

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, 2008

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, 2008
- 2. Commission Identification No. AS096-05555
- 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

<u>Title of Each Class</u>	<u>Number of Shares Issued</u>
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 and its Subsidiaries (the Group) which comprise the consolidated balance sheets as of March 31, 2008 and December 31, 2007 and the consolidated statements of income, statements of changes in equity and statements of cash flows for the three months ended March 31, 2008 and March 31, 2007 have been prepared in accordance with Philippine Financial Reporting Standards, except for the following items as allowed under the regulations issued by the Bangko Sentral ng Pilipinas for banks and financial institutions availing of the provisions of Republic Act No. 9182, The Special Purpose Vehicle Act of 2002: the deferral of losses on sale of non-performing assets (NPAs) to special purposes vehicles (SPVs) in 2004, 2005 and 2006, non-recognition of allowance for impairment losses as of December 31, 2006 on loans sold to SPV in 2007 and the non-consolidation of the SPV that acquired the NPAs in 2006 and 2007. These financial statements are filed as part of this SEC Form 17-Q report under pages 8 to 14, viz:

- Consolidated Balance Sheet (p. 7)
- Consolidated Statements of Income (p. 8)
- Consolidated Statements of Changes in Equity (p. 9)
- Consolidated Statements of Cash Flows (p. 10)
- Selected Notes to Consolidated Financial Statements (p.11-14)

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

A. Financial Condition

- The group's consolidated assets amounted to ₱242.4 billion as of March 31, 2008, an increase of ₱2.7 billion from ₱239.7 billion as of December 31, 2007. Following are the significant changes in asset accounts:
 - Interbank Loans Receivable was higher by ₱5.3 billion from ₱13.2 billion to ₱18.5 billion on account of lendings to foreign banks.
 - Securities Purchased Under Resell Agreement decreased by ₱4.0 billion, from ₱11.2 billion to ₱7.2 billion as funds were placed to other investments.
 - Securities at Fair Value Through Profit or Loss increased by ₱314.2 million from ₱3.2 billion to ₱3.5 billion due to acquisition of new securities partly offset by lower gain on mark to market valuation of existing investments.
 - Receivables from Special Purpose Vehicle declined by ₱57.4 million, from ₱726.1 million to ₱668.7 million due to additional allowance for impairment loss.

- The consolidated liabilities increased by ₱3.3 billion from ₱209.5 billion as of year-end 2007 to ₱212.8 billion as of first quarter-end 2008. Material changes in liability accounts are as follows:
 - Deposit Liabilities went up by ₱776.1 million from ₱178.8 billion to ₱179.6 billion. By type, demand and savings deposits grew by ₱783.4 million and ₱3.0 billion, respectively, partly offset by decrease in time deposits by ₱3.0 billion.
 - Bills and Acceptances Payable increased by ₱5.4 billion from ₱4.3 billion to ₱9.7 billion on account of foreign borrowings.
 - Other Liabilities decreased by ₱2.7 billion, from ₱13.7 billion to ₱11.0 billion mainly due to settlement of accounts under bills purchased line and remittance of proceeds under collection agreements.
- The consolidated capital stood at ₱29.6 billion as of March 31, 2008 and ₱30.2 billion as December 31, 2007. The decrease was due to the net unrealized loss on available for sale investments of ₱133.1 million.

B. Results of Operations

- The Group reported a consolidated net income of ₱457.4 million for the first three months of 2008, up by 48.4% compared to the ₱308.3 million net income for the same period last year.
- Net interest income amounted to ₱1.3 billion the first quarter 2008 and 2007. Net service fees were ₱591.3 million and ₱593.3 million for the first quarter 2008 and 2007, respectively.
- Other income totalled ₱877.8 million, comprising of net gains from trading and investment securities and foreign exchange and miscellaneous income. Trading and investment net gains went down by ₱557.1 million mainly due to net losses on mark to market valuation of securities attributed to decreasing interest rates, on the other hand, foreign exchange net gains went up by ₱328.6 million due to US\$ appreciation as against Philippine peso. Miscellaneous income decreased by ₱169.3 million mainly accounted for by lower fair value gain on foreclosures.
- Total operating expenses was ₱2.1 billion, lower by ₱ 642.8 million from ₱2.8 billion. There was a lower provision for losses of ₱7.0 million for this quarter as allowance for credit and impairment losses has been adequate. Other expenses also went down by ₱68.1 million.
- Provision for income tax amounted to ₱188.5 million and ₱101.6 million for the first quarters of 2008 and 2007.

