SVP/Controller and Head of the
Financial Accounting Division

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

August 15, 2011

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

Dear Ms. Encarnacion:

In compliance with the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 141 of the Corporation Code of the Philippines, we provide you the SEC Form 17-Q report of the Philippine National Bank as of June 30, 2011.

Thank you,

Very truly yours,

MARLYN M. PABRUA
SVP & Controller

SEC Number AS096-005555
File Number

PHILIPPINE NATIONAL BANK
AND SUBSIDIARIES

(Company's Full Name)

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

(Company's Address)

(632) 891-6040 to 70

(Telephone Number)

(Calendar Year Ended)

SEC FORM 17-Q REPORT

Form Type

(Amendment Designation (if applicable)

JUNE 30, 2011

Period Ended Date

LISTED

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter ended June 30, 2011

2. Commission Identification No. 005555

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

4. Exact name of issuer as specified in its charter: Philippine National Bank

5. Philippines .
Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
Industry Classification Code:

7. PNB Financial Center, Pres. Diosdado P. Macapagal Blvd, Pasay City — 1300
Address of principal office — Postal Code

8. (632)/891-60-40 up to 70
Issuer's telephone number, including area code

9. not applicable .
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares Issued
Common Stock, ₱40 par value	662,245,916 shares

11. Are any or all of these securities listed on a Stock Exchange:

Yes [√] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange — Common Stocks

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a) – 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):
Yes [√] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [√] No [ ]

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Philippine National Bank (PNB) and its Subsidiaries (the Group) which comprise the consolidated statements of financial position as of June 30, 2011 and December 31, 2010 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months ended June 30, 2011 and June 30, 2010, have been prepared in accordance with the accounting principles generally accepted in the Philippines for banks (Philippine GAAP for banks), particularly the reclassification in 2008 as permitted by the BSP for prudential regulation and the SEC for financial reporting purposes, of certain investments of the PNB (the Parent Company) in Republic of the Philippines (ROP) credit-linked notes from available for sale investments (AFS) to held-to-maturity (HTM) investments and the related embedded derivatives previously bifurcated and classified as financial assets at fair value through profit or loss (FVPL) to HTM investments. Other than the aforementioned reclassification and the deferral of the losses on sale of the non-performing assets (NPAs) to special purpose vehicle (SPV) companies and non-consolidation of the SPV which were allowed separately by the BSP, the financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

A. Financial Condition

- The group's consolidated assets reached ₱333.0 billion as of June 30, 2011, ₱30.9 billion or 10.2% higher compared to ₱302.1 billion as of December 31, 2010. The growth in resources was funded by the increase in deposits and proceeds from the issuance of ₱6.5 billion unsecured subordinated notes eligible as Tier 2 Capital in June 2011. Significant changes (more than 5%) in assets were registered in the following accounts:

  - Loans and Receivables grew by 20.3% or ₱22.3 billion from ₱110.3 billion to ₱132.6 billion attributable mainly to ₱27.5 billion new loan releases partly offset by loan collections of ₱4.6 billion and ₱0.2 billion decline in Other Receivables and ₱0.4 billion increase in provision for probable losses.

  - Available for Sale Securities was higher by ₱11.8 billion from ₱34.5 billion to ₱46.3.0 billion due to purchases of government securities.

  - Securities Held Under Agreements to Resell increased by ₱7.2 billion from ₱6.8 billion to ₱14.0 billion as lending transactions with BSP increased.

  - Due from Bangko Sentral ng Pilipinas (BSP) went up by ₱5.7 billion from ₱24.3 billion to ₱30.0 billion, accounted for by the increase in reserve deposit account with BSP.

- Financial Assets at Fair Value Through Profit or Loss was lower by ₱7.1 billion from ₱15.9 billion to ₱8.8 billion attributed mainly to the sale of government and other investment securities.

- Interbank Loans Receivable decreased by ₱4.6 billion from ₱12.7 billion to ₱8.1 billion in view of lower interbank lending.

