
Segregated fund assets	12/29/2014	10,654,770	5,386,302	–	5,268,468	10,654,770
AFS investments:						
Government securities	12/29/2014	37,145,450	25,983,779	11,161,671	–	37,145,450
Private debt securities	12/29/2014	23,708,156	21,377,038	2,331,118	–	23,708,156
Equity securities*	12/29/2014	2,074,200	2,074,200	–	–	2,074,200
		₱80,279,432	₱59,052,365	₱15,887,439	₱5,339,628	₱80,279,432
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Designated at FVPL:						
Segregated fund liabilities**	12/29/2014	₱10,654,770	₱5,386,302	₱–	₱5,268,468	₱10,654,770
Derivative liabilities	12/29/2014	44,903	–	44,903	–	44,903

		Consolidated				
		2014				
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
		₱10,699,673	₱5,386,302	₱44,903	₱5,268,468	₱10,699,673
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/2014	₱22,970,306	₱20,584,890	₱3,983,878	₱–	₱24,568,768
Loans and Receivables:						
Receivables from customers	12/29/2014	296,372,069	–	–	316,486,735	316,486,735
Unquoted debt securities	12/29/2014	4,425,005	–	–	6,013,057	6,013,057
		₱323,767,380	₱20,584,890	₱3,983,878	₱322,499,792	₱347,068,560
Non-financial Assets						
Investment property:***						
Land	2014	₱18,217,858	₱–	₱–	₱24,326,385	₱24,326,385
Buildings and improvements	2014	2,030,624	–	–	3,355,569	3,355,569
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2014	₱52,881,409	₱–	₱–	₱55,296,115	₱55,296,115
Bills payable	12/29/2014	18,683,205	–	–	18,340,370	18,340,370
Subordinated debt	12/29/2014	9,969,498	–	–	10,593,485	10,593,485
		₱81,534,112	₱–	₱–	₱84,229,970	₱84,229,970

** Excludes unquoted available-for-sale securities*
***Based on the fair values from appraisal reports which are different from their carrying amounts which are carried at cost.*

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 September 30, 2015 and December 31, 2014, 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	
	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Financial assets		
Balance at beginning of year	**₱5,339,628**	₱5,545,916
Fair value changes recognized in profit or loss	**702,678**	(206,268)
Balance at end of year	**₱6,042,306**	₱5,339,628
Balance at beginning of year	**₱5,268,468**	₱6,380,053
Fair value changes recognized in profit or loss	**559,318**	(111,585)
Balance at end of year	**₱5,827,786**	₱5,268,468

Equity and/or Credit-Linked Notes are shown as 'Segregated Fund Assets' under 'Financial Assets at FVPL'.

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, 2014 and 2013 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:

		2014	
Structured Investments	Significant Unobservable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	Bank CDS Levels	44.00 - 95.67 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱90,838,042
Dollar-denominated	Bank CDS Levels	35.21 - 78.08 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 bond component of the Note.*

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

		2014	
Structured Investments	Significant Observable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	PHP IRS (3Y)	142.00 - 375.00 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱90,838,042
Dollar-denominated	ROP CDS (5Y)	79.31 - 150.94 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 bond component of the Note.*

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 follows:

<u>Valuation Techniques</u>	
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.

<u>Significant Unobservable Inputs</u>	
Price per square meter	Ranges from ₱800 to ₱100,000
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 to 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 September 2015 stands at 20.26% on a consolidated basis while the bank's Risk Weighted Assets (RWA) as of end September 2015 amounted to ₱440,979 million composed of ₱397,037 million (Credit Risk Weighted Assets), ₱4,400 million (Market Risk Weighted Assets) and), ₱39,542 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 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.

Table 1 below provides a list of the board level committees and management committees.

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.

Board of Directors	President & CEO
• Credit & Policy Committee	• Senior Management Committee
• Credit Policy Committee	• Asset Liability Committee (with sub committee on Capital Management)
• Corporate Governance / Nomination Committee	• Senior Management Credit Committee
• Board Audit and Compliance Committee	• Information Technology Management Committee
• Board Risk Oversight Committee	• Non-Performing Assets Committee
• Board ICAAP Committee	• Acquired Assets Disposal Committee
• Trust Committee	• Promotions Committee
• Board Overseas Oversight Committee	• Operations Committee
• Board Oversight RPT Committee	• Product Committee
• Board Information Technology Governance Committee	• Bids and Awards Committee
	• Information Technology Evaluation Committee
	• Senior Management ICAAP Steering Committee
	• Anti-Money Laundering Review Committee
	• Integration Monitoring Committee
	• Accreditation of Overseas Remittance Agent Committee
	• Selections Committee for Expatriate Personnel
	• Branch Site Selection Committee

