PNB

Office of the Deputy Chief Financial Officer

Direct Lines: 573-4074/573-4075 Fax: 526-3416
Trunk Lines: 526-3131 to 70/891-6040 to 70
Locals: 4024, 4025

November 14, 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 September 30, 2011.

Thank you,

Very truly yours,

LIGAYA R. GAGOLINAN
Senior Vice President &
Deputy Chief Financial Officer

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, 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 September 30, 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 September 30, 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 nine months ended September 30, 2011 and September 30, 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 ₱318.7 billion as of September 30, 2011, ₱16.6 billion or 5.5% higher compared to ₱302.1 billion as of December 31, 2010. The growth in resources was funded by the increase in deposits and proceeds from the issuance of ₱6.5 billion unsecured subordinated notes eligible as Tier 2 Capital in June 2011. Significant changes (more than 5%) in assets were registered in the following accounts:

  - Loans and Receivables grew by 17.6% or ₱19.4 billion from ₱110.3 billion to ₱129.7 billion attributable mainly to ₱28.1 billion new loan releases partly offset by loan collections of ₱6.7 billion and ₱1.4 billion decline in Other Receivables and ₱0.7 billion increase in provision for probable losses.

  - Securities Held Under Agreements to Resell increased by ₱3.7 billion from ₱6.8 billion to ₱10.5 billion as lending transactions with BSP increased.

  - Due from Bangko Sentral ng Pilipinas (BSP) went up by ₱9.0 billion from ₱24.3 billion to ₱33.3 billion, accounted for by the increase in reserve deposit account with BSP.

  - Financial Assets at Fair Value Through Profit or Loss was lower by ₱7.4 billion from ₱15.9 billion to ₱8.5 billion attributed mainly to the sale of government and other investment securities.

- Interbank Loans Receivable decreased by ₱3.9 billion from ₱12.7 billion to ₱8.8 billion in view of lower interbank lending.

- Held to Maturity Investments declined by ₱2.9 billion, from ₱38.2 billion to ₱35.3 billion on account of matured investments.

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

- Other Assets was lower by ₱0.9 billion from ₱7.2 billion to ₱6.3 billion.

- Due from Other Banks was higher by ₱0.5 billion from ₱5.1 billion to ₱5.6 billion while Cash and Other Cash Items declined by ₱1.3 billion from ₱5.5 billion to ₱4.2 billion.

- The consolidated liabilities increased by ₱15.3 billion from ₱268.7 billion as of December 31, 2010 to ₱284.0 billion as of September 30, 2011. Major changes in liability accounts were as follows:

  - Deposit Liabilities grew by ₱12.3 billion from ₱226.4 billion to ₱238.7 billion. The growth came from ₱14.5 billion and ₱0.2 billion increase in savings deposits and in demand deposits, respectively partly offset by the decline of ₱2.5 billion in time deposit.

  - Bills and Acceptances Payable increased by ₱3.9 billion, from ₱12.0 billion to ₱15.9 billion on account of additional borrowings from other banks.

  - Subordinated Debt increased by ₱1.0 billion, from ₱5.5 billion to ₱6.5 billion. On June 15, 2011, the Bank issued ₱6.5 billion in Unsecured Subordinated Notes eligible as Tier 2 Capital to refinance the Banks ₱5.5 billion Lower Tier 2 Subordinated Notes which were redeemed in August 2011 and to raise additional Tier 2 Capital in order to finance asset growth and strengthen the Bank's capital base.

  - Other Liabilities decreased by ₱1.9 billion from ₱13.1 billion to ₱11.2 billion.

- The consolidated equity stood at ₱34.7 billion as of September 30, 2011, up by ₱1.2 billion from ₱33.5 billion as of December 31, 2010. The increase in capital accounts was accounted for by the ₱2.3 billion net income for the first nine months of 2011 and ₱0.1 billion improvement in the accumulated translation adjustment partly offset by ₱0.1 billion decrease in non-controlling interest in a subsidiary, ₱0.7 billion amortization of deferred losses from sale of non-performing assets to SPV companies, ₱0.4 billion net unrealized loss on mark to market valuation of available for sale investments.

