



**SVP /Controller and Head of
Financial Accounting Division**

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May 15, 2009

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 furnish you with a copy of the SEC Form 17-Q report of the Philippine National Bank as of March 31, 2009.

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, 2009

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, 2009
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

<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 (PNB) and its Subsidiaries (the Group) which comprise the consolidated balance sheets as of March 31, 2009 and December 31, 2008 and the consolidated statements of income, statements of changes in equity and statements of cash flows for the three months ended March 31, 2009 and March 31, 2008 have been prepared in accordance with the accounting principles generally accepted in the Philippines for banks (Philippine GAAP for banks), particularly the reclassification 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 in September 2008. Other than the aforementioned reclassification and the deferral of the losses on sale of the non-performing assets (NPAs) to special purpose vehicle (SPV) 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

- As of March 31, 2009, the group's consolidated assets reached ₱275.9 billion, an increase of ₱0.5 billion from ₱275.4 billion as of December 31, 2008. Significant changes (more than 5%) in asset accounts are as follows:
 - Securities Held Under Agreement to Resell went up by ₱2.9 billion from ₱5.6 billion to ₱8.5 billion as lending transactions with BSP increased.
 - Due from Other Banks increased by ₱1.6 billion from ₱6.7 billion to ₱8.3 billion due to higher balance of deposit accounts maintained with foreign banks.
 - Interbank Loans Receivable increased by ₱1.1 billion from ₱12.9 billion to ₱14.0 billion mainly accounted for by higher lending to foreign banks.
 - Other Assets increased from ₱10.72 billion to ₱14.50 billion.
 - Cash and Other Cash Items was lower by ₱1.9 billion from ₱6.4 billion to ₱4.5 billion. The level of cash is maintained based on the limits on reserve requirements on deposit liabilities.

- Securities at Fair Value Through Profit or Loss decreased by ₱2.4 billion from ₱11.1 billion to ₱8.7 billion while Available for Sale Securities went down by ₱1.3 billion, from ₱14.6 billion to ₱13.3 billion attributed mainly to the sale of government securities.
- Receivables from Special Purpose Vehicle declined by ₱0.3 billion, from ₱0.7 billion to ₱0.4 billion due to additional provision for impairment losses.
- The consolidated liabilities decreased by ₱0.3 billion from ₱246.1 billion as of December 31, 2008 to ₱245.8 billion as of March 31, 2009. Major changes in liability accounts are as follows:
 - Deposit liabilities decreased by ₱1.7 billion from ₱201.3 billion to ₱199.5 billion, as savings deposits declined by ₱3.7 billion partly offset by increases in demand and time deposit by ₱0.7 billion and ₱1.3 billion, respectively. The time deposits include ₱3.25 billion LTNCD issued in March 2009.
 - Bills and Acceptances Payable was lower by ₱1.3 billion, from ₱12.6 billion to ₱11.3 billion due to settlement of short term borrowings.
 - Subordinated Debt decreased by ₱3.0 billion, from ₱8.5 billion to ₱5.5 billion as the ₱3.0 billion Subordinated Notes was redeemed in February 2009 prior to maturity in 2015 under the exercise of call option.
 - Other Liabilities increased by ₱5.8 billion, from ₱12.5 billion to ₱18.3 billion on account of collections pending remittance to clients under collection agreement and outstanding checks payable pending negotiation.
- The consolidated equity was ₱30.1 billion as of March 31, 2009, higher by ₱0.8 billion compared to ₱29.3 billion as of December 31, 2008. The increase was mainly attributed to ₱0.7 billion net income and ₱0.3 billion translation adjustment partly offset by ₱0.2 billion amortization of deferred losses from SPV sale.

B. Results of Operations

- PNB registered a strong financial performance as it posted a consolidated net income of ₱728 million for the first quarter of 2009, 59% higher than the ₱457 million net income for the same quarter last year. The main contributory to the higher net income was the net interest income which reached ₱2.1 billion for the first quarter of 2009, 61% higher than the ₱1.3 billion for the first quarter of 2008. The growth in net interest income came from loans and investments.
- Fee-based and other income went up by ₱0.5 billion from ₱1.5 billion for the 1st quarter 2008 to ₱2.0 billion 1st quarter 2009 attributed mainly to foreign exchange gains and net service fees and commission income which increased by ₱1.0 billion and ₱12 million, respectively, offsetting the ₱0.5 billion mark to market losses on valuation of investment securities.

