PNB

SVP/Controller and Head of the Financial Accounting Division

Direct Lines: 573-4074/573-4075 Fax: 526-3416
Trunk Lines: 526-3131 to 70/891-6040 to 70
Locals: 4424, 4499

May 13, 2011

MS. JANET A. ENCARNACION
HEAD, DISCLOSURE DEPARTMENT
4/F The Philippine Stock Exchange
PSE Centre, Exchange Road, Ortigas Center
Pasig City

Dear Ms. Encarnacion:

In compliance with the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 141 of the Corporation Code of the Philippines, we provide you the SEC Form 17-Q report of the Philippine National Bank as of March 31, 2011.

Thank you,

Very truly yours,

MARLYN M. PABRUA
SVP & Controller

SEC Number AS096-005555
File Number

PHILIPPINE NATIONAL BANK
AND SUBSIDIARIES

(Company's Full Name)

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

(Company's Address)

(632) 891-6040 to 70

(Telephone Number)

(Calendar Year Ended)

SEC FORM 17-Q REPORT

Form Type

(Amendment Designation (if applicable))

MARCH 31, 2011

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 THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter ended March 31, 2011

2. Commission Identification No. 005555

3. BIR Tax Identification No. 000-188-209

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
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 Issued
Common Stock, ₱40 par value	662,245,916 shares

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 [ ]

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Philippine National Bank (PNB) and its Subsidiaries (the Group) which comprise the consolidated statements of financial position as of March 31, 2011 and December 31, 2010 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the three months ended March 31, 2011 and March 31, 2010, have been prepared in accordance with the accounting principles generally accepted in the Philippines for banks (Philippine GAAP for banks), particularly the reclassification in 2008 as permitted by the BSP for prudential regulation and the SEC for financial reporting purposes, of certain investments of the PNB (the Parent Company) in Republic of the Philippines (ROP) credit-linked notes from available for sale investments (AFS) to held-to-maturity (HTM) investments and the related embedded derivatives previously bifurcated and classified as financial assets at fair value through profit or loss (FVPL) to HTM investments. Other than the aforementioned reclassification and the deferral of the losses on sale of the non-performing assets (NPAs) to special purpose vehicle (SPV) companies and non-consolidation of the SPV which were allowed separately by the BSP, the financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

A. Financial Condition

- The group's consolidated assets reached ₱306.6 billion as of March 31, 2011, ₱4.5 billion above ₱302.1 billion as of December 31, 2010. Significant changes (more than 5%) in assets were registered in the following accounts:

  - Securities Held Under Agreements to Resell increased by ₱5.1 billion from ₱6.8 billion to ₱11.9 billion as lending transactions with BSP increased.

  - Available for Sale Securities was higher by ₱5.5 billion from ₱34.5 billion to ₱40.0 billion on account of purchases of government securities.

  - Loans and Receivables went up by ₱3.2 billion from ₱110.3 billion to ₱113.5 billion attributable mainly to ₱5.1 new loan releases partly offset by ₱0.4 billion decline in Other Debt Securities, ₱0.8 billion decrease in Other Receivables (i.e. Accrued Interest Receivables) and ₱0.7 billion increase in provision for probable losses.

  - Receivables from Special Purpose Vehicle went up by P0.1 billion, from P0.6 billion to P0.7 billion due to lower provision for impairment losses.

  - Due from Bangko Sentral ng Pilipinas (BSP) increased by ₱2.3 billion from ₱24.3 billion to ₱26.6 billion, accounted for by the increase in reserve deposit account with BSP

- Financial Assets at Fair Value Through Profit or Loss decreased by ₱5.1 billion from ₱15.9 billion to ₱10.8 billion attributed mainly to the sale of government and other investment securities.

- Held to Maturity Investments declined by ₱2.6 billion, from ₱38.2 billion to ₱35.6 billion on account of matured investments.

- Other Assets was lower by ₱0.5 billion from ₱7.2 billion to ₱6.7 billion.

- Interbank Loans Receivable decreased by ₱2.6 billion from ₱12.7 billion to ₱10.1 billion in view of lower interbank lending.

- Cash and Other Cash Items was lower by ₱1.3 billion from ₱5.5 billion to ₱4.2 billion.