C. Key Performance Indicators

1. Capital Adequacy

The Group's consolidated risk-based capital adequacy ratio computed based on BSP guidelines were 18.5% and 19.0% as of March 31, 2008 and December 31, 2007, respectively.

2. Asset Quality

Non-performing ratio was at 10.3% as of March 31, 2008 and 10.4% as of December 31, 2007.

3. Profitability

	<u>Three Months Ended</u>	
	<u>3/31/08</u>	<u>3/31/07</u>
Return on equity ^{1/}	6.1%	5.0%
Return on assets ^{2/}	0.8%	0.5%
Net interest margin ^{3/}	3.3%	3.5%

^{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.

4. Liquidity

The ratio of liquid assets to total assets were 46.2% and 45.5% as of March 31, 2008 and December 31, 2007.

The Bank is in compliance with liquidity and legal reserve requirements for deposit liabilities.

5. Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment and credit losses) to total operating income were 76.5% and 69.1% for quarters-end March 31, 2008 and 2007.

D. Other Performances and Events

• PNB Dollar Profit UITF Among the Top Three Medium Term Dollar Funds in 2007

PNB's Dollar Profit UITF posted the third highest yield among all Medium Term Dollar Bond Funds in 2007. Based on the data released by Lipper Philippines, the Dollar Profit UITF returned 4.93% net of taxes last year, which translates to a gross yield of 6.1625% per annum. The Dollar Profit Fund is positioned to target investors in search of higher-earning investments for their US dollar funds. This fund provides access to a conservative yet high-yielding portfolio which is invested primarily in dollar-denominated, fixed-income instruments in Philippine government and corporate high-grade dollar securities.

- **PNB PHISIX UITF Tops Latest Lipper Fund Philippines Fund Performance Report**

PNB PHISIX UITF registered the highest 1 Year Return in the Equities Fund Category in the latest Lipper Fund Philippines Fund Performance Report. The fund's excellent rate of return can be attributed to positive market conditions, specifically the bullish performance of the Philippine stock market last year and the adoption of prudent investment strategies derived from rigorous fundamental and strategic research and analysis. The fund is intended for savvy investors who are aware of the potential for high yield in stock markets investments, and are also willing to take the corresponding risk of such investments.

- **PNB recently signed a Memorandum of Agreements with the following:**

Citibank – to provide e-collect facility and additional channels to settle credit card and loan payments.

Philippine Rural Banking Corporation (PR Bank) - to be a remittance payout partner in Region II. PR Bank is engaged in extending credit to small farmers, tenants and rural industries or enterprises, with 28 branches in Luzon and will open four more branches within six months.

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

The Bank's initial Tier 2 Note issue amounting to ₱3.0 billion will be up for repricing or, if the Bank opts, for repayment in February 2009. If the Bank opts for repayment, we expect to sufficiently service the maturity on due date using the Bank's current excess liquidity and/or other traditional sources of funding (i.e. deposits, free and available securities, etc).

F. 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.

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

The summary of various commitments, contingent assets and contingent liabilities as of March 31, 2008 and December 31, 2007 at their equivalent peso contractual amounts is presented in the Note 4 to Consolidated Financial Statements on page 13 of this report.

H. Capital Expenditures

The Bank has commitments for capital expenditures. Among these are investments on IT-related projects, leasehold improvements, major repairs of bank-owned buildings, relocation and renovation of branch buildings, acquisitions and major repairs of furniture, fixtures and equipment needed to bring the Bank at par with competitors. Expected sources of funds for the projects will come from sale of acquired assets and funds generated from the Bank's operations.

I. Significant Elements of Income or Loss

Significant elements of the consolidated net income of the Group for the three months ended March 31, 2008 came from its continuing operations.

J. Seasonal Aspects

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

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) is its Circular letter No. 2164-99 dated August 23, 2001 is shown on page 15 of this report.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

As of Dates Indicated

(In Thousand Pesos)

