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, 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 September 30, 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

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 balance sheets as of September 30, 2009 and December 31, 2008 and the consolidated statements of income, statements of changes in equity and statements of cash flows for the nine months ended September 30, 2009 and September 30, 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 September 30, 2009, the Group's consolidated resources reached ₱284.1 billion, ₱8.7 billion or 3.2% higher compared to ₱275.4 billion level as of year-end 2008. Significant changes (more than 5%) were registered in the following accounts:

  - Interbank Loans Receivable increased by ₱13.9 billion from ₱12.9 billion to ₱26.8 billion mainly accounted for by higher interbank lending with BSP.

  - Securities Held Under Agreement to Resell and Financial Assets at Fair Value Through Profit or Loss increased by ₱1.9 billion and ₱0.7 billion, respectively, as additional trading securities were purchased.

  - Investments in Subsidiaries and an Associate increased by ₱2.8 billion. In August 2009, PNB and Allied Banking Corporation (ABC) invested Chinese Yuan (CNY) 394.1 million and CNY 196.9 million, respectively or a combined additional equity of CNY 591 million in its US Dollar equivalent in Allied Commercial Bank (ACB) in Xiamen, China. The investments of PNB and ABC translate to equity holdings of 39.4% and 51.0%, respectively.

  - Cash and Other Cash Items and Due from Other Banks was lower by ₱1.9 billion and ₱2.0 billion, respectively.

  - Receivables from Special Purpose Vehicle decreased by ₱0.2 billion, from ₱0.7 billion to ₱0.5 billion due to additional provision for impairment losses.

- Available for Sale Securities went down by ₱3.6 billion from ₱14.6 billion to ₱11.0 billion attributed mainly to the sale of government securities.

- Other Assets decreased by ₱0.7 billion from ₱10.7 billion to ₱10.0 billion partly due to amortization of deferred losses from SPV sale.

- The consolidated liabilities increased by ₱6.6 billion from ₱246.1 billion as of December 31, 2008 to ₱252.7 billion as of September 30, 2009. Major changes in liability accounts are as follows:

  - Deposit Liabilities grew by ₱9.9 billion from ₱201.3 billion to ₱211.2 billion. The demand, savings and time deposits increased by ₱2.0 billion, ₱0.8 billion and ₱7.1 billion, respectively. The time deposits include ₱3.25 billion LTNCD issued in March 2009.

  - Bills and Acceptances Payable went down by ₱0.6 billion, from ₱12.6 billion to ₱12.0 billion due to settlement of foreign borrowings.

  - Subordinated Debt decreased by ₱3.0 billion, from ₱8.5 billion to ₱5.5 billion. The ₱3.0 billion Subordinated Notes was redeemed in February 2009 prior to maturity in 2015 under the exercise of call option.

- The consolidated equity reached ₱31.4 billion as of September 30, 2009, up by ₱2.1 billion from ₱29.3 billion as of December 31, 2008. The increase in capital accounts came primarily from the ₱2.1 billion net income for the first nine months of 2009 and ₱0.4 billion recovery on net unrealized loss on mark to market valuation of available for sale investments, partly offset by the ₱0.5 billion amortization of deferred losses from sale of non-performing assets to SPV companies.

B. Results of Operations

- Sustaining its strong profitability, PNB and its subsidiaries posted an unprecedented consolidated net income of ₱2.1 billion for the nine months ended September 30, 2009. This is 134% higher than the ₱901 million consolidated net income for the same period last year and surpassing the 2008 consolidated net income of ₱1.1 billion.

- Net interest income reached ₱6.1 billion for the first nine months of 2009, higher by ₱1.4 billion compared to ₱4.7 billion for the same period last year. The improvement in net interest margin was mainly attributed to higher interest income from loans and investment securities by ₱2.0 billion owing to higher volume of new loans and deployment of funds to higher yielding investments. Interest expense went up by ₱0.4 billion due to higher volume of deposits.