Table1: 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 board approved 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 following summarizes the functions / activities of each of the 7 divisions under Risk Management Group:

1. Credit Risk Management Division: to manage the credit risk inherent in the entire portfolio as well as the risks in individual credits or transactions

2. Market Risk & ALM Division: Develop, implement and maintain the risk management systems for both the trading books and overall balance sheet and accrual books and determine whether existing operational procedures and internal control system, with required checks and balance, comply with the minimum standards regarding segregation of duties and responsibilities

3. Operational Risk Management Division: To develop a risk culture and risk awareness which facilitate an effective internal control process and continuously monitor its effectiveness through the institutionalized implementation of operational risk management tools as applicable

4. ICAAP & BASEL Implementation Division: charged with ensuring institutionalized implementation of BASEL based – according to macro prudential measure instituted by the regulatory agencies (BSP, PAS, SEC) – rules and ensure that the implementation is coordinated within the PNB Group

5. Trust Risk Division – to manage the specialized field of fiduciary risk which covers the major risks on protecting the client's assets whether on discretionary or non-discretionary framework.

6. Information Security & Technology Risk Division (to include Business Continuity Risk): with the use of global best practices, IT/S Risk Management Framework becomes essential to ensure that both Information Technology and Security Risks are properly identified, measured, managed/controlled, monitored and reported

7. Business Intelligence & Data Warehouse Division: a specialized risk function to ensure that appropriate data management system is implemented on an enterprise wide basis towards the use of a single source of information to eliminate the risks of reconciliation from disparate systems that is usual for a financial services institution.

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 regularly Monitored

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: 1. Risk Identification – Risk Maps 2. Risk Measurement and Analysis – ICAAP Risk Assessment Major Integration Factors considered: 1. Products 2. Technology 3. People 4. 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 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)	▪ Interest Rate Gap Analysis ▪ Earnings at Risk Measurement	▪ EAR Limits ▪ Stress Testing ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis

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.	▪ 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: 1. Risk Identification – Risk Maps 2. Risk Measurement and Analysis – ICAAP Risk Assessment Major Integration Factors considered: 1. Products 2. Technology 3. People 4. Policies and Processes 5. 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
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 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		▪ 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 ▪ Harmonization Timeline Tracking

	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.		
Strategic Risks	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.		▪ Management Profitability Reports ▪ Benchmarking vis-a-vis Industry, Peers ▪ Economic Forecasting
Customer Franchise & Reputational Risk	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 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.		▪ Account Closures Report ▪ Service Desk Customer Issues Report ▪ Evaluation/ Risk Mitigation of negative media coverage ▪ Review of Stock Price performance
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		▪ Status of Legal Cases >Ph50MM at risk ▪ Review of pending tax assessment/s ▪ Adequate provisioning for probable losses ▪ Issuance of circulars, tax guidelines 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.		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

Emerging Risks

Amongst the emerging risks, that the bank faces - are those involving information security:

1. ATM Skimming where the bank's clients are exposed to threats of financial losses due to compromised ATM. PNB and other banks' machines are installed with devices for 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.

The bank endeavors to be ahead of the fraudsters that may emanate both from domestic and international sources.

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.

PNB has also embarked on the EMV project that will provide additional protection for our clients. EMV (which stands for Europay MasterCard Visa), is a technical standard for smart payment cards and for payment terminals and automated teller machines which can accept them. EMV chip card transactions improve security against fraud compared to magnetic stripe card transactions that rely on the holder's signature and visual inspection of the card to check for features such as hologram.

2. 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. PNB's Credit Card Division continues to provide awareness memoranda, via various media channels 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.

Further the bank has embarked on the EMV project (see #1 above) where identity chips will replace the outdated magnetic strips. This is expected to go-live by late 2016.

3. Cyber threats involving use of social engineering which may involve psychological manipulation of clients and personnel into performing actions and /or divulging confidential information. Social Engineering can result in various key risk indicators – phishing, spamming, dumpster diving, direct approach, baiting, spying & eaves dropping, among others.

This can result to negative financial impact to both client and the bank. PNB has institutionalize various risk mitigating tools and activities to minimize, if not, eliminate the said cyber threats – installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). 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. Education / InfoSec Awareness is also constantly conducted.