- The consolidated liabilities increased by ₱5.0 billion from ₱268.7 billion as of December 31, 2010 to ₱273.7 billion as of March 31, 2011. Major changes in liability accounts were as follows:

  - Deposit Liabilities grew by ₱6.0 billion from ₱226.4 billion to ₱232.4 billion. The growth came from ₱4.1 billion increase in savings deposits and ₱2.4 billion increase in time deposits partly offset by the decline in demand deposit by ₱0.5 billion.

  - Bills and Acceptances Payable decreased by ₱0.4 billion, from ₱12.0 billion to ₱11.6 billion.

  - Accrued Taxes, Interest and Other Expenses decreased by ₱0.2 billion from ₱5.0 billion to ₱4.8 billion.

- The consolidated equity stood at ₱32.9 billion as of March 31, 2011, down by ₱0.6 billion from ₱33.5 billion as of December 31, 2010. The decrease in capital accounts was primarily due to increase in net unrealized loss on mark to market valuation of available for sale investments by ₱0.6 billion, amortization of deferred losses from sale of non-performing assets to SPV companies by ₱0.2 billion partly offset by ₱0.2 billion increase in non-controlling interest in a subsidiary.

B. Results of Operations

- The Group reported a consolidated net income of ₱ 0.3 billion for the three months ended March 31, 2011, down by 64% or ₱0.6 billion compared to ₱0.9 billion net income for the same period last year, attributed mainly to losses in mark to market valuation of investments securities.

- Despite market adversities, total interest income increased by ₱0.1 billion to ₱3.1 billion for the three months ended March 31, 2011 from ₱3.0 billion in the same period last year which was attributed mainly due to higher average yield rate on loans and receivables.

Interest expense slightly up ₱0.1 billion from ₱1.2 billion to ₱1.3 billion.

- Net service fees and commission income was slightly lower at ₱0.5 billion compared to ₱0.6 billion reported for the same period last year.

- For the first three months of 2011, fee-based and other income was lower by ₱0.7 billion to ₱0.6 billion from ₱1.3 billion. This was brought about by mark to market losses on trading and investment securities gains of ₱0.2 billion as of March 31, 2011 or a decrease of ₱0.7 billion compared to the reported gains of ₱0.5 billion for the same period last year. There was also a decrease in Foreign exchange net gains by ₱0.2 billion partially offset by ₱0.2 billion increment in miscellaneous income mainly from gain on sale of foreclosed properties.

- Administrative and other operating expenses decreased by ₱0.1 billion from ₱2.6 billion to ₱2.5 billion, largely due to lower provision for impairment and credit losses by ₱0.2 billion partly offset by increase in miscellaneous expense by ₱0.1 billion.

- Provision for income tax for the three months ended March 31, 2011 and 2010 amounted to P0.1 billion and P0.2 billion, respectively.

C. Key Performance Indicators

- Capital Adequacy

The Group's consolidated risk-based capital adequacy ratios (CAR) computed based on BSP guidelines were 19.2% and 19.4% as of March 31, 2011 and December 31, 2010, respectively, consistently exceeding the regulatory 10% CAR.

- Asset Quality

Non-performing loans (gross of allowance) were ₱7.6 billion as of March 31, 2011 and ₱7.7 billion as of December 31, 2010.

- Profitability

	Three Months Ended	
	3/31/11	3/31/10
Return on equity [1/]	**3.9%**	11.5%
Return on assets [2/]	**0.4%**	1.3%
Net interest margin [3/]	**3.1%**	3.4%

[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 were 35.4% and 34.7% as of March 31, 2011 and December 31, 2010, respectively. The Bank is in compliance with liquidity and legal reserve requirements for deposit liabilities.

- Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment and credit losses) to total operating income were 82.9% and 64.4% for the three months ended March 31, 2011 and 2010, respectively.

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 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 any such specific 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 a material adverse effect on the financial statements.

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

The summary of various commitments and contingent accounts as of March 31, 2011 and December 31, 2010 at their equivalent peso contractual amounts is presented in the selected Note 5 to Consolidated Financial Statements on page 16 of this report.

G. Capital Expenditures

The Bank has commitments for capital expenditures. The Bank plans to purchase the hardware and software requirements needed for the implementation of information technology priority projects for 2011. Expected sources of funds for the projects will come from sale of acquired assets and funds generated from the Bank's operations.