- For the first three quarters of 2009, fee-based and other income improved by ₱1.9 billion to ₱5.7 billion from ₱3.8 billion. Trading and investment securities recovered by ₱1.9 billion to a positive ₱1.0 billion from a net loss of ₱0.9 billion in 2008 mainly due to favorable mark to market valuation of securities. Foreign exchange net gains went down by ₱0.6 billion due to lower revaluation of foreign currency denominated accounts while miscellaneous income increased by ₱0.5 billion which mainly came from sale of acquired assets and fair value adjustment on foreclosed properties.

- Administrative and other operating expenses went up by ₱2.2 billion from ₱6.8 billion to ₱9.0 billion, largely due to additional provision for impairment and credit losses of ₱1.1 billion which was set up to cover loans and receivables as well as foreclosed assets. Compensation and fringe benefits also increased by ₱0.6 billion due to the early retirement program offered effective December 31, 2008 and the new collective bargaining agreement between management and the employees' union.

- Provision for income tax was ₱0.6 billion and ₱0.7 billion for the nine months ended September 30, 2009 and 2008, respectively.

C. Key Performance Indicators

- Capital Adequacy

  The Group's consolidated risk-based capital adequacy ratios (CAR) computed based on BSP guidelines were 17.8% and 17.6% as of September 30, 2009 and December 31, 2008, respectively, consistently exceeding the regulatory 10% CAR.

- Asset Quality

  Non-performing loans (gross of allowance) were ₱9.7 billion as of September 30, 2009 and ₱10.0 billion as of December 31, 2008.

- Profitability

	Nine Months Ended	
	9/30/09	9/30/08
Return on equity [1/]	**9.2%**	4.0%
Return on assets [2/]	**1.0%**	0.5%
Net interest margin [3/]	**3.9%**	3.6%

[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 30.6% and 28.1% as of September 30, 2009 and December 31, 2008, 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 67.6% and 77.3% for the nine months ended September 30, 2009 and 2008, 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, 2009 and December 31, 2008 at their equivalent peso contractual amounts is presented in the selected Note 5 to Consolidated Financial Statements on page 16 of this report.

G. Capital Expenditures

The Bank has commitments for capital expenditures. The Bank plans to purchase the hardware and software requirements needed for the implementation of information technology priority projects for 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 nine months ended September 30, 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 and Allied Bank put up 90% equity stake in Allied Commercial Bank in Xiamen, China**

  In August 2009, PNB and Allied Banking Corporation (ABC) invested an additional combined equity of Chinese Yuan (CNY) 591 million in its US Dollar equivalent in Allied Commercial Bank (ACB) in Xiamen, China. Both banks remitted a total of CNY 548 million or approximately US$ 80 million to ACB. The balance of CNY 43 million will come from the equivalent conversion of ABC's share in undivided profits into equity. This investment followed the recent approval of the China Banking Regulatory Commission allowing ACB to increase its authorized capital and the approval of the Monetary Board of the Bangko Sentral ng Pilipinas. The investments of PNB and ABC translate to equity holdings of 39.41% and 51%, respectively. PNB and ABC are the only Philippine banks which own a locally-incorporated commercial bank in China. The increase in the capitalization of ACB to CNY One (1) Billion will allow it to expand its banking operations beyond its present head office in Xiamen and branch in Chongqing. Being a locally-incorporated foreign-funded bank, ACB will now be in a position to eventually provide a range of products and services at par with domestic Chinese Banks. Among others, this will include the acceptance of renminbi (RMB) or CNY denominated deposits from local residents. This investment initiative of both PNB and ABC further reinforces their strong foothold and presence in the international markets. It will maximize the potential of PNB's overseas branches to service the inward remittances of Overseas Chinese Workers from various countries to China. ABC and ACB will be able to tap into each others expertise in servicing the Chinese market. ABC, in particular, has a proven franchise over the Chinese Middle Markets in the Philippines.