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:

	Nine Months Ended September 30, 2015					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Interest income	**₱1,582,328**	**₱10,904,735**	**₱3,148,679**	**₱577,309**	**₱ 64,766**	**₱ 16,277,817**
Interest expense	**1,974,765**	**337,646**	**912,582**	**110,504**	**(288,324)**	**3,047,173**
Net interest margin	**(392,437)**	**10,567,089**	**2,236,097**	**466,805**	**353,090**	**13,230,644**
Other income	**770,308**	**3,077,910**	**1,762,108**	**3,133,435**	**348,804**	**9,092,565**
Other expenses	**4,734,834**	**1,246,807**	**128,007**	**3,803,157**	**1,164,839**	**11,077,644**
Segment result	**(4,356,963)**	**12,398,192**	**3,870,198**	**(202,917)**	**(462,945)**	**11,245,565**
Inter-segment						

	Nine Months Ended September 30, 2015					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Imputed income	₱ 3,105,957	–	₱–	₱–	₱–	₱3,105,957
Imputed cost	–	(2,889,384)	(216,573)	–	–	₱(3,105,957)
Segment result to third party	₱ (1,251,006)	₱9,508,808	₱3,653,625	₱(202,917)	₱ (462,945)	11,245,565
Unallocated expenses						5,166,762
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						6,078,803
Income tax						1,369,265
Net income						4,709,538
Non-controlling interest						143,274
Net income for the year attributable to equity holders of the Parent Company						₱4,566,264
Other Segment Information						
Capital expenditures	₱ 892,980	₱ 4,957	₱ 1,605	₱ 196,426	₱ 145,477	₱1,241,445
Depreciation and amortization	₱ 406,274	₱ 101,190	₱ 5,201	₱427,400	₱ 53,755	₱993,820
Unallocated depreciation and amortization						111,057
Total depreciation and amortization						₱1,104,877
Provision for impairment, credit and other losses	₱ 28,784	₱ (58,357)	₱-	₱ (1,692)	₱ 1,040,090	₱1,008,825

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

	As of September 30, 2015					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱ 307,923,819	₱ 301,487,912	₱203,757,912	₱173,109,362	₱(334,957,186)	₱ 651,321,819
Unallocated assets						2,173,143
Total assets						₱653,494,962
Segment liabilities	₱ 525,906,835	₱ 46,060,118	₱ 50,746,172	₱ 170,144,825	₱ (313,362,187)	₱479,495,763
Unallocated liabilities						70,247,441
Total liabilities						₱ 549,743,204

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

	Nine Months Ended September 30, 2014					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Interest income	₱4,130,887	₱7,483,504	₱3,205,251	₱419,556	₱(62,534)	₱ 15,176,661
Interest expense	1,717,649	291,574	999,911	7,640	(321,153)	2,695,620
Net interest margin	2,413,237	7,191,930	2,205,340	411,916	258,619	12,481,041
Other income	1,870,674	2,320,076	934,978	2,787,478	184,102	8,097,308
Other expenses	6,777,472	1,454,469	135,266	2,550,223	396,460	11,313,889
Segment result	(2,493,561)	8,057,537	3,005,052	649,171	46,261	9,264,461
Inter-segment						
Imputed income	₱2,874,092	₱–	₱–	₱–	₱–	₱2,874,092
Imputed cost	–	(3,623,471)	749,379	–	–	(2,874,092)
Segment result to third party	₱ 380,531	₱5,356,924	₱ 3,040,585	₱649,171	₱46,261	9,264,461
Unallocated expenses						4,250,694
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						5,013,767
Income tax						1,299,001
Net income						3,714,766
Non-controlling interest						92,712
Net income for the year attributable to equity holders of the Parent Company						₱3,622,054
Other Segment Information						

	Nine Months Ended September 30, 2014					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Capital expenditures	**₱415,776**	**₱25,454**	**₱ 1,404**	**₱291,118**	**(₱12,519)**	**₱721,233**
Depreciation and amortization	**₱ 140,607**	**₱ 110,967**	**₱ 5,562**	**₱547,044**	**₱417,362**	**₱1,221,541**
Unallocated depreciation and amortization						**200,009**
Total depreciation and amortization						**₱1,421,550**
Provision for impairment, credit and other losses	**₱96,728**	**₱1,530**	**₱ (11,766)**	**₱3,022**	**₱963,520**	**₱1,053,034**