B. Results of Operations

- The Group reported a consolidated net income of ₱ 2.3 billion for the nine months ended September 30, 2011, slightly lower by 8.0% or ₱0.2 billion compared to ₱2.5 billion net income for the same period last year, attributed mainly to lower gains from trading and investments securities.

- Interest income increased by ₱0.2 billion to ₱9.5 billion for the nine months ended September 30, 2011 from ₱9.3 billion in the same period last year which was attributed mainly to higher ADB on loans and receivables and investment securities partly offset by the decrease in income from deposits with other banks. Interest expense was slightly up by ₱0.4 billion from ₱3.5 billion to ₱3.9 billion due to increase in average daily balance of deposit liabilities.

- Net service fees and commission income was slightly lower at ₱1.6 billion compared to ₱1.7 billion reported for the same period last year.

- For the first nine months of 2011, fee-based and other income was lower by ₱2.6 billion to ₱3.1 billion from ₱5.7 billion in the previous year. Trading and investment net gains went down by ₱2.1 billion mainly due to mark to market losses on valuation of investment securities. Miscellaneous income also decreased from ₱2.4 billion to ₱1.7 billion this year. On the other hand, foreign exchange net gains went up by ₱0.3 billion.

- Administrative and other operating expenses decreased by ₱2.7 billion from ₱10.1 billion to ₱7.4 billion, largely due to lower provision for impairment and credit losses, depreciation and amortization and miscellaneous expense by ₱2.3 billion, ₱0.1 billion and ₱0.3 billion, respectively.

- Provision for income tax for the nine months ended September 30, 2011 and 2010 amounted to ₱0.5 billion and ₱0.6 billion, respectively.

C. Key Performance Indicators

- Capital Adequacy

The Group's consolidated risk-based capital adequacy ratios (CAR) computed based on BSP guidelines were 19.8% and 19.4% as of September 30, 2011 and December 31, 2010, respectively, consistently exceeding the regulatory 10% CAR.

- Asset Quality

Non-performing loans (gross of allowance) were ₱7.0 billion as of September 30, 2011 and ₱7.7 billion as of December 31, 2010.

- Profitability

	Nine Months Ended	
	9/30/11	9/30/10
Return on equity [1/]	**8.9%**	**10.2%**
Return on assets [2/]	**1.0%**	**1.1%**
Net interest margin [3/]	**3.0%**	**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 33.2% and 34.7% as of September 30, 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 71.8% and 58.1% for the nine months ended September 30, 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 September 30, 2011 and December 31, 2010 at their equivalent peso contractual amounts is presented in the selected Note 6 to Consolidated Financial Statements on page 17 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. 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 nine months ended September 30, 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 Kabuhayan SME Franchise Loan

Philippine National Bank (PNB) now offers PNB Kabuhayan SME Franchise Loan, which gives the clients the freedom to finance their very own franchise business. Clients may borrow as much as ₱10 Million payable up to five years to jumpstart their franchise or expand their existing business. The PNB Kabuhayan SME Franchise Loan also provides very easy repayment terms and allows the borrower to pay only for interest charges up to one year depending on the cash flow.

PNB recently became a member of the Philippine Franchise Association (PFA) and this loan offering is a testament to PNB's commitment to supporting the Filipino Small and Medium Enterprise (SME).

With PNB's major regional and global presence, interested borrowers anywhere in the country and around the globe have easy access to PNB Kabuhayan SME Franchise Loan and other services of PNB even in rural areas and overseas.

PNB Capital & Investment Corporation (PNB Capital) tapped by Tanduay Holdings Inc. for Capital Raising Program

Hard liquor maker Tanduay Holdings Inc., which reportedly controls 95 percent of the local rum market in Visayas and Mindanao, has tapped PNB Capital, a wholly-owned subsidiary of the Philippine National Bank (PNB), as financial advisor for its planned capital raising program.