H. Significant Elements of Income or Loss

Significant elements of the consolidated net income of the Group for the three months ended March 31, 2011 and 2010 came from its continuing operations.

I. Seasonal Aspects

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

J. Other Bank Activities

PNB Raises Stake in Japan-PNB Leasing & Finance Corp.

Philippine National Bank (PNB) increased its equity interest in Japan-PNB Leasing & Finance Corp. from 60% to 90% effective January 31, 2011. PNB's additional holdings were acquired from minority partners, IBJ Leasing Co. Ltd. and Mizuho Corporate Bank which divested their 25% and 5% stake, respectively, in the leasing company. IBJ Leasing Co. Ltd. (IBJL) remains as an active joint venture partner with a 10% equity interest and one seat in the Board.

Both PNB and IBJL are fully committed to contribute their respective resources to further enhance the position of Japan-PNB Leasing as one of the top leasing companies in the country today.

Established in 1998, Japan-PNB Leasing offers financial leasing, sale-leaseback, installment notes financing, and business loans. It also undertakes operating leases through a wholly-owned subsidiary, JPNB RentAll. Japan-PNB Leasing holds the distinction of having the biggest portfolio of Japanese accounts in the industry today.

PART II – OTHER INFORMATION

ITEM 1. Any information not previously reported in a report on SEC Form 17-C

There is nothing to report under this item.

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 19 of this report.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of Dates Indicated
(In Thousand Pesos)

	3/31/2011 [1/]	12/31/2010 [2/]
ASSETS		
Cash and Other Cash Items	**4,185,911**	5,457,186
Due from Bangko Sentral ng Pilipinas	**26,555,202**	24,285,986
Due from Other Banks	**4,947,970**	5,141,549
Interbank Loans Receivable	**10,051,177**	12,691,967
Securities Held Under Agreements to Resell	**11,900,000**	6,800,000
Financial Assets at Fair Value Through Profit or Loss	**10,831,820**	15,882,959
Loans and Receivables	**113,515,573**	110,315,478
Receivables from Special Purpose Vehicle	**673,409**	624,450
Available for Sale Investments	**39,989,780**	34,531,256
Held to Maturity Investments	**35,563,860**	38,240,258
Property and Equipment	**16,628,417**	16,631,940
Investment in Subsidiaries and an Associate	**2,850,547**	2,832,073
Investment Properties	**20,384,549**	19,713,566
Deferred Tax Assets	**1,826,025**	1,829,430
Other Assets	**6,700,035**	7,155,262
TOTAL ASSETS	**306,604,275**	302,133,360
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**27,448,856**	27,964,372
Savings	**175,367,130**	171,282,454
Time	**29,561,713**	27,189,058
	232,377,699	226,435,884
Financial Liabilities at Fair Value Through Profit or Loss	**6,581,074**	6,574,596
Bills and Acceptances Payable	**11,651,994**	12,004,138
Accrued Taxes, Interest and Other Expenses	**4,823,021**	5,035,135
Subordinated Debt	**5,491,762**	5,486,735
Other Liabilities	**12,810,746**	13,125,336
	273,736,295	268,661,824
Equity	**32,867,980**	33,471,536
TOTAL LIABILITIES AND EQUITY	**306,604,275**	302,133,360

[1/] *unaudited*
[2/] *audited*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME [1/]

For the Periods Indicated

(In Thousand Pesos, Except Earnings Per Share)