- Administrative and other operating expenses increased by ₱1.0 billion from ₱2.1 billion for the first three months of 2008 to ₱3.1 billion for the first three months of 2009. Compensation and fringe benefit increased by ₱384 million as additional retirement expense was provided for the early retirement program offered effective December 31, 2008. Provision for probable losses of ₱265 million was also set-up for impaired receivables.
- Provision for income tax amounted to ₱243 million and ₱189 million for the three months ended March 31, 2009 and 2008, respectively.

C. Key Performance Indicators

- Capital Adequacy

The Group's consolidated risk-based capital adequacy ratio (CAR) computed based on BSP guidelines were 18.1% and 17.6% as of March 31, 2009 and December 31, 2008, respectively, still exceeding the regulatory 10% CAR.

- Asset Quality

Non-performing loans (net of non-performing loans fully covered by allowance for impairment losses) was ₱7.6 billion as of March 31, 2009 and ₱8.0 billion as of December 31, 2008.

- Profitability

	Three Months Ended	
	<u>3/31/09</u>	<u>3/31/08</u>
Return on equity ^{1/}	9.9%	6.1%
Return on assets ^{2/}	1.1%	0.8%
Net interest margin ^{3/}	5.2%	3.3%

^{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 32.2% and 28.0% as of March 31, 2009 and December 31, 2008.

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 is 69.9% and 76.5% for the three months ended March 31, 2009 and 2008.

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, 2009 and December 31, 2008 at their equivalent peso contractual amounts is presented in the selected Note 5 to Consolidated Financial Statements on page 14 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 2009. 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, 2009 and 2008 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 P3.25 Billion from Long Term Negotiable Certificates of Time Deposit Offering**

PNB closed the offering period of its Long Term Negotiable Certificates of Time Deposit (“LTNCDs”) on March 24, 2009, with a total issuance amount of P3.25 billion. PNB’s LTNCDs were subscribed mainly by retail investors. The LTNCDs have features such as senior debt ranking, tax-exemption for certain individuals and institutions, and PDIC coverage. Proceeds from the offering will be used by PNB for general corporate purposes and allow PNB to strengthen its banking operations. The issue was priced at 6.50% per annum, representing a 6 bps spread over the 5-year PDST-F benchmark rate which was at 6.44% when the offer closed. Interest payouts are quarterly starting on June 30, 2009 until the LTNCDs mature on March 31, 2014. PNB’s LTNCD offering was arranged by Deutsche Bank AG, Manila Branch. Allied Bank, First Metro Investment Corporation, Multinational Investment Bancorporation (MIB) and PNB Capital also acted as selling agents for the transaction.

- **ROPA sa Presyong Napakababa Pabahay Bonanza Program**

The Pabahay Bonanza Program is now extended for another year as PNB’s Special Assets Management Sector embarks on selling twice as many as last year’s sales performance. This Special Program aims to rapidly sell the Bank’s acquired assets with appraised value of P1.0 Million and below by streamlining its approval process, thus reducing turn around time. With this program, prospective buyers will enjoy discounts of up to 40%, coupled with the industry’s lowest ever interest rate on installment at 8% fixed from 1 to 10 years.

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 17 of this report.

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

As of Dates Indicated

(In Thousand Pesos)

	3/31/2009 ^{1/}	12/31/2008 ^{2/}
ASSETS		
Cash and Other Cash Items	4,556,453	6,436,406
Due from Bangko Sentral ng Pilipinas	19,987,657	20,056,705
Due from Other Banks	8,319,658	6,669,184
Interbank Loans Receivable	14,002,381	12,859,095
Securities Held Under Agreements to Resell	8,500,000	5,600,000
Financial Assets at Fair Value Through Profit or Loss	8,680,825	11,052,293
Loans and Receivables	100,075,416	102,401,109
Receivables from Special Purpose Vehicle	439,325	719,292
Available for Sale Investments	13,273,570	14,589,537
Held to Maturity Investments	43,838,806	44,150,080
Property and Equipment	16,660,279	16,710,912
Investment in Subsidiaries and an Associate	5,061	5,061
Investment Properties	23,105,609	23,453,926
Other Assets	14,498,071	10,717,814
TOTAL ASSETS	275,943,111	275,421,414
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	23,485,960	22,742,300
Savings	157,595,946	161,343,347
Time	18,456,187	17,186,779
	199,538,093	201,272,426
Financial Liabilities at Fair Value Through Profit or Loss	7,034,135	6,952,831
Bills and Acceptances Payable	11,281,385	12,630,134
Accrued Taxes, Interest and Other Expenses	4,246,701	4,362,928
Subordinated Debt	5,453,892	8,445,674
Other Liabilities	18,267,388	12,451,254
	245,821,595	246,115,247
Equity	30,121,516	29,306,167
TOTAL LIABILITIES AND EQUITY	275,943,111	275,421,414