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

- Receivables from Special Purpose Vehicle went down by P0.1 billion, from P0.6 billion to P0.5 billion due to increase in provision for impairment loss.

- Other Assets was lower by ₱0.7 billion from ₱7.2 billion to ₱6.5 billion.

- Cash and Other Cash Items declined by ₱1.0 billion from ₱5.5 billion to ₱4.4 billion.

• The consolidated liabilities increased by ₱30.1 billion from ₱268.7 billion as of December 31, 2010 to ₱298.8 billion as of June 30, 2011. Major changes in liability accounts were as follows:

  - Deposit Liabilities grew by ₱19.2 billion from ₱226.4 billion to ₱245.6 billion. The growth came from ₱22.3 billion increase in savings deposits partly offset by the decline of ₱2.1 billion and ₱1.0 billion in time and demand deposits, respectively.

  - Bills and Acceptances Payable increased by ₱4.8 billion, from ₱12.0 billion to ₱16.8 billion on account of additional borrowings from other banks.

  - Subordinated Debt increased by ₱6.5 billion, from ₱5.5 billion to ₱12.0 billion. On June 15, 2011, the Bank issued ₱6.5 billion in Unsecured Subordinated Notes eligible as Tier 2 Capital to refinance the Banks ₱5.5 billion Lower Tier 2 Subordinated Notes callable in August 2011 and to raise additional Tier 2 Capital in order to finance asset growth and strengthen the Bank's capital base.

• The consolidated equity stood at ₱34.2 billion as of June 30, 2011, up by ₱0.7 billion from ₱33.5 billion as of December 31, 2010. The increase in capital accounts was accounted for by the ₱1.2 billion net income, decrease in net unrealized loss on mark to market valuation of available for sale investments by ₱0.1 billion partly offset by the amortization of deferred losses from sale of non-performing assets to SPV companies by ₱0.4 billion.

B. Results of Operations

• The Group reported a consolidated net income of ₱ 1.2 billion for the six months ended June 30, 2011, lower by 33% or ₱0.6 billion compared to ₱1.8 billion net income for the same period last year, attributed mainly to lower gains from trading and investments securities.

- Despite market difficulties, total interest income increased by ₱0.1 billion to ₱6.2 billion for the six months ended June 30, 2011 from ₱6.1 billion in the same period last year which was attributed mainly to higher ADB on loans and receivables and investment securities partly offset by the decrease in income from deposits with other banks. Interest expense was slightly up by ₱0.3 billion from ₱2.3 billion to ₱2.6 billion due to increase in deposit levels.

- Net service fees and commission income was slightly lower at ₱1.2 billion compared to ₱1.3 billion reported for the same period last year.

- For the first six months of 2011, fee-based and other income was lower by ₱0.9 billion to ₱1.8 billion from ₱2.7 billion in the previous year. This was brought about by lower gains on trading and investment securities by ₱0.4 billion from ₱0.6 billion to ₱0.2 billion this year. There were also corresponding decreases in foreign exchange net gains and miscellaneous income by ₱0.4 billion and ₱0.1 billion, respectively.

- Administrative and other operating expenses decreased by ₱0.6 billion from ₱5.6 billion to ₱5.0 billion, largely due to lower provision for impairment and credit losses and depreciation and amortization by ₱0.6 billion and ₱0.1 billion, respectively, partly offset by increase in taxes and licenses by ₱0.1 billion.

- Provision for income tax for the six months ended June 30, 2011 and 2010 amounted to ₱0.3 billion and ₱0.4 billion, respectively.

C. Key Performance Indicators

- Capital Adequacy

The Group's consolidated risk-based capital adequacy ratios (CAR) computed based on BSP guidelines were 19.1% and 19.4% as of June 30, 2011 and December 31, 2010, respectively, consistently exceeding the regulatory 10% CAR.

- Asset Quality

Non-performing loans (gross of allowance) were ₱7.1 billion as of June 30, 2011 and ₱7.7 billion as of December 31, 2010.