Wilson Young, president of Tanduay, said the company may need fresh funds to further expand its operations and improve existing facilities. Tanduay plans to double its market share in Luzon to 12% over the next three years. It aims to achieve this through the launch of more product offerings. The fund raising activity is also intended to comply with the 10 percent minimum public float rule. Its public float currently stands at 2.9 percent.

PNB Branch Upgrading Accelerates with Inauguration of Luneta Branch

PNB's branch upgrading program steps up with the formal inauguration of its newly renovated Luneta Branch. Located at the National Historical Institute Compound in T.M. Kalaw Street, PNB Luneta caters to a variety of commercial and institutional establishments as well as seafarers that populate this busy business corridor at the heart of Manila. The branch now sports a more efficient space layout and improved facilities that make banking more comfortable and convenient for its clientele. It also features PNB’s new signage design which showcases the rejuvenated PNB logo and new colors aquamarine and silver. In line with the Bank's service improvement thrusts, PNB Luneta opens 15 minutes earlier on Monday and Friday and 30 minutes ahead on the day following a local or national holiday. It offers a complete range of banking products and services ranging from deposits, remittance, consumer and corporate loans, export/import services, investment products, and many more. Luneta Branch is one of the 328 branches operated by PNB. The Bank is slated to further expand and upgrade its distribution network in 2011 with the opening of new branches, acquisition of new ATMs, and renovation or relocation of existing branches.

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 20 of this report.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

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

	9/30/2011 [1/]	12/31/2010 [2/]
ASSETS		
Cash and Other Cash Items	**4,237,975**	5,457,186
Due from Bangko Sentral ng Pilipinas	**33,329,505**	24,285,986
Due from Other Banks	**5,594,917**	5,141,549
Interbank Loans Receivable	**8,788,249**	12,691,967
Securities Held Under Agreements to Resell	**10,500,000**	6,800,000
Financial Assets at Fair Value Through Profit or Loss	**8,503,374**	15,882,959
Loans and Receivables	**129,706,848**	110,315,478
Receivables from Special Purpose Vehicle	**725,756**	624,450
Available for Sale Investments	**34,766,739**	34,531,256
Held to Maturity Investments	**35,359,129**	38,240,258
Property and Equipment	**16,671,530**	16,631,940
Investment in Subsidiaries and an Associate	**2,885,083**	2,832,073
Investment Properties	**19,501,813**	19,713,566
Deferred Tax Assets	**1,821,198**	1,829,430
Other Assets	**6,322,921**	7,155,262
TOTAL ASSETS	**318,715,037**	302,133,360
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**28,186,669**	27,964,372
Savings	**185,805,052**	171,282,454
Time	**24,683,022**	27,189,058
	238,674,743	226,435,884
Financial Liabilities at Fair Value Through Profit or Loss	**6,749,876**	6,574,596
Bills and Acceptances Payable	**15,924,822**	12,004,138
Accrued Taxes, Interest and Other Expenses	**4,985,038**	5,035,135
Subordinated Debt	**6,451,481**	5,486,735
Other Liabilities	**11,212,377**	13,125,336
	283,998,337	268,661,824
Equity	**34,716,700**	33,471,536
TOTAL LIABILITIES AND EQUITY	**318,715,037**	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)