^{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	
	3/31/2009	3/31/2008
INTEREST INCOME ON:		
Loans and receivables	2,112,406	1,352,457
Investment securities	1,145,221	746,847
Deposits with banks and others	222,160	325,929
	3,479,787	2,425,233
INTEREST EXPENSE ON:		
Deposits liabilities	896,936	826,394
Bills payable and other borrowings	448,917	272,720
	1,345,854	1,099,114
NET INTEREST INCOME	2,133,932	1,326,119
Service charges, fees and commissions income	629,982	618,354
Service charges, fees and commissions expense	26,713	27,091
NET SERVICE FEES AND COMMISSION INCOME	603,269	591,263
Trading and investment securities gains/(loss) - net	(412,967)	50,974
Foreign exchange gains-net	1,551,083	570,610
Miscellaneous	225,251	256,250
TOTAL OPERATING INCOME	4,100,570	2,795,216
OTHER EXPENSES		
Compensation and fringe benefits	1,214,340	830,005
Provision for impairment and credit losses	264,943	7,009
Taxes and licenses	310,584	260,917
Depreciation and amortization	192,304	186,329
Occupancy and equipment related costs	232,571	219,687
Miscellaneous	914,979	642,528
TOTAL OPERATING EXPENSES	3,129,719	2,146,475
INCOME BEFORE SHARE IN NET INCOME/(LOSS) OF AN ASSOCIATE AND INCOME TAX	970,850	648,741
SHARE IN NET INCOME/(LOSS) OF AN ASSOCIATE	-	(2,826)
INCOME BEFORE INCOME TAX	970,850	645,915
PROVISION FOR INCOME TAX	242,819	188,547
NET INCOME	728,031	457,368
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	725,169	454,180
Minority Interest	2,862	3,188
	728,031	457,368
Basic/Diluted Earnings Per Share		
Attributable to Equity Holders of the Parent Company	₱ 1.10	₱ 0.69

^{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)

	3/31/2009	3/31/2008
CAPITAL STOCK		
Preferred - ₱40 par value		
Authorized - 195,175,444 shares		
Issued and outstanding	-	-
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	539,377	532,136
Transfer from Surplus	7,420	7,241
Balance at end of the period	546,797	539,377
SURPLUS (DEFICIT)		
Balance at beginning of the period	(1,054,790)	(1,547,162)
Net income for the period	725,169	454,180
Transfer to surplus reserves	(7,420)	(7,241)
Amortization of deferred losses	(174,535)	(121,059)
Balance at end of the period	(511,576)	(1,221,282)
REVALUATION INCREMENT ON LAND AND BUILDINGS	2,729,147	2,471,113
ACCUMULATED TRANSLATION ADJUSTMENT	(102,327)	(734,606)
NET UNREALIZED GAIN/(LOSS) ON AVAILABLE- FOR SALE INVESTMENTS	(1,181,019)	(133,131)
SHARE IN EQUITY ADJUSTMENTS OF AN ASSOCIATE	-	27,771
PARENT COMPANY SHARES HELD BY A SUBSIDIARY	(8,534)	(5,323)
	29,999,596	29,471,029
MINORITY INTEREST	121,920	110,040
TOTAL EQUITY	30,121,516	29,581,069

^{1/} unaudited

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS^{1/}

As of Dates Indicated

(In Thousand Pesos)