- Profitability

	Six Months Ended	
	6/30/11	6/30/10
Return on equity [1/]	**6.9%**	**11.4%**
Return on assets [2/]	**0.7%**	**1.3%**
Net interest margin [3/]	**2.9%**	**3.5%**

The lower net interest margin (NIM) was due partly to the issuance of the ₱6.5 billion lower Tier 2 (LT2) in June 2011 which is intended to refinance the ₱5.5 billion LT2 issued in 2006. The Bank will exercise its call option on the ₱5.5 billion LT2 this August 2011. The interest on the ₱5.5 billion LT2 is 10.0% while the ₱6.5 billion LT2 is only 6.75%. Hence, it is expected that the Bank will have a better NIM by end of year.

[1/] *Annualized net income divided by average total equity for the period indicated*
[2/] *Annualized net income divided by average total assets for the period indicated*
[3/] *Annualized net interest income divided by average interest-earning assets for the period indicated.*

- Liquidity

The ratio of liquid assets to total assets were 35.1% and 34.7% as of June 30, 2011 and December 31, 2010, respectively. The Bank is in compliance with liquidity and legal reserve requirements for deposit liabilities.

- Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment and credit losses) to total operating income were 74.9% and 61.6% for the six months ended June 30, 2011 and 2010, respectively.

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

There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity within the next twelve (12) months.

E. Events that will trigger direct or contingent financial obligation

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

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

The summary of various commitments and contingent accounts as of June 30, 2011 and December 31, 2010 at their equivalent peso contractual amounts is presented in the selected Note 5 to Consolidated Financial Statements on page 18 of this report.

G. Capital Expenditures

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

H. Significant Elements of Income or Loss

Significant elements of the consolidated net income of the Group for the six months ended June 30, 2011 and 2010 came from its continuing operations.

I. Seasonal Aspects

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

J. Other Bank Activities

PNB Inaugurates 18 Branches in 8 Days

PNB celebrates its 95th year on July 22 as one of the largest universal banks in the country. To celebrate the momentous event a total of 18 PNB branches (5 of which are newly licensed branches) in Metro Manila and several provinces were inaugurated in eight days, a feat that has never been done before by any Philippine bank. For the first time in the banking industry history, newly constructed and renovated branches were officially launched in various key locations all the way from Apalit in the north down to Yuana Bay Zamboanga in the south from July 11 to July 21. The highlight of the branch inaugurations was the official launch of the PNB Main Branch and the unveiling of the top signage of the PNB Head Office building which was done on July 21. The new branches sport PNB's new retail branch layout showcasing fresh and modem interiors and a new signage design which carries the refreshed PNB logo and new company colors aquamarine and silver.

PNB Capital & Investment Corporation (PNB Capital) Arranges ₱750M CARD Inc.'s Corporate Notes

The Center for Agriculture and Rural Development (CARD) Inc. issued PHP 750 million in Corporate Notes last June 13, 2011. The proceeds from the 5-year Notes Issuance will be used to expand CARD Inc.'s microfinance lending operations.

PNB Capital & Investment Corporation (PNB Capital), the wholly-owned investment bank subsidiary of the Philippine National Bank (PNB), acted as Lead Arranger of the issue. Also joining the group of Noteholders were Allied Banking Corporation, Banco De Oro Unibank, Inc., BDO Private Bank, Rizal Commercial Banking Corporation, and Security Bank Corporation.

Incorporated in December 1986 as an NGO, CARD Inc. focuses on improving the quality of life of microentrepreneurs and their families in underdeveloped and economically challenged areas of the Philippines. In its capacity as a microfinance institution, CARD Inc. provides direct financing, research, development work, and economic evaluation in pursuit of its social mission.

The Notes issuance, which was more than two times oversubscribed, is a milestone transaction for CARD, Inc. and the entire CARD Mutually Reinforcing Institutions because it establishes the group's ability to raise long-term financing from the capital markets without any form of guarantee support.