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

	As of December 31, 2014					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱300,295,603	₱233,760,262	₱183,055,599	₱107,472,631	(₱200,620,538)	₱623,963,557
Unallocated assets						1,482,275
Total assets						₱625,445,832
Segment liabilities	₱432,785,391	₱42,364,978	₱39,121,272	₱141,501,009	(₱255,648,228)	₱400,124,422
Unallocated liabilities						126,260,528
Total liabilities						₱526,384,950

** 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 September30, 2015 and December 31, 2014 and capitalized expenditures and revenues for the nine month periods ended September 30, 2015 and September 30, 2014 by geographic region of the Group follows:

	Assets		**Liabilities**		**Credit Commitments**	
	September 30, 2015	December 31, 2014	**September 30, 2015**	December 31, 2014	**September 30,2015**	December 31, 2014
Philippines	**₱609,899,600**	₱ 592,574,950	**₱520,948,516**	₱ 506,034,141	**₱ 16,898,284**	₱15,661,774
Asia (excluding Philippines)	**34,498,805**	24,101,673	**24,050,188**	15,572,732	**402,472**	8,104
USA and Canada	**7,452,912**	7,050,528	**3,895,816**	3,639,786	**539**	467
Europe	**1,643,645**	1,718,681	**848,684**	1,138,291	**–**	–
	₱653,494,962	₱ 625,445,832	**₱549,743,204**	₱526,384,950	**₱17,301,295**	₱15,670,345

	Capital Expenditures		**Revenues**	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Philippines	**₱1,234,968**	₱698,223	**₱23,810,986**	₱22,271,992
Asia (excluding Philippines)	**6,334**	7,815	1,005,697	991,423
USA and Canada	**143**	1,737	**436,387**	410,457
Europe	**–**	13,459	**117,312**	127,404
	₱1,241,445	₱721,234	**₱25,370,382**	₱23,801,276

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 September 30, 2015 and December 31, 2014, 13.61% and 29.35% 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 September 30, 2015 and annual interest ranging from 2.00% to 3.00% as of December 31, 2014.

7. **Trading and Investment Securities**

The Group has the following trading and investment securities:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Financial assets at FVPL	**17,969,447**	₱17,351,626
AFS investments	**85,873,570**	63,091,497
HTM investments	**24,418,136**	22,970,306
	128,261,153	₱103,413,429

Financial Assets at FVPL
This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Held-for-Trading:		
Government securities	**₱4,182,356**	₱6,131,278
Private debt securities	**144,834**	218,193
Derivative assets	**232,663**	136,551
Equity securities	**224,929**	210,834
	4,784,782	6,696,856
Designated at FVPL:		
Segregated fund assets	**13,184,665**	10,654,770
Private debt securities		–
	₱17,969,447	₱17,351,626

AFS Investments

This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Government securities	**₱55,310,520**	₱37,145,450
Other debt securities	**28,380,120**	23,708,156
Equity securities - net of allowance for impairment losses of₱0.9 billion	**2,182,930**	2,237,891
	₱ 85,873,570	₱63,091,497

Trading and investment securities gains - net

This account consists of:

	Nine Months Ended	
	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Financial assets at FVPL:		
Held-for-trading	**₱(102,936)**	₱121,650
Derivatives	**22,183**	(51,089)
Designated at FVPL	**-**	-
AFS investments		
Government securities	**175,086**	179,991
Other debt securities	**343,167**	917,188
Equity securities	**-**	-
Financial liabilities at FVPL:		
Derivative liabilities	**-**	-
Designated at FVPL	**-**	-
	₱437,500	₱1,167,740

8. **Loans and Receivables**

This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Receivable from customers:		
Loans and discounts	**₱308,451,013**	₱279,256,983
Customers' liabilities on acceptances, letters of credit and trust receipts	**8,691,474**	11,594,905
Bills purchased	**3,275,323**	4,878,682
Credit card receivables	**5,020,591**	4,390,966
Lease contracts receivable	**3,608,271**	3,324,277
	329,046,672	303,445,813
Less unearned and other deferred income	**1,867,468**	1,261,386
	327,179,204	302,184,427
Unquoted debt securities	**4,247,370**	8,044,272

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Other receivables:		
Accounts receivable	**7,723,038**	8,993,706
Accrued interest receivable	**4,915,217**	4,756,699
Sales contract receivables	**4,888,128**	4,267,338
Miscellaneous	**427,780**	442,088
	17,954,163	18,459,831
	349,380,737	328,688,530
Less allowance for credit losses	**14,497,043**	12,435,509
	₱334,883,694	₱316,253,021