	3/31/2009	3/31/2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	970,850	645,915
Adjustments for:		
Depreciation and amortization	192,304	186,329
Provision for impairment and credit losses	264,943	7,009
Share in net income of an associate	-	2,826
Amortization of transaction costs	8,218	7,111
Net gain on sale or exchange of investment properties	(88,767)	(16,201)
Realized gain on AFS investments	(165,465)	(320,757)
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Financial assets at fair value through profit or loss	2,371,468	(314,210)
Loans and receivables	2,340,717	96,993
Other assets	(3,683,362)	(379,864)
Increase (decrease) in amounts of:		
Deposit liabilities	(1,734,333)	776,098
Accrued taxes, interest and other expenses	(291,527)	(100,280)
Financial Liability at FVPL	81,304	-
Other liabilities	5,816,133	(2,664,792)
Net cash generated from (used in) operations	6,082,482	(2,073,823)
Income taxes paid	(67,519)	(264,734)
Net cash provided by (used in) operating activities	6,014,964	(2,338,557)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Acquisition of) / Proceeds from:		
Available-for-sale investments	1,471,857	(2,358,860)
Investment properties	437,084	227,614
Property and equipment	(141,671)	(143,701)
Held to maturity investments	311,274	(11,823)
Net cash provided by (used in) investing activities	2,078,544	(2,286,770)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (payments of) bills and acceptances payable	(1,348,749)	5,409,003
Redemption of Subordinated Debt	(3,000,000)	-
Net cash provided by (used in) financing activities	(4,348,749)	5,409,003
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,744,759	783,676
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	6,436,406	4,773,212
Due from Bangko Sentral ng Pilipinas	20,056,705	27,961,521
Due from other banks	6,669,184	3,962,000
Interbank loans receivable	12,859,095	13,197,201
Securities held under agreements to resell	5,600,000	11,200,000
	51,621,390	61,093,934
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	4,556,453	4,562,579
Due from Bangko Sentral ng Pilipinas	19,987,657	27,657,203
Due from other banks	8,319,658	3,992,555
Interbank loans receivable	14,002,381	18,465,273
Securities held under agreements to resell	8,500,000	7,200,000
	55,366,149	61,877,610
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest paid	1,534,279	1,171,522
Interest received	3,985,793	2,728,863

^{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 (PNB) and its Subsidiaries (the Group) which comprise the consolidated balance sheets as of March 31, 2009 and December 31, 2008 and the consolidated statements of income, statements of changes in equity and statements of cash flows for the three months ended March 31, 2009 and March 31, 2008 have been prepared in accordance with the accounting principles generally accepted in the Philippines for banks (Philippine GAAP for banks), particularly the reclassification 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 in September 2008. Other than the aforementioned reclassification and the deferral of the losses on sale of the non-performing assets (NPAs) to special purpose vehicle (SPV) 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 2008 annual 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 December 19, 2008, the Board of Directors approved the issuance of ₱3.25 billion worth of 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 preterminate and redeem all and not part of the LTNCDs before the maturity date on any interest payment date.

On March 27, 2009, the Parent Company issued the LTNCD and was able to generate ₱3.25 billion.

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.

Business segment information of the Group as of March 31, 2009 follows:

	Retail	Corporate	Treasury	Other	Total
	(Amounts in Thousand Pesos)				
Gross income	729,680	2,140,300	1,532,537	1,070,618	5,473,135
Segment result	1,021,825	678,227	515,389	873,676	3,089,116
Unallocated expenses					2,118,267
Income from operations before taxations and minority interest					970,849
Provision for income tax					(242,819)
Minority interest					2,862
Net income for the period					725,169
Other Information					
Segment assets	28,495,053	94,720,588	96,922,337	37,718,686	257,856,664
Unallocated assets					18,086,448
Total resources					275,943,111
Segment liabilities	25,384,577	84,381,038	86,342,447	33,601,374	229,709,436
Unallocated liabilities					16,112,160
Total liabilities					245,821,595
Other Segment Information					
Capital Expenditures	136,541	2,117	34	1,145	139,837
Unallocated capital expenditures					187,674
Total Capital Expenditures					327,511
Depreciation and amortization	37,765	30,975	171	1,364	70,275
Unallocated depreciation and amortization					122,029
Total Depreciation and amortization					192,304
Provision for impairment and credit losses	145,352	68,938	9,644	41,009	264,943