- **PNB receives STP Award 2008 from Commerzbank AG**

  PNB recently received the Straight Through Processing (STP) Award 2008 from Commerzbank AG, Germany. The award was presented to PNB for its highly efficient delivery of Euro-denominated commercial payments and financial transfers to the bank. This is the first time that Commerzbank recognized excellent performance among its partner banks in the Philippines. STP is a fully automated payment processing system that does not involve any manual interventions. Bank clients benefit from the security provided by the process in addition to the speed of payment transfers. Commerzbank is one of the major correspondent banks of PNB for Euro-currency transactions. It is the second largest financial institution in Germany and one of the biggest in the European region.

- **PNB receives citation from Oracle**

  PNB was recently cited by Oracle Financial Services for the Bank's successful implementation of the Flexcube core banking system. PNB is the first bank in the country and one of the first in Asia to implement Flexcube, a comprehensive core banking software solution that has been harnessed by global financial institutions to enhance their competitive edge. PNB migrated to Flexcube to strengthen and improve operational efficiency. With Flexcube, PNB now runs its domestic and international operations out of a single datacenter based in the Philippines. This new system has allowed the Bank to enhance service delivery across its local and overseas branches, offer a consolidated view of its customers, and speed up product development, among others. It is an end-to-end solution that has fully automated PNB's corporate and retail banking businesses.

- **PNB receives SSS Best Collecting Bank for OFW Remittances Award**

  PNB was recently named as Best Collecting Bank for OFW Remittances by the Social Security System under its 2009 Balikat ng Bayan Awards. This is the fifth straight year that PNB was given this award. The distinction recognizes PNB's vital service in facilitating collection of contributions from SSS members based overseas as well as its international reach and affordability of remittance services. PNB is a valuable partner of SSS in servicing the needs of its members both here and abroad. Through the Bank's Overseas Bills Payment facility, OFWs can conveniently pay their SSS dues and amortizations over-the-counter at any PNB overseas branch.

- **PNB's Wealth Multiplier Provides Flexibility to Depositors**

  PNB gives its clients wider options to grow their excess funds even more through its Wealth Multiplier Time Deposit account. The product is now offered for longer terms of 2, 3 and 4 years so depositors can maximize their earnings. Moreover, Wealth Multiplier offers competitive yields and guarantees clients with a monthly interest payout for added liquidity. PNB Wealth Multiplier can thus meet the different investment needs of clients, whether it is for short-term or medium-term. Depending on their financial objectives, depositors have the option of placing their money for a period of three months up to a maximum of five years. Clients can conveniently keep track of their placements through a transaction diary. Depending on the term, PNB Wealth Multiplier is available for a minimum placement of P50,000 or P500,000. "Wealth Multiplier is designed to give the Bank's retail, corporate and OFW clients with broader investment options to build their wealth.

PART II – OTHER INFORMATION

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

There is nothing to report under this item.

ITEM 2. Aging of Loans Receivables

The schedule of aging of loans receivables as required by Philippine Stock Exchange (PSE) in its Circular letter No. 2164-99 dated August 23, 2001 is shown on page 19 of this report.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of Dates Indicated
(In Thousand Pesos)

	9/30/2009 [1/]	12/31/2008 [2/]
ASSETS		
Cash and Other Cash Items	4,558,892	6,436,406
Due from Bangko Sentral ng Pilipinas	20,480,309	20,056,705
Due from Other Banks	4,720,660	6,669,184
Interbank Loans Receivable	26,781,775	12,859,095
Securities Held Under Agreements to Resell	7,500,000	5,600,000
Financial Assets at Fair Value Through Profit or Loss	11,724,124	11,052,293
Loans and Receivables	101,961,572	102,401,109
Receivables from Special Purpose Vehicle	548,887	719,292
Available for Sale Investments	11,043,847	14,589,537
Held to Maturity Investments	42,659,246	44,150,080
Property and Equipment	16,591,587	16,710,912
Investment in Subsidiaries and an Associate	2,798,877	5,061
Investment Properties	22,718,349	23,453,926
Other Assets	10,012,513	10,717,814
TOTAL ASSETS	284,100,638	275,421,414
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	24,819,858	22,742,300
Savings	162,122,754	161,343,347
Time	24,298,740	17,186,779
	211,241,352	201,272,426
Financial Liabilities at Fair Value Through Profit or Loss	6,987,500	6,952,831
Bills and Acceptances Payable	12,001,244	12,630,134
Accrued Taxes, Interest and Other Expenses	4,375,310	4,362,928
Subordinated Debt	5,462,754	8,445,674
Other Liabilities	12,597,121	12,451,254
	252,665,281	246,115,247
Equity	31,435,357	29,306,167
TOTAL LIABILITIES AND EQUITY	284,100,638	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)