	3/31/2008 ^{1/}	12/31/2007 ^{2/}
ASSETS		
Cash and Other Cash Items	4,562,579	4,773,212
Due from Bangko Sentral ng Pilipinas	27,657,203	27,961,521
Due from Other Banks	3,992,555	3,962,000
Interbank Loans Receivable	18,465,273	13,197,201
Securities Held Under Agreements to Resell	7,200,000	11,200,000
Financial Assets at Fair Value Through Profit or Loss	3,529,445	3,215,235
Loans and Receivables	76,544,669	76,575,031
Receivables from Special Purpose Vehicle	668,656	726,095
Available for Sale Investments	46,558,325	44,821,522
Held to Maturity Investments	457,877	446,054
Property and Equipment	16,461,051	16,503,679
Investment in Subsidiaries and an Associate	653,947	665,123
Investment Properties	24,571,988	24,799,602
Other Assets	11,081,588	10,858,765
Total Assets	242,405,157	239,705,040
LIABILITIES AND CAPITAL FUNDS		
Liabilities		
Deposit Liabilities		
Demand	20,951,005	20,167,642
Savings	140,343,800	137,315,472
Time	18,293,262	21,328,855
	179,588,067	178,811,969
Bills and Acceptances Payable	9,708,097	4,299,094
Accrued Taxes, Interest and Other Expenses	4,098,251	4,274,718
Subordinated Debt	8,423,535	8,416,424
Other Liabilities	11,006,139	13,673,717
Total Liabilities	212,824,089	209,475,922
Total Equity	29,581,069	30,229,118
Total Liabilities and Equity	242,405,157	239,705,040

^{1/} unaudited^{2/} audited

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME ^{1/}
For the Periods Indicated
(In Thousand Pesos)

	Three Months Ended	
	3/31/2008	3/31/2007
INTEREST INCOME ON:		
Loans and receivables	1,307,645	1,660,530
Investment securities	746,847	873,569
Deposits with banks and others	370,741	299,231
	2,425,234	2,833,330
INTEREST EXPENSE ON:		
Deposits liabilities	826,394	1,115,162
Bills payable and other borrowings	272,720	392,052
	1,099,114	1,507,214
NET INTEREST INCOME	1,326,120	1,326,116
Service charges, fees and commissions income	618,354	622,076
Service charges, fees and commissions expense	27,091	28,762
NET SERVICE FEES AND COMMISSION INCOME	591,263	593,314
Trading and investment securities gains/(loss) - net	(12,607)	544,459
Foreign exchange gains-net	570,610	242,020
Miscellaneous	319,831	489,128
TOTAL OPERATING INCOME	2,795,217	3,195,037
OTHER EXPENSES		
Compensation and fringe benefits	830,005	839,483
Provision for impairment and credit losses	7,009	581,670
Taxes and licenses	260,917	281,385
Depreciation and amortization	186,329	197,604
Occupancy and equipment related costs	219,687	189,977
Miscellaneous	642,528	699,153
TOTAL OPERATING EXPENSES	2,146,476	2,789,272
INCOME BEFORE SHARE IN NET INCOME OF AN ASSOCIATE AND INCOME TAX	648,741	405,765
SHARE IN NET INCOME/(LOSS) OF AN ASSOCIATE	(2,826)	4,119
INCOME BEFORE INCOME TAX	645,915	409,884
PROVISION FOR INCOME TAX	188,547	101,614
NET INCOME	457,368	308,270
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	454,180	305,973
Minority Interest	3,188	2,297
	457,368	308,270

^{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	
	3/31/2008	3/31/2007
CAPITAL STOCK		
Preferred - ₱40 par value		
Authorized - 195,175,444 shares		
Issued - 54,357,751 shares as of 3/31/07	-	2,174,310
Common - ₱40 par value		
Authorized - 1,054,824,557 shares		
Issued - 662,245,916 shares as of 3/31/08 and 518,888,165 shares as of 3/31/07	26,489,837	20,755,527
Balance at end of the period	26,489,837	22,929,837
CAPITAL PAID-IN EXCESS OF PAR VALUE	2,037,272	545,745
SURPLUS RESERVES		
Balance at beginning of the period	532,136	512,204
Transfer from Surplus	7,241	19,932
Balance at end of the period	539,377	532,136
SURPLUS (DEFICIT)		
Balance at beginning of the period	(1,547,162)	(2,603,474)
Net income for the period	454,180	305,973
Transfer to surplus reserves	(7,241)	(19,932)
Amortization of deferred losses	(121,059)	(91,264)
Balance at end of the period	(1,221,282)	(2,408,697)
REVALUATION INCREMENT ON LAND AND BUILDINGS	2,471,113	2,471,113
ACCUMULATED TRANSLATION ADJUSTMENT	(734,606)	(173,354)
NET UNREALIZED GAIN/(LOSS) ON AVAILABLE- FOR SALE INVESTMENTS	(133,131)	425,676
SHARE IN EQUITY ADJUSTMENTS OF AN ASSOCIATE	27,771	51,321
PARENT COMPANY SHARES HELD BY A SUBSIDIARY	(5,323)	(5,323)
	29,471,028	24,368,454
MINORITY INTEREST	110,040	101,257
TOTAL EQUITY	29,581,069	24,469,711