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	
	3/31/09	3/31/08
	(In Thousand Pesos)	
Philippines	P 5,497,419	P 3,586,607
Canada and the United States	265,688	185,686
Asia (excluding Philippines)	217,823	73,364
United Kingdom	28,704	41,761
Other European Countries	33,501	31,177
	P 5,473,135	P 3,918,595

5) Commitments and Contingent Liabilities

The following is a summary of various commitments and contingent accounts as of March 31, 2009 and December 31, 2008 at their equivalent peso contractual amounts:

	3/31/09	12/31/08
	(In Thousand Pesos)	
Trust department accounts	P 26,312,088	P 20,076,868
Deficiency claims receivable	7,530,562	7,526,661
Inward bills for collection	6,866,280	1,967
Outstanding guarantees issued	685,079	409,445
Outward bills for collection	174,582	161,112
Unused commercial letters of credit	163,463	4,173
Confirmed export letters of credit	3,013	34,037
Items held as collateral	858	638
Others contingent accounts	431,393	271,680

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	
	3/31/09	3/31/08
a. Net Income attributable to equity holders of the Parent Company (in thousand pesos)	725,169	454,180
Less income attributable to convertible Preferred stocks classified as equity (in thousand pesos)	-	-
b. Net income attributable to common shareholders	725,169	454,180
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)	₱ 1.10	₱ 0.69
g. Diluted income per share (a/e)	1.10	0.69

8) Reclassification of Financial Assets

2008 was characterized by a substantial deterioration in global market conditions, including severe shortage of liquidity and credit availability. These conditions have led to a reduction in the level of market activity for many assets and the inability to sell other than at substantially lower prices.

Following the amendments to PAS 39 and PFRS 7, and as a result of the contraction in the market for many classes of assets, the Bank has undertaken a review of assets that are classified as held-for-trading, in order to determine whether this classification remains appropriate. Where it was determined that the market for an asset is no longer active or that the Bank no longer intends to trade, management has reviewed the instrument to determine whether it is appropriate to reclassify to HTM investments or Loans and receivables. This reclassification has only been performed where the Bank, at the reclassification date, has the clear intention and ability to hold the financial asset for the foreseeable future or until maturity.

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, 2009:

Reclassification of Financial Assets (Amounts in Thousand Pesos)	Carrying	Fair Market	Recognized Gains/(Losses)		Recognized Gains/(Losses)	
	Value 3/31/2009	Value 3/31/2009	on Reclassified Assets Profit/(Loss)	Equity	had there been no reclassification Profit/(Loss)	Equity
* From Financial Assets at Fair Value Through Profit or Loss to Held to Maturity Investments						
- Government Securities	894,430	872,450	(558)	-	(20,747)	-
* From Available for Sale Securities to Held to Maturity Investments						
- Government Securities and Other Debt Securities	42,767,202	40,417,872	(99,955)	468,461	-	(2,571,987)
Total	43,661,632	41,290,322	(100,513)	468,461	(20,747)	(2,571,987)

As of March 31, 2009, the reclassified financial securities have effective interest rates which range from 5.66% to 10.12%. The Bank expects to recover 100% of principal and interest totaling ₱70.5 billion.

9) Merger with Allied Banking Corporation (ABC)

On April 30, 2008 and June 24, 2008, the PNB's Board of Directors and stockholders, respectively approved the merger of PNB and ABC.

The final date of actual merger between PNB and ABC, with PNB as surviving entity, still awaits the approval of regulatory authorities contingent on the completion of ABC's divestment of its 28% equity share in California-based Oceanic Bank. Even with the delay, both banks have made significant progress to fast track the integration process which resulted among others in the following combined training programs: alignment of procurement policies which will lead to a centralized set-up; joint review and rationalization of branches and locations; and interconnection of both banks' ATM systems.

10) Other Disclosures

The Bank has nothing to disclose on the following:

- Seasonality or cyclical 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, 2009

(In Thousand Pesos)

Current accounts (by maturity)	
Up to 12 months	34,527,416
over 1 year to 3 years	15,897,432
over 3 years to 5 years	16,548,003
over 5 years	9,884,631
Past due and items in litigations	<u>10,010,510</u>
Loans Receivables (gross)	86,867,992
Less:	
Unearned discount and capitalized interest	(296,570)
Allowance for credit losses	<u>(6,220,873)</u>
Loans Receivables (net)	<u><u>80,350,548</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 14, 2009