	Three Months Ended	
	3/31/11	3/31/10 [2/]
INTEREST INCOME ON:		
Loans and receivables	**1,767,660**	1,657,532
Investment securities	**1,176,884**	1,109,085
Deposits with banks and others	**124,756**	170,261
	3,069,301	2,936,878
INTEREST EXPENSE ON:		
Deposits liabilities	**940,906**	831,553
Bills payable and other borrowings	**304,636**	352,967
	1,245,543	1,184,520
NET INTEREST INCOME	**1,823,759**	1,752,358
Service charges, fees and commissions income	**555,890**	633,608
Service charges, fees and commissions expense	**34,312**	29,888
NET SERVICE FEES AND COMMISSION INCOME	**521,578**	603,720
Trading and investment securities gains/(loss) - net	**(153,487)**	582,882
Foreign exchange gains-net	**148,693**	346,002
Miscellaneous	**642,403**	408,093
TOTAL OPERATING INCOME	**2,982,946**	3,693,056
OTHER EXPENSES		
Compensation and fringe benefits	**805,560**	904,101
Provision for impairment and credit losses	**74,703**	255,969
Taxes and licenses	**336,954**	267,100
Depreciation and amortization	**259,821**	225,832
Occupancy and equipment related costs	**232,302**	209,087
Miscellaneous	**837,210**	770,453
TOTAL OPERATING EXPENSES	**2,546,550**	2,632,543
INCOME BEFORE SHARE IN NET INCOME OF AN ASSOCIATE AND INCOME TAX	**436,396**	1,060,513
SHARE IN NET INCOME OF AN ASSOCIATE	**18,474**	3,037
INCOME BEFORE INCOME TAX	**454,870**	1,063,550
PROVISION FOR INCOME TAX	**135,083**	174,570
NET INCOME	**319,787**	888,981
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	**318,214**	884,838
Minority Interest	**1,573**	4,142
	319,787	888,981
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	₱ **0.48**	₱ 1.34 ₱

[1/] *unaudited*

[2/] *audited*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME [1/]
For the Periods Indicated
(In Thousand Pesos)

	Three Months Ended	
	3/31/2011	3/31/2010
NET INCOME	**319,787**	888,981
OTHER COMPREHENSIVE INCOME (LOSS):		
Net unrealized gain (loss) on available-for-sale investments	**(680,512)**	58,155
Accumulated translation adjustment	**75,330**	19,876
Share in equity adjustments of an Associate	**18,474**	(492)
	(586,709)	77,539
TOTAL COMPREHENSIVE INCOME	**(266,922)**	966,520
ATTRIBUTABLE TO:		
Equity holders of the Parent Company	**(173,392)**	962,377
Minority Interest	**(93,530)**	4,142
	(266,922)	966,520

[1/] *unaudited*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY[1/]
For the Periods Indicated
(In Thousand Pesos, except Par Value and Number of Shares)

	Three Months Ended	
	3/31/2011	3/31/2010
CAPITAL STOCK		
Common - ₱40 par value		
Authorized - 1,054,824,557 shares		
Issued and outstanding - 662,245,916 shares	**26,489,837**	26,489,837
Balance at end of the period	**26,489,837**	26,489,837
CAPITAL PAID-IN EXCESS OF PAR VALUE	**2,037,272**	2,037,272
SURPLUS RESERVES		
Balance at beginning of the period	**551,947**	546,797
Transfer from Surplus	**8,269**	5,150
Balance at end of the period	**560,216**	551,947
SURPLUS (DEFICIT)		
Balance at beginning of the period	**3,091,554**	425,365
Net income for the period	**318,214**	884,838
Transfer to surplus reserves	**(8,269)**	(5,150)
Amortization of deferred losses	**(215,100)**	(198,814)
Balance at end of the period	**3,186,400**	1,106,241
REVALUATION INCREMENT ON LAND AND BUILDINGS	**2,816,962**	2,729,147
ACCUMULATED TRANSLATION ADJUSTMENT		
Balance at beginning of the period	**(471,975)**	(484,819)
Other comprehensive income for the period	**75,330**	19,876
Balance at end of the period	**(396,645)**	(464,943)
NET UNREALIZED GAIN/(LOSS) ON AVAILABLE- FOR SALE INVESTMENTS		
Balance at beginning of the period	**(1,199,252)**	(884,153)
Other comprehensive income for the period	**(680,512)**	58,155
Balance at end of the period	**(1,879,764)**	(825,998)
SHARE IN EQUITY OF AN ASSOCIATE		
Balance at beginning of the period	**-**	-
Other comprehensive income for the period	**18,474**	(492)
Balance at end of the period	**18,474**	(492)
PARENT COMPANY SHARES HELD BY A SUBSIDIARY	**(4,740)**	(4,740)
	32,828,011	31,618,270
MINORITY INTEREST		
Balance at beginning of the period	**133,499**	133,499
Other comprehensive income for the period	**(93,530)**	4,142
Balance at end of the period	**39,969**	137,641
TOTAL EQUITY	**32,867,980**	31,755,912