^{1/} unaudited

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS ^{1/}

As of Dates Indicated
(In Thousand Pesos)

	Three Months Ended	
	3/31/2008	3/31/2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	645,915	409,884
Adjustments for:		
Provision for impairment and credit losses	7,009	581,670
Depreciation and amortization	186,329	197,604
Realized gain/(loss) on available for sale investments	(320,757)	(523,531)
Net gain on sale or exchange of investment property	(16,201)	(248,196)
Share in net income/loss of an associate	2,824	(4,119)
Amortization of transaction costs	7,111	6,288
Securities at fair value through profit or loss	(314,210)	(803,439)
Loans and receivables	96,993	(801,611)
Other assets	(379,864)	459,840
Increase (decrease) in amounts of:		
Deposit liabilities	776,098	3,422,912
Accrued taxes, interest and other expenses	(100,280)	84,301
Other liabilities	(2,664,791)	(2,225,988)
Net cash generated from (used in) operations	(2,073,824)	555,615
Income taxes paid	(264,734)	(86,035)
Net cash provided by (used in) operating activities	(2,338,558)	469,580
CASH FLOWS FROM INVESTING ACTIVITIES		
(Acquisition of) / Proceeds from:		
Available-for-sale investments	(2,358,860)	(865,304)
Property and equipment	(143,701)	(138,440)
Investment properties	227,614	382,717
Held-to-maturity investments	(11,823)	1,137,515
Net cash provided by (used in) investing activities	(2,286,770)	516,488
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds from bills and acceptances payable	5,409,003	26,726
Net cash provided by (used in) financing activities	5,409,003	26,726
NET INCREASE IN CASH AND CASH EQUIVALENTS	783,676	1,012,794
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	4,773,212	4,820,155
Due from Bangko Sentral ng Pilipinas	27,961,521	12,566,759
Due from other banks	3,962,000	3,555,603
Interbank loans receivable	13,197,201	19,260,856
Securities held under agreements to resell	11,200,000	15,700,000
	61,093,934	55,903,373
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	4,562,579	4,095,512
Due from Bangko Sentral ng Pilipinas	27,657,203	19,294,106
Due from other banks	3,992,555	4,240,034
Interbank loans receivable	18,465,273	16,686,515
Securities held under agreements to resell	7,200,000	12,600,000
	61,877,610	56,916,167
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest paid	1,171,522	1,528,848
Interest received	2,728,863	2,742,384

^{1/} Unaudited

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) Accounting Policies and Methods

The accompanying consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) which comprise the consolidated balance sheets as of March 31, 2008 and December 31, 2007 and the consolidated statements of income, statements of changes in equity and statements of cash flows for the three months ended March 31, 2008 and March 31, 2007 have been prepared in accordance with Philippine Financial Reporting Standards, except for the following items as allowed under the regulations issued by the Bangko Sentral ng Pilipinas for banks and financial institutions availing of the provisions of Republic Act No. 9182, The Special Purpose Vehicle Act of 2002: the deferral of losses on sale of non-performing assets (NPAs) to special purposes vehicles (SPVs) in 2004, 2005 and 2006, non-recognition of allowance for impairment losses as of December 31, 2006 on loans sold to SPV in 2007 and the non-consolidation of the SPV that acquired the NPAs in 2006 and 2007.

2) 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;

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

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.

Business segment information of the Group as of March 31, 2008 follows:

	Retail	Corporate	Treasury	Other	Total
	(Amounts in thousand pesos)				
Gross income	545,584	1,348,513	1,430,339	629,430	3,953,867
Segment result	70,342	1,806,480	250,894	94,373	2,222,089
Unallocated expenses					1,414,647
Income from operations before taxations and minority interest					645,915
Provision for income tax					(188,548)
Minority interest					(3,188)
Net income for the year					454,180
Other Information					
Segment resources	27,383,563	75,589,174	84,853,660	36,093,726	223,920,124
Unallocated resources					18,485,034
Total resources					242,405,157
Segment liabilities	117,938,226	25,414,013	44,282,247	8,458,286	196,092,773
Unallocated liabilities					16,486,075
Total liabilities					212,824,089
Other Segment Information					
Capital Expenditures	76,028	2,221	182	3,956	82,386
Unallocated capital expenditures					133,863
Total Capital Expenditures					216,249
Depreciation and amortization	41,218	36,095	667	7,029	85,009
Unallocated depreciation and amortization					101,320
Total Depreciation and amortization					186,329
Provision for impairment and credit losses					7,009