PNB Awards 3 Brand New Cars to Dollar CASA Promo Winners

PNB recently awarded three brand new cars to the winners of its Dollar Savings and Checking Accounts promotion. The grand prize, a Hyundai Tucson GL M/T, was won by Arturo S. Tomas, an Overseas Filipino Worker (OFW) based in Jeddah, Saudi Arabia. A client of PNB since 1994, Mr. Tomas remarked, "I'm very grateful to PNB for giving cars to clients like me; and it makes me feel like I'm getting more than I should from PNB."

The winners of two (2) Toyota Vios J M/T were Maria Baldevia and Nicolas Tan. A client of PNB Antique Branch, Ms. Baldevia is an OFW in Switzerland. She plans to retire this year after 40 years of working overseas. Ms. Baldevia chose to bank with PNB upon recommendation of her friends who are satisfied clients of with the bank. The second winner of a Toyota Vios J M/T was Mr. Nicolas Tan, a retired government employee residing in Dumaguete, Negros Oriental. A depositor of PNB Dumaguete Branch, Mr. Tan also remits through PNB whenever he travels to the USA owing to its reliable money transfer service.

The PNB Dollar CASA promo was launched last June 2010 to reward its loyal depositors and as a gesture of appreciation specifically to OFWs for entrusting their dollar earnings to PNB. For a minimum incremental deposit of $500 average daily balance in PNB dollar savings or checking accounts during the promo period, depositors earned one (1) raffle entry to qualify for the promo.

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 21 of this report.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

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

	6/30/2011 [1/]	12/31/2010 [2/]
ASSETS		
Cash and Other Cash Items	**4,434,191**	5,457,186
Due from Bangko Sentral ng Pilipinas	**29,970,090**	24,285,986
Due from Other Banks	**5,257,254**	5,141,549
Interbank Loans Receivable	**8,091,582**	12,691,967
Securities Held Under Agreements to Resell	**14,000,000**	6,800,000
Financial Assets at Fair Value Through Profit or Loss	**8,768,681**	15,882,959
Loans and Receivables	**132,654,950**	110,315,478
Receivables from Special Purpose Vehicle	**485,462**	624,450
Available for Sale Investments	**46,316,842**	34,531,256
Held to Maturity Investments	**35,299,893**	38,240,258
Property and Equipment	**16,610,763**	16,631,940
Investment in Subsidiaries and an Associate	**2,867,168**	2,832,073
Investment Properties	**19,907,191**	19,713,566
Deferred Tax Assets	**1,826,043**	1,829,430
Other Assets	**6,534,338**	7,155,262
TOTAL ASSETS	**333,024,450**	302,133,360
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**27,004,778**	27,964,372
Savings	**193,584,173**	171,282,454
Time	**25,032,728**	27,189,058
	245,621,680	226,435,884
Financial Liabilities at Fair Value Through Profit or Loss	**6,512,440**	6,574,596
Bills and Acceptances Payable	**16,811,254**	12,004,138
Accrued Taxes, Interest and Other Expenses	**5,187,851**	5,035,135
Subordinated Debt	**11,979,325**	5,486,735
Other Liabilities	**12,674,989**	13,125,336
	298,787,538	268,661,824
Equity	**34,236,912**	33,471,536
TOTAL LIABILITIES AND EQUITY	**333,024,450**	302,133,360

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

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME [1/]

For the Periods Indicated

(In Thousand Pesos, Except Earnings Per Share)