[1/] *unaudited*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS[1/]
As of Dates Indicated
(In Thousand Pesos)

	Three Months Ended	
	3/31/2011	3/31/2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**454,869**	1,063,683
Adjustments for:		
Depreciation and amortization	**259,821**	225,832
Provision for impairment and credit losses	**74,703**	255,969
Share in net (income)/loss of an associate	**(18,474)**	(3,037)
Amortization of transaction costs	**5,027**	4,562
Net gain on sale or exchange of investment properties	**(231,586)**	(240,915)
Realized gain on AFS investments	**(737,234)**	(40,112)
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Securities at fair value through profit or loss	**5,051,139**	82,269
Loans and receivables	**(3,323,757)**	1,402,748
Other assets	**197,325**	(114,097)
Increase (decrease) in amounts of:		
Deposit liabilities	**5,941,815**	(5,169,803)
Accrued taxes, interest and other expenses	**(112,498)**	(70,817)
Financial Liability at FVPL	**(138,653)**	(346,039)
Other liabilities	**(169,458)**	(600,745)
Net cash generated from/(used in) operations	**7,253,040**	(3,550,502)
Income taxes paid	**(234,699)**	(244,295)
Net cash provided by/(used in) operating activities	**7,018,339**	(3,794,797)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/ (Acquisition) of:		
Available-for-sale investments	**(5,383,327)**	(2,938,332)
Investment properties	**(439,397)**	1,004,033
Property and equipment	**(256,298)**	(200,546)
Held to maturity investments	**2,676,398**	2,214,053
Net cash provided by/(used in) investing activities	**(3,402,624)**	79,208
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments of) from bills and acceptances payable	**(352,144)**	3,548,326
Issuance (Settlement) of Subordinated Debt	**-**	-
Net cash provided by (used in) financing activities	**(352,144)**	3,548,326
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**3,263,572**	(167,263)
CASH AND CASH EQUIVALENTS AT BEGINNING		
Cash and other cash items	**5,457,186**	6,054,474
Due from Bangko Sentral ng Pilipinas	**24,285,986**	20,927,133
Due from other banks	**5,141,549**	5,403,845
Interbank loans receivable	**12,691,967**	24,303,177
Securities held under agreements to resell	**6,800,000**	5,600,000
	54,376,688	62,288,629
CASH AND CASH EQUIVALENTS AT END		
Cash and other cash items	**4,185,911**	5,315,079
Due from Bangko Sentral ng Pilipinas	**26,555,202**	22,977,634
Due from other banks	**4,947,970**	4,872,783
Interbank loans receivable	**10,051,177**	17,355,869
Securities held under agreements to resell	**11,900,000**	11,600,000
	57,640,260	62,121,366
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest paid	**1,300,799**	1,266,171
Interest received	**3,686,705**	3,914,116

1) Accounting Policies and Methods

The accompanying consolidated financial statements of Philippine National Bank (PNB) and its Subsidiaries (the Group) which comprise the consolidated statements of financial position as of March 31, 2011 and December 31, 2010 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the three months ended March 31, 2011 and March 31, 2010, have been prepared in accordance with the accounting principles generally accepted in the Philippines for banks (Philippine GAAP for banks), particularly the reclassification in 2008 as permitted by the BSP for prudential regulation and the SEC for financial reporting purposes, of certain investments of the PNB (the Parent Company) in Republic of the Philippines (ROP) credit-linked notes from available for sale investments (AFS) to held-to-maturity (HTM) investments and the related embedded derivatives previously bifurcated and classified as financial assets at fair value through profit or loss (FVPL) to HTM investments. Other than the aforementioned reclassification and the deferral of the losses on sale of the non-performing assets (NPAs) to special purpose vehicle (SPV) companies and non-consolidation of the SPV which were allowed separately by the BSP, the financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The same accounting policies and methods have been followed in the preparation of the accompanying financial statements as compared to 2010 Audited Financial Statements.

2) Redemption of Subordinated Note

As approved by the Monetary Board of the BSP in its Resolution No. 46 dated January 8, 2009, the ₱3.0 billion Unsecured Subordinated Debt was redeemed in February 2009 prior to maturity in 2015 under the exercise of call option.