	Nine Months Ended		Third Quarter Ended	
	9/30/11	9/30/10	**9/30/2011**	9/30/2010
INTEREST INCOME ON:				
Loans and receivables	**5,568,099**	5,329,171	**1,929,593**	1,796,471
Investment securities	**3,479,107**	3,338,326	**1,166,690**	1,135,111
Deposits with banks and others	**460,896**	609,936	**189,800**	246,840
	9,508,102	9,277,433	**3,286,083**	3,178,422
INTEREST EXPENSE ON:				
Deposits liabilities	**2,994,710**	2,517,888	**1,003,038**	886,816
Bills payable and other borrowings	**965,112**	1,029,533	**337,730**	332,233
	3,959,822	3,547,421	**1,340,768**	1,219,049
NET INTEREST INCOME	**5,548,280**	5,730,012	**1,945,314**	1,959,373
Service charges, fees and commissions income	**1,716,498**	1,960,432	**540,858**	612,298
Service charges, fees and commissions expense	**151,450**	230,315	**31,071**	101,641
NET SERVICE FEES AND COMMISSION INCOME	**1,565,048**	1,730,117	**509,787**	510,656
Trading and investment securities gains/(loss) - net	**444,042**	2,580,570	**287,994**	1,976,050
Foreign exchange gains-net	**948,725**	683,016	**362,136**	(332,126)
Miscellaneous	**1,672,877**	2,400,904	**604,135**	1,280,708
TOTAL OPERATING INCOME	**10,178,972**	13,124,619	**3,709,366**	5,394,661
OTHER EXPENSES				
Compensation and fringe benefits	**2,743,094**	2,748,370	**882,961**	949,909
Provision for impairment and credit losses	**112,561**	2,445,284	**(75,683)**	1,636,012
Taxes and licenses	**907,212**	840,319	**274,883**	293,038
Depreciation and amortization	**686,344**	808,479	**287,352**	355,988
Occupancy and equipment related costs	**732,487**	714,174	**250,131**	263,251
Miscellaneous	**2,235,971**	2,516,403	**764,495**	1,006,287
TOTAL OPERATING EXPENSES	**7,417,669**	10,073,029	**2,384,140**	4,504,485
INCOME BEFORE SHARE IN NET INCOME OF AN ASSOCIATE AND INCOME TAX	**2,761,303**	3,051,590	**1,325,226**	890,175
SHARE IN NET INCOME OF AN ASSOCIATE	**53,999**	21,779	**16,085**	11,883
INCOME BEFORE INCOME TAX	**2,815,302**	3,073,369	**1,341,311**	902,058
PROVISION FOR INCOME TAX	**544,786**	621,616	**228,016**	254,658
NET INCOME	**2,270,516**	2,451,753	**1,113,294**	647,400
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	**2,264,059**	2,436,662	**1,110,627**	640,901
Non-controlling Interest in a Subsidiary	**6,457**	15,091	**2,667**	6,499
	2,270,516	2,451,753	**1,113,294**	647,400
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	₱ **3.42**	₱ 3.68	₱ **1.68**	₱ 0.97

[1/] *unaudited*

[2/] *audited*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

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

	Nine Months Ended	
	9/30/2011	9/30/2010
NET INCOME	**2,270,516**	2,451,753
OTHER COMPREHENSIVE INCOME (LOSS):		
Net unrealized gain (loss) on available-for-sale investments	**(361,197)**	482,744
Accumulated translation adjustment	**97,624**	(94,640)
Share in equity adjustments of an Associate	**(989)**	6,043
	(264,562)	394,147
TOTAL COMPREHENSIVE INCOME	**2,005,954**	2,845,900
ATTRIBUTABLE TO:		
Equity holders of the Parent Company	**2,114,988**	2,830,809
Minority Interest	**(109,034)**	15,091
	2,005,954	2,845,900

[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)

	Nine Months Ended	
	9/30/2011	9/30/2010
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	**2,264,059**	2,436,662
Transfer to surplus reserves	**(8,269)**	(5,150)
Amortization of deferred losses	**(645,299)**	(629,013)
Balance at end of the period	**4,702,045**	2,227,864
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	**97,624**	(94,640)
Balance at end of the period	**(374,351)**	(579,459)
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	**(361,197)**	482,744
Balance at end of the period	**(1,560,449)**	(401,409)
SHARE IN EQUITY OF AN ASSOCIATE		
Balance at beginning of the period	**6,043**	-
Other comprehensive income for the period	**(989)**	6,043
Balance at end of the period	**5,054**	6,043
PARENT COMPANY SHARES HELD BY A SUBSIDIARY	**(4,740)**	(4,740)
	34,671,846	33,056,502
MINORITY INTEREST		
Balance at beginning of the period	**153,888**	133,499
Other comprehensive income for the period	**(109,034)**	15,091
Balance at end of the period	**44,854**	148,590
TOTAL EQUITY	**34,716,700**	33,205,092