The table below shows the industry sector analysis of the Group's receivable from customers before taking into account the allowance for credit losses (amounts in millions):

	Consolidated			
	September 30, 2015		December 31, 2014	
	Carrying Amount	**%**	Carrying Amount	%
Primary target industry:				
Wholesale and retail	**₱ 44,189,006**	**13.43**	₱44,259,825	14.59
Electricity, gas and water	**46,123,612**	**14.02**	43,111,698	14.21
Real estate, renting and business activities	**45,641,129**	**13.87**	39,672,249	13.07
Manufacturing	**37,352,162**	**11.35**	40,789,519	13.44
Financial intermediaries	**36,905,084**	**11.22**	37,940,739	12.50
Public administration and defense	**26,231,235**	**7.97**	23,464,016	7.73
Transport, storage and communication	**23,881,474**	**7.26**	19,342,572	6.38
Agriculture, hunting and forestry	**5,162,922**	**1.57**	4,343,522	1.43
Secondary target industry:				
Construction	**8,749,380**	**2.66**	8,508,366	2.80
Others	**54,810,668**	**16.65**	42,013,307	13.85
	₱329,046,672	**100.00**	₱303,445,813	100.00

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

	September 30, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Carrying Amount	**%**	Carrying Amount	%
Secured:				
Real estate mortgage	**₱61,249,720**	**18.61**	₱68,910,935	22.71
Chattel mortgage	**12,611,818**	**3.83**	10,341,429	3.41
Bank deposit hold-out	**3,394,132**	**1.03**	6,336,908	2.09
Shares of stocks	**37,392**	**0.01**	35,776	0.01
Others	**31,097,392**	**9.46**	39,354,446	12.97
	108,390,454	**32.94**	124,979,494	41.19
Unsecured	**220,656,218**	**67.06**	178,466,319	58.81
	₱ 329,046,672	**100.00**	₱ 303,445,813	100.00

Non-performing Loans (NPLs) classified as secured and unsecured as reported to BSP follows:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Secured	**₱6,289,600**	₱6,960,289
Unsecured	**3,016,635**	2,960,524
	₱ 9,306,235	₱9,920,813

9. Property and Equipment

For the nine months ended September 30, 2015, the Group purchased assets with a cost of ₱1.2 billion and disposed assets with book value of ₱173.3million.

As of December 31, 2014, the Group purchased assets with a cost of ₱981.5 million and disposed assets with net book value of ₱697.0 million.

10. Investment Properties

For the nine months ended September 30, 2015, the Group received foreclosed assets with a fair value of ₱333.2 million as settlement of the NPLs. Also, assets with net book value of ₱2,468.8 million were disposed of by the Group during the nine months ended September 30, 2015.

As of December 31, 2014, the Group received foreclosed assets with a fair value of ₱1.3 billion and disposed assets with net book value of ₱2.2 billion.

As of September 30, 2015 and December 31, 2014, the balance of accumulated impairment losses on investment properties amounted to ₱3.1 billion and ₱3.0, respectively.

The aggregate fair value of the Group's investment properties as of September 30, 2015 and December 31, 2014 amounted to ₱24.8 billion and ₱29.4 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 0.03% to 2.50% and from 0.03% to 2.50% as of September 30, 2015 and December 31, 2014, respectively.

Peso-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.63% to 2.00%, from 0.63% to 2.00% as of September 30, 2015 and December 31, 2014, respectively.

The Parent Company's bills payable to BSP includes the transferred liabilities from Maybank amounting to ₱1.7 billion as of September 30, 2015 and December 31, 2014.

Bills payable includes funding from the Social Security System under which the Parent Company acts as a conduit for certain financing programs of these institutions. Lending to such programs is shown under ‘Loans and Receivables’.

As of December 31, 2013, bills payable under the BSP rediscounting facility with a carrying value of ₱112.6 million is secured by a pledge of certain AFS investments and loans with fair values of ₱2.4 billion and ₱219.1 million, respectively.