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	
	3/31/08	3/31/07
	(In Thousand Pesos)	
Philippines	₱ 3,586,607	₱ 4,237,577
Canada and the United States	185,686	273,297
Asia (excluding Philippines)	73,364	180,016
United Kingdom	41,761	35,011
Other European Countries	31,177	24,042
	₱ 3,918,596	₱ 4,749,943

3) Commitments and Contingent Liabilities

The following is a summary of various commitments and contingent accounts as of March 31, 2008 and December 31, 2007 at their equivalent peso contractual amounts:

	3/31/08	12/31/07
	(In Thousand Pesos)	
Trust department accounts	₱ 24,637,356	₱ 22,435,217
Deficiency claims receivable	7,680,728	7,667,406
Unused commercial letters of credit	5,744,945	4,986,755
Inward bills for collection	3,339,671	1,576,187
Outstanding guarantees issued	874,007	582,795
Confirmed export letters of credit	135,575	2,750,714
Outward bills for collection	123,269	164,860
Others contingent accounts	64,929	123,874
Items held as collateral	596	597

4) 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.

5) 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	
	3/31/08	3/31/07
a. Net Income attributable to equity holders of the Parent Company (in thousand pesos)	454,180	305,973
Less income attributable to convertible Preferred stocks classified as equity (in thousand pesos)	-	29,014
b. Net income attributable to common shareholders	454,180	276,959
c. Weighted average number of common shares for basic earnings per share	662,245,916	518,888,165
d. Effect of dilution:		
Convertible preferred shares	-	54,357,751
e. Adjusted weighted average number of Common shares of diluted income per share	662,245,916	573,245,916
f. Basic income per share (b/c)	₱ 0.69	₱ 0.53
g. Diluted income per share (a/e)	0.69	0.53

6) Subsequent Events

- On May 5, 2008, Allied Banking Corporation and Philippine National Bank announced that their respective Boards of Directors have passed resolutions approving a plan to merge the two banks. Both Boards have endorsed to their shareholders the approved Plan of Merger for final ratification. This transaction is subject to shareholders' and regulatory approvals and is anticipated to close in the third quarter of 2008.

The merger will be effected via a share-for-share exchange. Under the proposed terms, PNB will serve as the surviving entity whereby it will issue to Allied Bank shareholders, 140 PNB shares for every Allied Bank common share and 30.73 PNB shares for every Allied Bank preferred share held. PNB shares will be issued at P55 per share. Allied Bank and PNB shareholders are scheduled to take up the merger proposal at their respective shareholders' meetings on 24th June 2008.

- On April 18, 2008, the PNB's Board of Directors approved the issuance of Third Tranche Tier 2 Capital in the amount of ₱3.0 billion, to replace the First Tranche Tier 2 Capital offered on February 16, 2004 with original tenor of ten (10) years, non call five (5) years. In addition, the Bank may offer an incremental amount up to ₱3.0 billion if market conditions warrant or up to a total offering of ₱6.0 billion.

7) Other Disclosures

The Bank has nothing to disclose on the following:

- Seasonality or cyclicalities of interim operations
- Issuances, repurchase and repayments of debt and equity securities
- Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents (other than those disclosed in the report)
- Change in estimates
- Dividends paid separately for ordinary shares and other shares
- Changes in the composition of the enterprise during the interim period including business combination, disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

SCHEDULE OF AGING OF LOANS RECEIVABLES*

(PSE Requirement per Circular No. 2164-99)

As of March 31, 2008

(In Thousand Pesos)

Current accounts (by maturity)	
Up to 12 months	25,543,556
over 1 year to 3 years	7,391,199
over 3 years to 5 years	11,163,150
over 5 years	12,142,167
Past due and items in litigations	<u>9,519,842</u>
Loans Receivables (gross)	65,759,914
Less:	
Unearned discount	(155,604)
Capitalized interest	(273,872)
Allowance for credit losses	<u>(5,899,257)</u>
Loans Receivables (net)	<u><u>59,431,181</u></u>

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


SIGNATURES

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

PHILIPPINE NATIONAL BANK
Issuer



OMAR BYRON T. MIER
President and Chief Executive Officer



CARMEN G. HUANG
Executive Vice President & Chief Financial Officer

Date: May 13, 2008