[1/] *unaudited*

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

	Nine Months Ended	
	9/30/2011	9/30/2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**2,815,302**	3,073,369
Adjustments for:		
Depreciation and amortization	**686,344**	808,479
Provision for impairment and credit losses	**112,561**	2,445,284
Share in net (income)/loss of an associate	**(53,999)**	(21,779)
Amortization of transaction costs	**(35,254)**	14,382
Net gain on sale or exchange of investment properties	**(372,744)**	(932,629)
Realized gain on AFS investments	**(181,980)**	(737,234)
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Securities at fair value through profit or loss	**7,379,585**	(5,608,359)
Loans and receivables	**(19,605,237)**	(4,287,800)
Other assets	**172,350**	(1,352,868)
Increase (decrease) in amounts of:		
Deposit liabilities	**12,238,859**	18,836,701
Accrued taxes, interest and other expenses	**79,400**	419,803
Financial Liability at FVPL	**(49,548)**	(395,917)
Other liabilities	**(1,688,129)**	718,851
Net cash generated from/(used in) operations	**1,497,511**	12,980,283
Income taxes paid	**(674,283)**	(646,206)
Net cash provided by/(used in) operating activities	**823,228**	12,334,077
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/ (Acquisition) of:		
Available-for-sale investments	**(409,646)**	(12,253,987)
Investment properties	**584,497**	2,273,186
Property and equipment	**(725,934)**	(724,016)
Held to maturity investments	**2,881,129**	3,699,531
Net cash provided by/(used in) investing activities	**2,330,046**	(7,005,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments of) from bills and acceptances payable	**3,920,684**	1,865,206
Issuance (Settlement) of Subordinated Debt	**1,000,000**	-
Net cash provided by (used in) financing activities	**4,920,684**	1,865,206
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**8,073,958**	7,193,997
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	**4,237,975**	4,540,418
Due from Bangko Sentral ng Pilipinas	**33,329,504**	22,315,891
Due from other banks	**5,594,917**	5,451,658
Interbank loans receivable	**8,788,249**	19,874,659
Securities held under agreements to resell	**10,500,000**	17,300,000
	62,450,646	69,482,626
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest paid	**4,037,137**	3,456,309
Interest received	**10,103,423**	10,116,918

[1/] *unaudited*

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 September 30, 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 nine months ended September 30, 2011 and September 30, 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

A. ₱3.0 billion Unsecured Subordinated Debt

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.

B. ₱5.5 billion Unsecured Subordinated Debt

As approved by the Monetary Board of the BSP in its Resolution No. 973 dated June 30, 2011, the ₱5.5 billion Unsecured Subordinated Debt was redeemed in August 2011 prior to maturity in 2016 under the exercise of call option.

3) Issuance of 6.75% ₱6.5 Billion Fixed Rate Unsecured Subordinated Notes

On October 22, 2010, January 21, 2011 and April 15, 2011, the Parent Company's BOD approved the issuance of Fixed Rate Unsecured Subordinated Notes up to ₱10.0 billion, in one or more tranches, that qualify as Lower Tier 2 capital. The MB, in its Resolution No. 650 dated April 28, 2011 approved this issuance subject to the Parent Company's compliance with certain conditions.

Relative to this, on June 15, 2011, the Parent Company issued the initial Tranche of ₱6.50 billion, 6.75% subordinated notes due in 2021, callable in 2016 (the "2011 Notes").