As of December 31, 2014, bills payable with a carrying value of ₱14.1 billion is secured by a pledge of certain AFS and HTM investments with fair value of ₱8.5 billion and ₱8.9 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	
	September 30, 2015 (Unaudited) (Nine Months)	December 31, 2014 (Audited) (One Year)	**September 30, 2015 (Unaudited) (Nine Months)**	December 31, 2014 (Audited) (One Year)
Common - ₱40 par value				
Authorized	**1,750,000,001**	1,750,000,001	**70,000,000,040**	70,000,000,040
Issued and Outstanding				
Balance at the beginning of the period	**1,249,139,678**	1,086,208,416	**49,965,587,120**	43,448,336,640
Issued during the period	**-**	162,931,272	**-**	6,517,250,480
	1,249,139,678	1,249,139,678	**49,965,587,120**	49,965,587,120

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 September 30, 2015 and September 30, 2014 (amounts in millions):

	September 30, 2015 (Unaudited) (Nine Months)	September30, 2014 (Unaudited) (Nine Months)
Return on average equity (a/b)	6.2%	5.5%
a.) Net income	₱4,710	₱ 3,715
b.) Average total equity 1/	101,407	86,615
Return on average assets (c/d)	1.0%	0.8%
c.) Net income	₱4,710	₱3,715
d.) Average total assets 1/	639,471	607,765
Net interest margin on average earning assets (e/f)	3.2%	3.1%
e.) Net interest income	₱13,231	₱12,612
f.) ADB of interest earning assets	551,442	536,724

1/ Average balances were the sum of beginning and ending balances of the respective statement of financial position accounts as of the end of the period divided by two.

13. Miscellaneous Income and Expense

Miscellaneous income consists of:

	Nine Months Ended	
	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Rental and leasing income	**₱260,044**	₱350,164
Income from sale of Convertible Notes	**-**	608,433
Recoveries	**86,562**	112,004
Sales deposit forfeiture	**3,861**	3,663
Referral and trust fees	**107,340**	70,379
Insurance Claims	**709,160**	-
Miscellaneous income loan related	**61,194**	28,704
Miscellaneous income Subsidiaries	**66,729**	50,921
Others	**82,029**	85,716
	1,376,919	₱1,309,984

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

Miscellaneous expenses consist of:

	Nine Months Ended	
	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Insurance	**₱813,745**	₱ 762,872
Security, clerical, messengerial	**737,449**	696,289
Information technology	**351,690**	299,908
Management and professional fees	**231,071**	269,526
Transportation and travel	**187,657**	204,839
Stationery and supplies used	**123,707**	165,459
Litigation	**170,057**	165,362
Repairs and maintenance	**80,134**	60,929
Postage, telephone and telegram	**144,368**	113,239
Freight	**28,958**	35,968
Entertainment and representation	**87,435**	116,353
Fuel and lubricants	**12,180**	15,513
Marketing expenses	**460,525**	372,123
Donation	**46,923**	39,653
Others	**(656,057)**	360,570
	₱2,819,842	₱3,536,603

Miscellaneous – others in September 2015 includes reversal of the ₱1.0 billion accrual of legal liability provisions in view of a recent court decision (please refer to item No. 2 under L. Other Matters). Includes printing, appraisal and other miscellaneous expenses

14. **Income Taxes**

Provision for income tax consists of:

	Nine Months Ended	
	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Current		
Regular	**₱ 1,064,318**	₱901,177
Final	**344,303**	428,857
	1,408,621	1,330,034
Deferred	**(39,356)**	(31,033)
	₱ 1,369,265	₱1,299,001

15. Earnings Per Share

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

	Nine Months Ended	
	September 30, 2015 (Unaudited)	September30, 2014 (Unaudited)
a) Net income attributable to equity holders of the Parent Company	**₱4,566,264**	₱3,622,054
b) Weighted average number of common shares for basic earnings per share	**1,249.140**	1,158.974
c) Basic and diluted earnings per share (a/b)	**₱3.66**	₱3.13

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 September 30, 2015 and December 31, 2014, the Parent Company was in compliance with such regulations.

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Total Outstanding DOSRI Accounts*	**₱7,760,191**	₱12,749,637
Percent of DOSRI accounts to total loans	**2.35%**	4.20%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.03%**	0.01%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%

**Includes outstanding unused credit accommodations of ₱185.4 million as of September30, 2015 and ₱198.7 million as of December 31, 2014.*

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.

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 of LTGI.