	Nine Months Ended		Third Quarter Ended	
	9/30/2009	9/30/2008	**9/30/2009**	9/30/2008
INTEREST INCOME ON:				
Loans and receivables	**6,048,557**	4,539,585	**1,871,714**	1,590,870
Investment securities	**3,292,674**	2,829,705	**1,046,236**	1,159,187
Deposits with banks and others	**591,220**	804,116	**182,748**	213,808
	9,932,451	8,173,406	**3,100,697**	2,963,865
INTEREST EXPENSE ON:				
Deposits liabilities	**2,666,308**	2,424,868	**893,952**	829,807
Bills payable and other borrowings	**1,220,887**	1,085,484	**369,513**	469,974
	3,887,195	3,510,352	**1,263,465**	1,299,781
NET INTEREST INCOME	**6,045,256**	4,663,054	**1,837,232**	1,664,084
Service charges, fees and commissions income	**1,814,370**	1,772,688	**569,199**	583,465
Service charges, fees and commissions expense	**81,172**	80,396	**27,173**	26,812
NET SERVICE FEES AND COMMISSION INCOME	**1,733,198**	1,692,292	**542,027**	556,653
Trading and investment securities gains/(loss) - net	**1,023,977**	(889,601)	**758,144**	(425,478)
Foreign exchange gains-net	**1,564,572**	2,132,154	**239,344**	493,871
Miscellaneous	**1,307,797**	819,951	**479,949**	212,881
TOTAL OPERATING INCOME	**11,674,800**	8,417,850	**3,856,696**	2,502,010
OTHER EXPENSES				
Compensation and fringe benefits	**3,125,768**	2,529,702	**968,604**	908,868
Provision for impairment and credit losses	**1,103,608**	287,838	**338,998**	3,507
Taxes and licenses	**814,491**	774,464	**269,672**	250,630
Depreciation and amortization	**980,611**	564,150	**590,838**	135,797
Occupancy and equipment related costs	**682,651**	673,646	**235,204**	233,294
Miscellaneous	**2,291,721**	1,965,595	**731,718**	670,268
TOTAL OPERATING EXPENSES	**8,998,850**	6,795,395	**3,135,034**	2,202,364
INCOME BEFORE SHARE IN NET INCOME/(LOSS) OF AN ASSOCIATE AND INCOME TAX	**2,675,950**	1,622,455	**721,662**	299,646
SHARE IN NET INCOME/(LOSS) OF AN ASSOCIATE	**22,417**	(2,471)	**22,417**	-
INCOME BEFORE INCOME TAX	**2,698,367**	1,619,984	**744,079**	299,646
PROVISION FOR INCOME TAX	**592,862**	719,155	**166,149**	212,142
NET INCOME	**2,105,505**	900,829	**577,930**	87,504
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	**2,094,683**	890,734	**573,533**	83,526
Minority Interest	**10,822**	10,095	**4,397**	3,978
	2,105,505	900,829	**577,930**	87,504
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	₱ **3.16**	₱ 1.35	₱ **0.87**	₱ 0.13

[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)