Among the significant terms and conditions of the issuance of such 2011 Notes are:

(a) Issue price at par or 100.00% of the face value;

(b) The 2011 Notes will bear interest at the rate of 6.75% per annum from and including 15 June 2011 to but excluding 15 June 2021. Unless the Notes are earlier redeemed upon at least 30 days' notice prior to 16 June 2016 (the "Call Option Date "), the interest shall be payable quarterly in arrears at the end of each Interest Period on 15 September, 15 December , 15 March and 15 June, commencing on 15 June 2011 until the Maturity Date. Unless previously redeemed, the Notes will be redeemed at their principal amount on Maturity Date or 15 June 2021. Subject to the satisfaction of certain regulatory approval requirements, the Bank may redeem the Notes in whole and not only in part at a redemption price equal to 100% of the principal amount together with accrued and unpaid interest upon at least 30 days' notice prior to the Call Option Date.

(c) The 2011 Notes will constitute direct, unconditional, and unsecured obligations of the Bank. The Notes will be subordinated in right of payment of principal and interest to all depositors and other creditors of the Issuer and will rank pari passu and without any preference among themselves, but in priority to the rights and claims of holders of all classes of equity securities of the Bank, including holders of preferred shares, if any.

4) 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.

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. 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 September 30, 2011 follows:

	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Revenues						
Interest income	972,185	4,962,966	3,164,895	145,495	262,562	9,508,103
Interest expense	889,057	1,453,443	1,664,956	3,593	(51,226)	3,959,823
Net interest margin	83,126	3,509,523	1,499,939	141,903	313,788	5,548,280
Other income	744,469	1,158,219	1,188,043	1,690,841	570	4,782,142
Other expenses	1,663,536	904,625	777,144	585,284	1,468,891	5,399,481
Segment result	(835,941)	3,763,117	1,910,838	1,247,459	(1,154,533)	4,930,941
Inter-segment						
Imputed income	2,451,036	-	-	-	-	2,451,036
Imputed cost	-	(1,545,868)	(905,168)	-	-	(2,451,036)
Segment result to third party	1,615,095	2,217,249	1,005,670	1,247,459	(1,154,533)	4,930,941
Unallocated expenses						2,169,638
Net income before share in net income of an associate						2,761,303
Share in net income of an associate						53,999
Net income before income tax						2,815,302
Income tax						544,786
Net income						2,270,516
Minority interest						6,457
Net income for the year attributable to equity holders of the Parent Company						2,264,059
Other Information						
Segment assets	48,096,343	130,032,078	102,864,221	39,151,487	(10,241,496)	309,902,634
Unallocated assets						8,812,403
Total assets						318,715,037
Segment liabilities	184,463,661	34,677,188	54,546,536	12,140,201	(7,233,466)	278,594,120
Unallocated liabilities						5,404,217
Total liabilities						283,998,337
Other Segment Information						
Capital expenditures	323,641	21,044	1,708	22,002	–	368,395
Unallocated capital expenditures						300,587
Total capital expenditures						668,982
Depreciation and amortization	108,570	100,550	3,973	57,596	177,791	448,479
Unallocated depreciation and amortization						237,864
Total depreciation and amortization						686,344
Provision for (reversal of) impairment and credit losses	814	(248,950)	644,940	48,847	(333,090)	112,561

* 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:

	Nine Months Ended	
	9/30/11	9/30/10
	(In Thousand Pesos)	
Philippines	**₱ 13,172,210**	₱ 15,549,223
Canada and the United States	**464,736**	612,184
Asia (excluding Philippines)	**545,582**	600,299
United Kingdom	**110,812**	85,119
Other European Countries	**50,903**	77,299
	₱ 14,344,243	₱ 16,924,134

6) Commitments and Contingent Liabilities

The following is a summary of various commitments and contingent accounts as of September 30, 2011 and December 31, 2010 at their equivalent peso contractual amounts:

	9/30/11	12/31/10
	(In Thousand Pesos)	
Trust department accounts	**₱ 52,944,057**	₱ 30,427,482
Deficiency claims receivable	**6,335,470**	7,516,669
Inward bills for collection	**1,562,747**	2,621,934
Outstanding guarantees issued	**1,123,406**	938,361
Outward bills for collection	**112,894**	76,911
Unused commercial letters of credit	**72,117**	11,414
Confirmed export letters of credit	**5,495**	14,603
Items held as collateral	**194**	262
Other contingent accounts	**41,281**	41,316

7) 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.