	Six Months Ended		Quarter Ended	
	6/30/11	6/30/10	**6/30/2011**	6/30/2010
INTEREST INCOME ON:				
Loans and receivables	**3,638,506**	3,532,700	**1,870,846**	1,875,168
Investment securities	**2,312,418**	2,203,215	**1,135,533**	1,094,130
Deposits with banks and others	**271,096**	363,095	**146,340**	192,835
	6,222,020	6,099,010	**3,152,719**	3,162,133
INTEREST EXPENSE ON:				
Deposits liabilities	**1,991,672**	1,631,072	**1,050,766**	799,519
Bills payable and other borrowings	**627,382**	697,299	**322,746**	344,332
	2,619,055	2,328,371	**1,373,512**	1,143,851
NET INTEREST INCOME	**3,602,967**	3,770,639	**1,779,207**	2,018,282
Service charges, fees and commissions income	**1,175,639**	1,348,134	**619,749**	714,526
Service charges, fees and commissions expense	**120,379**	128,672	**86,067**	98,784
NET SERVICE FEES AND COMMISSION INCOME	**1,055,260**	1,219,462	**533,682**	615,742
Trading and investment securities gains/(loss) - net	**156,048**	604,521	**309,535**	21,639
Foreign exchange gains-net	**586,589**	1,015,141	**437,896**	669,139
Miscellaneous	**1,068,742**	1,120,196	**426,339**	712,102
TOTAL OPERATING INCOME	**6,469,606**	7,729,959	**3,486,660**	4,036,904
OTHER EXPENSES				
Compensation and fringe benefits	**1,860,133**	1,798,462	**1,054,574**	894,360
Provision for impairment and credit losses	**188,244**	809,272	**113,540**	553,303
Taxes and licenses	**632,330**	547,281	**295,376**	280,181
Depreciation and amortization	**398,992**	452,491	**139,171**	226,659
Occupancy and equipment related costs	**482,355**	450,922	**250,053**	241,835
Miscellaneous	**1,471,476**	1,510,115	**634,266**	739,662
TOTAL OPERATING EXPENSES	**5,033,530**	5,568,543	**2,486,980**	2,936,000
INCOME BEFORE SHARE IN NET INCOME OF AN ASSOCIATE AND INCOME TAX	**1,436,076**	2,161,416	**999,680**	1,100,904
SHARE IN NET INCOME OF AN ASSOCIATE	**37,914**	9,896	**19,440**	6,859
INCOME BEFORE INCOME TAX	**1,473,990**	2,171,312	**1,019,120**	1,107,763
PROVISION FOR INCOME TAX	**316,770**	366,958	**181,687**	192,388
NET INCOME	**1,157,220**	1,804,354	**837,433**	915,375
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	**1,153,430**	1,795,761	**835,215**	910,924
Non-controlling Interest in a Subsidiary	**3,790**	8,593	**2,218**	4,451
	1,157,220	1,804,354	**837,433**	915,375
Basic/Diluted Earnings Per Share				
Attributable to Equity Holders of the Parent Company	**₱ 1.74**	₱ 2.71	**₱ 1.26**	₱ 1.38

[1/] *unaudited*

[2/] *audited*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME [1/]

For the Periods Indicated

(In Thousand Pesos)

	Semester Ended	
	6/30/2011	6/30/2010
NET INCOME	**1,157,220**	1,804,354
OTHER COMPREHENSIVE INCOME (LOSS):		
Net unrealized gain (loss) on available-for-sale investments	**73,689**	263,707
Accumulated translation adjustment	**48,286**	151,458
Share in equity adjustments of an Associate	**37,914**	285
	159,889	415,450
TOTAL COMPREHENSIVE INCOME	**1,317,109**	2,219,804
ATTRIBUTABLE TO:		
Equity holders of the Parent Company	**1,428,810**	2,211,211
Minority Interest	**(111,702)**	8,593
	1,317,109	2,219,804

[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)