3) Issuance of Long-Term Negotiable Certificate of Time Deposits (LTNCD)

On March 27, 2009, PNB issued ₱3.25 billion LTNCD, which will mature in 2014, to expand the Bank's long term deposit.

Among the significant terms and conditions of the issuance of such LTNCDs are:

a. The LTNCDs will be issued at a minimum investment of ₱0.5 million and in increments of ₱0.1 million thereafter. The LTNCDs will be issued in scripless form.

b. Issue price at 100% of the face value of each LTNCD.

c. The LTNCDs bear interest at the rate of 6.50% per annum from and including March 27, 2009 to but excluding June 30, 2009. Interest will be payable quarterly.

d. Subject to the BSP Rules, the Parent Company shall have the option, but not the obligation, to pre-terminate and redeem all and not part of the LTNCDs before the maturity date on any interest payment date.

4) 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. Group's business segments follow:

Retail Banking - principally handling individual customers' 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.

These segments are the bases on which the Group reports its primary segment information. Other operations of the Group comprise of the operations and financial control groups. 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 chief operating decision maker (CODM) 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. The report submitted to CODM represents only the results of operation for each of the reportable segment. The Group has no significant customer which contributes 10% or more of the consolidated revenue.

Business segment information of the Group as of March 31, 2011 follows:

	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Revenues						
Interest income	337,107	1,519,227	1,796,295	47,440	(630,767)	3,069,301
Interest expense	298,076	442,509	518,891	1,605	(15,538)	1,245,543
Net interest margin	39,030	1,076,719	1,277,404	45,835	(615,229)	1,823,759
Other income	238,432	346,710	135,069	533,385	(60,097)	1,193,499
Other expenses	689,713	155,486	253,434	175,606	(253,877)	1,020,363
Segment result	(412,251)	1,267,941	1,159,039	403,615	(421,449)	1,996,895
Inter-segment						
Imputed income	3,184,938	-	-	-	-	3,184,938
Imputed cost	-	(2,411,916)	(773,022)	-	-	(3,184,938)
Segment result to third party	2,772,687	(1,143,975)	386,017	403,615	(421,449)	1,996,895
Unallocated expenses						1,560,499
Net income before share in net income of an associate						436,397
Share in net income of an associate						18,474
Net income before income tax						454,871
Income tax						135,083
Net income						319,787
Minority interest						1,573
Net income for the year attributable to equity holders of the Parent Company						318,214
Other Information						
Segment assets	43,800,714	110,532,694	113,500,649	41,134,150	(9,856,809)	299,111,398
Unallocated assets						7,492,878
Total assets						306,604,275
Segment liabilities	187,857,041	22,872,406	51,135,900	13,494,563	(5,735,438)	269,624,471
Unallocated liabilities						4,111,824
Total liabilities						273,736,295
Other Segment Information						
Capital expenditures	217,793	2,792	1,708	11,212	–	233,505
Unallocated capital expenditures						243,474
Total capital expenditures						476,979
Depreciation and amortization	35,248	9,248	1,233	15,241	114,090	175,058
Unallocated depreciation and amortization						84,762
Total depreciation and amortization						259,821
Provision for (reversal of) impairment and credit losses	(26,539)	(55,736)	203,860	1,445	(48,327)	74,703

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

** The eliminations and adjustments column represents the RAP to PFRS adjustments*

Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in five principal geographical areas of the world. 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 and most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

The distribution of the Group's gross revenue by geographical market follows:

	Three Months Ended	
	3/31/11	3/31/10
	(In Thousand Pesos)	
Philippines	**₱ 3,985,992**	₱ 4,479,890
Canada and the United States	**134,785**	170,253
Asia (excluding Philippines)	**103,238**	205,509
United Kingdom	**40,785**	27,709
Other European Countries	**16,473**	27,141
	₱ 4,281,273	₱ 4,910,502

5) Commitments and Contingent Liabilities

The following is a summary of various commitments and contingent accounts as of March 31, 2011 and December 31, 2010 at their equivalent peso contractual amounts:

	3/31/11	12/31/10
	(In Thousand Pesos)	
Trust department accounts	**₱ 42,929,179**	₱ 30,427,482
Deficiency claims receivable	**6,333,726**	7,516,669
Inward bills for collection	**2,578,257**	2,621,934
Outstanding guarantees issued	**805,608**	938,361
Outward bills for collection	**107,631**	76,911
Unused commercial letters of credit	**66,822**	11,414
Confirmed export letters of credit	**7,146**	14,603
Items held as collateral	**260**	262
Other contingent accounts	**41,315**	41,316

6) Material Contingencies

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 any such specific 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 a material adverse effect on the financial statements.