	9/30/2009	9/30/2008
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	**2,094,683**	891,487
Transfer to surplus reserves	**(7,420)**	(7,241)
Amortization of deferred losses	**(523,605)**	(416,653)
Balance at end of the period	**508,869**	(1,079,569)
REVALUATION INCREMENT ON LAND AND BUILDINGS	**2,729,147**	2,469,945
ACCUMULATED TRANSLATION ADJUSTMENT	**(224,635)**	(294,588)
NET UNREALIZED GAIN/(LOSS) ON AVAILABLE- FOR SALE INVESTMENTS	**(773,274)**	(667,457)
SHARE IN EQUITY ADJUSTMENTS OF AN ASSOCIATE	**-**	28,383
PARENT COMPANY SHARES HELD BY A SUBSIDIARY	**(8,534)**	(6,840)
	31,305,477	29,516,360
MINORITY INTEREST	**129,880**	116,948
TOTAL EQUITY	**31,435,357**	29,633,308

[1/] *unaudited*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS[1/]
For the Periods Indicated
(In Thousand Pesos)

	Nine Months Ended	
	9/30/2009	9/30/2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**2,698,367**	1,619,984
Adjustments for:		
Depreciation and amortization	**980,611**	564,150
Provision for impairment and credit losses	**1,103,608**	287,838
Share in net (income)/loss of an associate	**(22,417)**	2,471
Amortization of transaction costs	**17,080**	21,243
Net gain on sale or exchange of investment properties	**(440,668)**	(254,816)
Realized gain on AFS investments	**(321,190)**	(386,681)
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Securities at fair value through profit or loss	**(671,831)**	(5,866,700)
Loans and receivables	**(493,666)**	(9,299,123)
Other assets	**(2,440,581)**	39,328
Increase (decrease) in amounts of:		
Deposit liabilities	**9,968,926**	8,779,054
Accrued taxes, interest and other expenses	**(232,140)**	2,351
Financial Liability at FVPL	**34,669**	-
Other liabilities	**145,865**	(7,952,528)
Net cash generated from/(used in) operations	**10,326,633**	(12,443,429)
Income taxes paid	**(348,339)**	(792,390)
Net cash provided by/(used in) operating activities	**9,978,294**	(13,235,819)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from / (Acquisition of):		
Available-for-sale investments	**4,265,049**	29,549,246
Investment properties	**1,176,245**	550,729
Property and equipment	**(861,287)**	(372,247)
Held to maturity investments	**1,490,834**	(46,098,483)
Net cash provided by/(used in) investing activities	**6,070,842**	(16,370,755)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments of) from bills and acceptances payable	**(628,890)**	11,720,226
Issuance (Settlement) of Subordinated Debt	**(3,000,000)**	6,000,000
Net cash provided by (used in) financing activities	**(3,628,890)**	17,720,226
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**12,420,246**	(11,886,349)
CASH AND CASH EQUIVALENTS AT BEGINNING		
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		
Cash and other cash items	**4,558,892**	3,974,441
Due from Bangko Sentral ng Pilipinas	**20,480,309**	21,330,093
Due from other banks	**4,720,660**	4,426,984
Interbank loans receivable	**26,781,775**	16,476,067
Securities held under agreements to resell	**7,500,000**	3,000,000
	64,041,636	49,207,585
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest paid	**4,025,710**	3,552,599
Interest received	**10,504,798**	8,323,760

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 September 30, 2009 and December 31, 2008 and the consolidated statements of income, statements of changes in equity and statements of cash flows for the nine months ended September 30, 2009 and September 30, 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 September 30, 2009 follows:

	Retail	Corporate	Treasury	Other	Total
	(Amounts in Thousand Pesos)				
Gross income	1,524,255	6,063,566	5,745,876	2,331,887	15,665,584
Segment result	1,774,933	2,126,158	2,197,089	1,776,584	7,874,763
Unallocated expenses					5,176,396
Income from operations before taxations and minority interest					2,698,367
Provision for income tax					(592,862)
Minority interest					(10,822)
Net income for the period					2,094,683
Other Information					
Segment assets	16,411,297	88,949,699	132,856,385	41,160,719	279,378,100
Unallocated assets					4,722,538
Total resources					284,100,638
Segment liabilities	122,526,185	7,219,530	107,455,844	10,285,518	247,487,077
Unallocated liabilities					5,178,205
Total liabilities					252,665,281
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	173,242	149,586	640	43,252	366,720
Unallocated depreciation and amortization					613,891
Total Depreciation and amortization					980,611
Provision for impairment and credit losses					1,103,608

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	
	9/30/09	9/30/08
	(In Thousand Pesos)	
Philippines	**₱ 14,049,982**	₱ 10,511,503
Canada and the United States	**747,794**	716,931
Asia (excluding Philippines)	**693,366**	556,892
United Kingdom	**87,554**	124,311
Other European Countries	**86,888**	96,490
	₱ 15,665,584	₱ 12,006,127

5) Commitments and Contingent Liabilities

The following is a summary of various commitments and contingent accounts as of September 30, 2009 and December 31, 2008 at their equivalent peso contractual amounts:

	9/30/09	12/31/08
	(In Thousand Pesos)	
Trust department accounts	**₱ 25,276,631**	₱ 20,076,868
Deficiency claims receivable	**7,590,234**	7,526,661
Outstanding guarantees issued	**902,404**	409,445
Inward bills for collection	**168,375**	1,967
Outward bills for collection	**160,853**	161,112
Confirmed export letters of credit	**32,694**	34,037
Unused commercial letters of credit	**25,653**	4,173
Items held as collateral	**1,545**	638
Others contingent accounts	**139,675**	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:

	Nine Months Ended	
	9/30/09	9/30/08
a. Net Income attributable to equity holders of the Parent Company (in thousand pesos)	**2,094,683**	890,734
Less income attributable to convertible Preferred stocks classified as equity (in thousand pesos)	**-**	-
b. Net income attributable to common shareholders	**2,094,683**	890,734
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)	**₱ 3.16**	₱ 1.35
g. Diluted income per share (a/e)	**3.16**	1.35

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 September 30, 2009:

Reclassification of Financial Assets	Carrying Value 9/30/2009	Fair Market Value 9/30/2009	Recognized Gains/(Losses) on Reclassified Assets Profit/(Loss)	Equity	Recognized Gains/(Losses) had there been no reclassification Profit/(Loss)	Equity
(Amounts in Thousand Pesos)						
* From Financial Assets at Fair Value Through Profit or Loss to Held to Maturity Investments						
- Government Securities	814,260	871,620	(41,050)	-	19,193	-
* From Available for Sale Securities to Held to Maturity Investments						
- Government Securities and Other Debt Securities	41,463,117	42,187,823	(438,696)	607,369	-	553,373
Total	42,277,377	43,059,443	(479,746)	607,369	19,193	553,373

As of September 30, 2009, the reclassified financial securities have effective interest rates which range from 5.38% to 12.38%. The Bank expects to recover 100% of principal and interest totaling ₱67.2 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 cyclicality of interim operations
- Change in estimates
- Dividends paid
- Material subsequent events
- Changes in the composition of the enterprise

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

SCHEDULE OF AGING OF LOANS RECEIVABLES*
(PSE Requirement per Circular No. 2164-99)
As of September 30, 2009
(In Thousand Pesos)

Current accounts (by maturity)	
Up to 12 months	**36,089,167**
over 1 year to 3 years	**14,991,456**
over 3 years to 5 years	**15,252,496**
over 5 years	**13,331,063**
Past due and items in litigations	**10,032,453**
Loans Receivables (gross)	**89,696,634**
Less:	
Unearned discount	**(171,681)**
Capitalized interest	**(126,089)**
Allowance for credit losses	**(5,998,537)**
Loans Receivables (net)	**83,400,328**

* 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: November 12, 2009