	Semester Ended	
	6/30/2011	6/30/2010
CAPITAL STOCK		
Common - ₱40 par value		
Authorized - 1,054,824,557 shares		
Issued and outstanding - 662,245,916 shares	**26,489,837**	26,489,837
Balance at end of the period	**26,489,837**	26,489,837
CAPITAL PAID-IN EXCESS OF PAR VALUE	**2,037,272**	2,037,272
SURPLUS RESERVES		
Balance at beginning of the period	**551,947**	546,797
Transfer from Surplus	**8,269**	5,150
Balance at end of the period	**560,216**	551,947
SURPLUS (DEFICIT)		
Balance at beginning of the period	**3,091,554**	425,365
Net income for the period	**1,153,430**	1,795,762
Transfer to surplus reserves	**(8,269)**	(5,150)
Amortization of deferred losses	**(430,199)**	(413,913)
Balance at end of the period	**3,806,516**	1,802,064
REVALUATION INCREMENT ON LAND AND BUILDINGS	**2,816,962**	2,729,147
ACCUMULATED TRANSLATION ADJUSTMENT		
Balance at beginning of the period	**(471,975)**	(484,819)
Other comprehensive income for the period	**48,286**	151,458
Balance at end of the period	**(423,689)**	(333,361)
NET UNREALIZED GAIN/(LOSS) ON AVAILABLE- FOR SALE INVESTMENTS		
Balance at beginning of the period	**(1,199,252)**	(884,153)
Other comprehensive income for the period	**73,689**	263,707
Balance at end of the period	**(1,125,563)**	(620,446)
SHARE IN EQUITY OF AN ASSOCIATE		
Balance at beginning of the period	**-**	-
Other comprehensive income for the period	**37,914**	285
Balance at end of the period	**37,914**	285
PARENT COMPANY SHARES HELD BY A SUBSIDIARY	**(4,740)**	(4,740)
	34,194,725	32,652,005
MINORITY INTEREST		
Balance at beginning of the period	**153,888**	133,499
Other comprehensive income for the period	**(111,702)**	8,593
Balance at end of the period	**42,186**	142,092
TOTAL EQUITY	**34,236,912**	32,794,097

[1/] *unaudited*

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

	Semester Ended	
	6/30/2011	6/30/2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**1,473,990**	2,171,312
Adjustments for:		
Depreciation and amortization	**398,992**	452,491
Provision for impairment and credit losses	**188,244**	809,272
Share in net (income)/loss of an associate	**(37,914)**	(9,896)
Amortization of transaction costs	**(7,410)**	9,465
Net gain on sale or exchange of investment properties	**(403,257)**	(658,639)
Realized gain on AFS investments	**(181,980)**	(231,933)
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Securities at fair value through profit or loss	**7,114,278**	(3,708,586)
Loans and receivables	**(22,388,728)**	(1,263,484)
Other assets	**123,679**	(93,880)
Increase (decrease) in amounts of:		
Deposit liabilities	**19,185,796**	10,053,518
Accrued taxes, interest and other expenses	**299,949**	390,897
Financial Liability at FVPL	**(162,549)**	(411,400)
Other liabilities	**(349,953)**	621,480
Net cash generated from/(used in) operations	**5,253,138**	8,130,617
Income taxes paid	**(464,002)**	(475,341)
Net cash provided by/(used in) operating activities	**4,789,134**	7,655,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/ (Acquisition) of:		
Available-for-sale investments	**(11,492,002)**	35,046
Investment properties	**209,632**	1,175,249
Property and equipment	**(377,815)**	(385,990)
Held to maturity investments	**2,940,365**	1,858,631
Net cash provided by/(used in) investing activities	**(8,719,821)**	2,682,935
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments of) from bills and acceptances payable	**4,807,116**	(77,667)
Issuance (Settlement) of Subordinated Debt	**6,500,000**	-
Net cash provided by (used in) financing activities	**11,307,116**	(77,667)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**7,376,429**	10,260,545
CASH AND CASH EQUIVALENTS AT BEGINNING		
Cash and other cash items	**5,457,186**	6,054,474
Due from Bangko Sentral ng Pilipinas	**24,285,986**	20,927,133
Due from other banks	**5,141,549**	5,403,845
Interbank loans receivable	**12,691,967**	24,303,177
Securities held under agreements to resell	**6,800,000**	5,600,000
	54,376,688	62,288,629
CASH AND CASH EQUIVALENTS AT END		
Cash and other cash items	**4,434,191**	4,863,899
Due from Bangko Sentral ng Pilipinas	**29,970,090**	20,210,101
Due from other banks	**5,257,254**	4,868,270
Interbank loans receivable	**8,091,582**	26,406,905
Securities held under agreements to resell	**14,000,000**	16,200,000
	61,753,117	72,549,174
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest paid	**2,479,370**	2,186,917
Interest received	**6,143,328**	6,470,676