	September 30, 2015		
Accounts	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Receivables from customers		**₱ 20,419,671**	Revolving credit lines, secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Housing loans to senior officers; Secured and unsecured; Lease option on car plan Unimpaired; With interest rates ranging from 0.50% to 10.00% with maturities ranging from 1 year to 25 years and payment terms ranging from monthly payment to quarterly payments
Loan commitments		**1,897,449**	Loan commitments
Interbank loans receivable		**175,479**	Money Market Line
Due from other banks		**9,829,111**	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		**193,155**	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		**20,891**	Interest accrual on receivables from customers
Deposit liabilities		**12,584,270**	With annual rates ranging from 0.02% to 3.00% and maturity terms ranging from 30 days to 1 year
Bills payable		**4,223,906**	Foreign currency-denominated bills payable with interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days
Due to other banks		**168,500**	Clearing accounts funding and settlement of remittances
Sales contract receivable		**325,942**	Purchased property as collateral; unimpaired; Monthly payment for 5 years with 6% interest.
Accrued interest payable		**126,512**	Accrued interest on deposit liabilities and bills payable
Other liabilities		**657**	Mortgage Redemption Insurance
Operating lease		**202**	Advance rental deposit received for 2 years and 3 mos.
Interest income	**₱253,622**		Interest income on receivables from customers
Interest expense	**177,967**		Interest expense on deposit liabilities and bills payable
Rental income	**38,489**		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum; Monthly rental income
Rent Expense	**26,104**		"Monthly rent payments to related parties with term ranging from 24 to 240 months"
Fees and commission expense	**203,779**		Expense on professional fees on service agreement
Other income	**129,837**		Premiums collected
Other expense	**15,559**		Claims expense, service and referral fees

	September 30, 2015		
Accounts	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Securities transactions:			
Purchases	**2,766,018**		Outright purchases of securities
Sales	**1,463,319**		Outright sale of securities
Trading gains	**938**		Gain from sale of investment securities
Loan releases	**18,029,254**		Loan drawdowns
Loan collections	**11,779,567**		Settlement of loans and interest
Net withdrawals	**2,400,841**		Net withdrawals for the period

	December 31, 2014		
Accounts	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Receivables from customers		₱14,169,983	Revolving credit lines, secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Housing loans to senior officers; Secured and unsecured; Lease option on car plan Unimpaired; With interest rates ranging from 0.50% to 10.00% with maturities ranging from 1 year to 25 years and payment terms ranging from monthly payment to quarterly payments; Collateral includes bank deposit hold-out, real estate and chattel mortgages.
Loan commitments		1,743,512	Loan commitments
Due from other banks		1,094,267	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		107,630	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		60,727	Interest accrual on receivables from customers
Deposit liabilities		14,985,111	With annual rates ranging from 0.02% to 3.00% and maturity terms ranging from 30 days to 1 year
Bills payable		1,725,696	Foreign currency-denominated bills payable with annual interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days
Due to other banks		183,430	Clearing accounts funding settlement of remittances
Accrued interest payable		28,511	Accrued interest on deposit liabilities and bills payable
Other liabilities		36,978	Charitable donations and liabilities for lease payments
Operating lease		203	Advance rental deposit received for 2 years and 3 months
Interest income	₱478,402		Interest income on receivables from customers and due from other banks, including income earned from partial redemption of VMC convertible notes
Interest expense	222,987		Interest expense on deposit liabilities and bills payable
Rental income	60,983		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum; Monthly rental income
Rent Expense	9,653		"Monthly rent payments to related parties with term ranging from 24 to 240 months
Fees and commission expense	9		Expense on professional fees on service agreement
Other income	170		Premiums collected
Other expense	4,024		Claims expense, service and referral fees
Trading gains	735,385		Sale of 161,978,996 common shares in VMC at current market price of P4.50 per share.
Gain on sale of convertible notes	608,433		Gain on sale of VMC convertible notes at the

	December 31, 2014		
Accounts	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			minimum bid price of P3.50 per share.
Securities transactions:			
Purchases	2,113,651		Outright purchases of securities
Sales	537,093		Outright sale of securities
Trading gains	14,756		Gain from sale of investment securities
Loan releases	17,223,817		Loan drawdowns
Loan collections	8,672,779		Settlement of loans and interest
Net deposits for the period	408,850		Net deposits for the period

The related party transactions shall be settled in cash. There are no provisions for credit losses for the nine-months ended September 30, 2015 and December 31, 2014 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:

	Nine Months Ended (In Thousand Pesos)	
	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Short-term employee benefits	**₱447,235**	₱338,692
Post-employment benefits	**35,883**	35,536
	₱483,118	₱374,228

Members of the BOD are entitled to a per diem of ₱50,000 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.