7) Earnings Per Share

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

	Three Months Ended	
	3/31/11	3/31/10
a. Net Income attributable to equity holders of the Parent Company (in thousand pesos)	**318,214**	884,838
Less income attributable to convertible Preferred stocks classified as equity (in thousand pesos)	**-**	-
b. Net income attributable to common shareholders	**318,214**	884,838
c. Weighted average number of common shares for basic earnings per share (in thousands)	**662,246**	662,246
d. Effect of dilution: Convertible preferred shares	-	-
e. Adjusted weighted average number of Common shares of diluted income per share (in thousands)	**662,246**	662,246
f. Basic income per share (b/c)	**₱ 0.48**	₱ 1.34
g. Diluted income per share (a/e)	**0.48**	1.34

8) Reclassification of Financial Assets

On September 11, 2008, the Bank reclassified financial assets held-for-trading and AFS investments to HTM investments as allowed under Philippine GAAP. It also reclassified the related embedded credit derivatives on ROP credit-linked notes previously bifurcated and classified as FVPL to HTM investments.

The reclassified accounts have the following balances as of March 31, 2011:

	March 31, 2011		Recognized Gains/(Losses) after reclassification		Recognized Gains/(Losses) had there been no reclassification	
Reclassification of Financial Assets	Carrying Value	Fair Market Value	Profit/(Loss)	Equity	Profit/(Loss)	Equity
* From Financial Assets at Fair Value Through Profit or Loss to Held to Maturity Investments-Government Securities	381,518	411,944	7,914		38,340	
* From Available for Sale Securities to Held to Maturity Investments- Government Securitites and Other Debt Securities	34,736,523	37,143,895	574,030	(18,295)	513,564	2,407,372
Total	35,118,041	37,555,839	581,944	(18,295)	551,904	2,407,372

As of March 31, 2011, the reclassified financial securities have effective interest rates which range from 6.78% to 7.14%. The Bank expects to recover 100% of principal and interest totaling ₱54.0 billion.

9) Other Matters

- **Merger with Allied Banking Corporation (ABC)**

  To date, the merger of PNB and ABC has not been consummated, pending the sale of ABC's subsidiary in the US. ABC, in consultation of the US Federal Reserve Board, is working on other options to resolve the issue.

- **Merger of PNB IFL and PNB RCL**

  On December 22, 2009, the BSP approved the merger of PNB IFL and PNB RCL with PNB IFL as the surviving entity. Subsequently, on February 12, 2010, the Registrar of Companies in Hongkong approved the change in name of PNB IFL to 'PNB Global Remittance and Finance Company (HK) Limited (PNB GRFCL)'. PNB GRFCL currently operates as a money lender specializing in consumer loans with five (5) offices in Hongkong. The merger took effect on July 1, 2010.

10) Other Disclosures

The Bank has nothing to disclose on the following:

- Seasonality or cyclicality of interim operations
- Change in estimates
- Dividends paid
- Material subsequent events
- Changes in the composition of the enterprise

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

SCHEDULE OF AGING OF LOANS RECEIVABLES*
(PSE Requirement per Circular No. 2164-99)
As of March 31, 2011
(In Thousand Pesos)

Current accounts (by maturity)	
Up to 12 months	**38,923,356**
over 1 year to 3 years	**8,161,165**
over 3 years to 5 years	**15,117,890**
over 5 years	**31,493,428**
Past due and items in litigations	**7,397,171**
Loans Receivables (gross)	**101,093,010**
Less:	
Unearned discount	**(112,090)**
Capitalized interest	**(528,722)**
Allowance for credit losses	**(6,171,257)**
Loans Receivables (net)	**94,280,940**

* 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

EUGENE S. ACEVEDO
President and Chief Executive Officer

fr **CARMEN G. HUANG**
Executive Vice President & Chief Financial Officer

Date: May 13, 2011