[1/] *unaudited*

1) Accounting Policies and Methods

The accompanying consolidated financial statements of Philippine National Bank (PNB) and its Subsidiaries (the Group) which comprise the consolidated statements of financial position as of June 30, 2011 and December 31, 2010 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months ended June 30, 2011 and June 30, 2010, have been prepared in accordance with the accounting principles generally accepted in the Philippines for banks (Philippine GAAP for banks), particularly the reclassification in 2008 as permitted by the BSP for prudential regulation and the SEC for financial reporting purposes, of certain investments of the PNB (the Parent Company) in Republic of the Philippines (ROP) credit-linked notes from available for sale investments (AFS) to held-to-maturity (HTM) investments and the related embedded derivatives previously bifurcated and classified as financial assets at fair value through profit or loss (FVPL) to HTM investments. Other than the aforementioned reclassification and the deferral of the losses on sale of the non-performing assets (NPAs) to special purpose vehicle (SPV) companies and non-consolidation of the SPV which were allowed separately by the BSP, the financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

2) Redemption of Subordinated Note

A. ₱3.0 billion Unsecured Subordinated Debt

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

B. ₱5.5 billion Unsecured Subordinated Debt

Subject to the approval of the Monetary Board of the Bangko Sentral ng Pilipinas and in accordance with the Terms and Conditions of the 10.0% Unsecured Subordinated Notes (“Notes”) issued on August 10, 2006 in the amount of ₱5.5 billion, PNB will exercise the Call Option and redeem all of the outstanding Notes amounting to ₱5.5 billion by paying the Noteholders the face value of the Notes plus accrued interest at the Interest Rate.

Call Option Date has been determined to be on August 11, 2011 which as per the Terms and Conditions of the “Notes” shall be the day following the last day of the twentieth Interest Period from issue Date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5) Segment Information

Business Segments

The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. Group's business segments follow:

Retail Banking - principally handling individual customers' deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;

Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers; and

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

These segments are the bases on which the Group reports its primary segment information. Other operations of the Group comprise of the operations and financial control groups. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on a pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the chief operating decision maker (CODM) is based on the Regulatory Accounting Principles (RAP) submitted to the BSP in compliance with the reportorial requirements under the Financial Reporting Package (FRP) for banks, which differ from PFRS. The report submitted to CODM represents only the results of operation for each of the reportable segment. The Group has no significant customer which contributes 10% or more of the consolidated revenue.

Business segment information of the Group as of June 30, 2011 follows:

	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Revenues						
Interest income	641,849	3,193,514	2,855,929	94,282	(563,552)	6,222,020
Interest expense	606,273	920,217	1,119,519	2,765	(29,719)	2,619,055
Net interest margin	35,575	2,273,297	1,736,410	91,517	(533,833)	3,602,967
Other income	468,627	683,685	803,366	1,093,398	(62,058)	2,987,019
Other expenses	1,072,767	366,413	540,703	359,151	911,683	3,250,718
Segment result	(568,565)	2,590,568	1,999,073	825,765	(1,507,574)	3,339,267
Inter-segment						
Imputed income	1,431,374	-	-	-	-	1,431,374
Imputed cost	-	(940,697)	(490,677)	-	-	(1,431,374)
Segment result to third party	862,809	1,649,871	1,508,396	825,765	(1,507,574)	3,339,267
Unallocated expenses						1,903,191
Net income before share in net income of an associate						1,436,076
Share in net income of an associate						37,914
Net income before income tax						1,473,990
Income tax						316,770
Net income						1,157,220
Minority interest						3,790
Net income for the year attributable to equity holders of the Parent Company						1,153,430
Other Information						
Segment assets	46,786,654	132,033,288	116,221,368	40,472,046	(11,072,373)	324,440,982
Unallocated assets						8,583,468
Total assets						333,024,450
Segment liabilities	188,271,591	32,449,973	67,778,621	12,458,034	(7,702,853)	293,255,365
Unallocated liabilities						5,532,174
Total liabilities						298,787,538
Other Segment Information						
Capital expenditures	289,384	18,321	1,708	9,895	–	319,308
Unallocated capital expenditures						273,497
Total capital expenditures						592,805
Depreciation and amortization	70,560	62,080	2,564	31,103	64,393	230,699
Unallocated depreciation and amortization						168,293
Total depreciation and amortization						398,992
Provision for (reversal of) impairment and credit losses	(8,151)	(398,065)	440,610	3,064	150,786	188,244