The Parent Company and Eton Properties Philippines, Inc. (EPPI) signed two Joint Venture Agreements (JVA) under 'Real estate under joint venture (JV) agreement' for the development of two properties by the Parent Company with a total book value of ₱1.2 billion (presented under 'Investment properties' in the statements of financial position). 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 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 JVA. This JVA does not fall as joint venture arrangement 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 ₱3.7 billion and ₱3.6 billion as of September 30, 2015 and December 31, 2014, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets as of September 30, 2015 and for the year ended December 31, 2014 and for the nine months ended September 30, 2015 and September 30, 2014 follows:

	Consolidated (in millions)	
	September 30, 2015	December 31, 2014
Investment securities:		
Held for trading	**₱452,628**	₱738,969
Available-for-sale	**1,703,388**	1,508,973
Held-to-maturity	**–**	–
Deposits with other banks	**1,152,680**	1,280,595
Deposits with PNB	**346,205**	37,935
Loans and other receivables	**11,505**	9,145
Total Fund Assets	**₱ 3,666,406**	₱3,574,767
Due to BIR	**82**	119
Trust fees payable	**1,126**	1,119
Total Fund Liabilities	**1,208**	1,238

	September 30, 2015 (Unaudited) (Nine Months)	September 30, 2014 (Unaudited) (Nine Months)
Interest income	**₱75,816**	₱56,721
Trading gains	**–**	(208)
Dividend income	**967**	1,358
Unrealized loss on HFT	**(273,467)**	36,435
Gains on sale of investment securities	**(24)**	29,748
Other Income	**6,787**	496
Fund Income	**₱ (189,921)**	₱124,550
Trust fees	**₱3,443**	₱3,326
Other expenses	**2,255**	1,360
Fund Expense	**₱5,698**	₱4,686

As of September 30, 2015 and December 31, 2014, 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 ₱447 million and ₱721 million as of September 30, 2015 and December 31, 2014, 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 September 30, 2015 and December 31, 2014, 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 ₱4.99 million and ₱9.15 million as of September 30, 2015 and December 31, 2014, respectively, and income include interest on deposits with PNB amounting to ₱7.43 million and ₱0.42 million for the nine months periods ended September 30, 2015 and 2014, respectively. Deposits with PNB under Prime Savings Account bear annual interest rate of 3.0% 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:

	September 30, 2015	December 31, 2014
Trust department accounts	**₱ 72,926,394**	₱65,817,031
Standby letters of credit	**13,725,329**	11,281,048
Deficiency claims receivable	**21,550,304**	21,292,747
Credit card lines	**16,143,056**	13,996,427
Shipping guarantees issued	**9,821**	32,732
Other credit commitments	**974,377**	974,377
Inward bills for collection	**536,776**	676,610
Other contingent accounts	**309,569**	326,693
Outward bills for collection	**370,710**	430,230
Confirmed export letters of credit	**85,336**	490,015
Unused commercial letters of credit	**155,550**	44,280
Items held as collateral	**46**	51

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 September 30, 2015
(In Thousand Pesos)

Current accounts (by maturity)	
Up to 12 months	**127,700,161**
over 1 year to 3 years	**36,324,303**
over 3 years to 5 years	**44,156,937**
over 5 years	**112,008,919**
Past due and items in litigations	**8,856,352**
Loans Receivables (gross)	**329,046,672**
Less:	
Unearned and Other deferred income	**(1,867,468)**
Allowance for credit losses	**(7,108,292)**
Loans Receivables (net)	**320,070,912**

* 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: November 3, 2015

Annex A

Selected Financial Ratios
For the Periods Indicated

	09/30/2015		12/31/2014
Current Ratio	58.4%		64.7%
Liquid assets to total assets-net	33.7%		34.1%
Liquid assets to Liquid Liabilities	45.3%		45.3%
Debt to Equity	529.9%		531.0%
Assets to Equity	629.9%		631.0%
Book value per share	80.28	2/	74.77

	09/30/2015		09/30/2014
Interest Coverage	299.5%		286.0%
Profitability			
Return on average equity	6.2%	1/	5.5%
Return on average assets	1.0%		0.8%
Net interest margin	3.2%		3.1%
Cost efficiency ratio	69.6%		68.1%
Basic Earnings per share	3.66		3.13

1/ ROE without goodwill –7.2%

2/ Book value per share without goodwill - ₱ 69.58