8) 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	
	9/30/11	9/30/10
a. Net Income attributable to equity holders of the Parent Company (in thousand pesos)	**2,264,059**	2,436,662
Less income attributable to convertible Preferred stocks classified as equity (in thousand pesos)	**-**	-
b. Net income attributable to common shareholders	**2,264,059**	2,436,662
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)	**₱ 3.42**	₱ 3.68
g. Diluted income per share (a/e)	**3.42**	3.68

9) 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 September 30, 2011:

	September 30, 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	832,599	432,843	21,093		71,338	
* From Available for Sale Securities to Held to Maturity Investments- Government Securitites and Other Debt Securities	36,767,965	37,536,014	1,686,664	(60,083)	1,686,664	2,929,652
Total	37,600,563	37,968,857	1,707,757	(60,083)	1,758,002	2,929,652

As of September 30, 2011, the reclassified financial securities have effective interest rates which range from 4.46% to 7.98%. The Bank expects to recover 100% of principal and interest totaling ₱52.7 billion.

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

PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The covered entities have been given the option to adopt the standard earlier than the said dates. Hence, an entity may elect to apply for annual periods beginning before January 1, 2013. If an entity however, opts to early adopt PFRS 9, it shall apply the requirements of this standard in its entirety.

In compliance with SEC Memorandum Circular No. 3 Series 2011, the Bank discloses the following information:

1. After consideration of the results of the impact evaluation, the Bank has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2011 annual financial reporting.

2. The Bank shall conduct in early 2012 another impact evaluation using the outstanding balances of financial statements as of December 31, 2011.

3. The Bank's decision whether to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 financial reporting shall be disclosed in its interim financial statements as of March 31, 2012 and if the Bank decides the early adoption of the subject standard for its 2012 financial reporting, its interim report as of March 31, 2012 will already reflect the application of the requirements under the said standard and will contain a qualitative and quantitative discussion of the result of the company's impact evaluation.

11) Other Matters

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

  The U.S. Federal Reserve Board approved on October 28, 2011 the Voting Trust Agreement which will allow Allied Bank to place the shares of Oceanic Bank Holding, Inc. ("Oceanic") in a temporary trust in order to facilitate the merger of Allied Bank into PNB in a manner that addresses U.S. regulatory concerns.

  With the approval by the U.S. Federal Reserve Board of the Trust Agreement, Allied and PNB can now proceed with the implementation of its merger.

- **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 and remittance business with five (5) offices in Hongkong. The merger took effect on July 1, 2010.

12) Other Disclosures

- Material subsequent events

  Sale and Reclassification of Held-to-Maturity Investments

  On October 12, 2011, the Bank disposed of a more than insignificant amount of its HTM investments. This disposal necessitated the reclassification of the remaining HTM portfolio to Available for Sale Securities in accordance with PAS 39.

- The Bank has nothing to disclose on the following:

  - Seasonality or cyclicality of interim operations
  - Change in estimates
  - Dividends paid
  - 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 September 30, 2011
(In Thousand Pesos)

Current accounts (by maturity)	
Up to 12 months	**40,265,382**
over 1 year to 3 years	**6,500,853**
over 3 years to 5 years	**12,840,053**
over 5 years	**49,880,780**
Past due and items in litigations	**6,875,384**
Loans Receivables (gross)	**116,362,452**
Less:	
Unearned discount	**(220,218)**
Capitalized interest	**(524,251)**
Allowance for credit losses	**(6,435,979)**
Loans Receivables (net)	**109,182,002**

* 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

CARLOS A. PEDROSA
President and Chief Executive Officer

CARMEN G. HUANG
Executive Vice President & Chief Financial Officer

Date: November 14, 2011