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

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

Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in five principal geographical areas of the world. The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services and most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

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

	Semester Ended	
	6/30/11	6/30/10
	(In Thousand Pesos)	
Philippines	**₱ 8,527,087**	₱ 9,249,498
Canada and the United States	**303,061**	399,189
Asia (excluding Philippines)	**300,340**	436,635
United Kingdom	**80,398**	52,076
Other European Countries	**36,067**	59,501
	₱ 9,246,953	₱ 10,196,899

6) Commitments and Contingent Liabilities

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

	6/30/11	12/31/10
	(In Thousand Pesos)	
Trust department accounts	**₱ 44,399,075**	₱ 30,427,482
Deficiency claims receivable	**6,335,470**	7,516,669
Inward bills for collection	**1,650,216**	2,621,934
Outstanding guarantees issued	**677,423**	938,361
Outward bills for collection	**211,163**	76,911
Unused commercial letters of credit	**75,272**	11,414
Confirmed export letters of credit	**11,184**	14,603
Items held as collateral	**192**	262
Other contingent accounts	**41,278**	41,316

7) Material Contingencies

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

8) Earnings Per Share

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

	Semester Ended	
	6/30/11	6/30/10
a. Net Income attributable to equity holders of the Parent Company (in thousand pesos)	**1,153,430**	1,795,761
Less income attributable to convertible Preferred stocks classified as equity (in thousand pesos)	**-**	-
b. Net income attributable to common shareholders	**1,153,430**	1,795,761
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)	**₱ 1.74**	₱ 2.71
g. Diluted income per share (a/e)	**1.74**	2.71

9) Reclassification of Financial Assets

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

The reclassified accounts have the following balances as of June 30, 2011:

	June 30, 2011		Recognized Gains/(Losses) after reclassification		Recognized Gains/(Losses) had there been no reclassification	
Reclassification of Financial Assets	Carrying Value	Fair Market Value	Profit/(Loss)	Equity	Profit/(Loss)	Equity
* From Financial Assets at Fair Value Through Profit or Loss to Held to Maturity Investments-Government Securities	830,634	425,462	14,412		59,241	
* From Available for Sale Securities to Held to Maturity Investments- Government Securitites and Other Debt Securities	36,616,370	37,263,683	1,113,371	(39,512)	1,111,341	2,808,916
Total	37,447,004	37,689,145	1,127,783	(39,512)	1,170,582	2,808,916

As of June 30, 2011, the reclassified financial securities have effective interest rates which range from 4.40% to 7.99%. The Bank expects to recover 100% of principal and interest totaling ₱53.0 billion.

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

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

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

1. The Bank has not yet decided whether or not to early adopt PFRS 9 for its 2011 financial reporting and therefore, the interim financial statements do not reflect the impact of the said standard.

2. The Bank is currently evaluating the impact of the possible early adoption of PFRS 9 in its financial statements.

3. In case of early adoption of PFRS 9, the following accounts may be affected:
   a. Loans and Receivables
   b. Investment Securities
   c. Financial Liabilities Designated at FVPL
   d. Retained Earnings
   e. Undivided Profits

11) Other Matters

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

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

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

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

12) 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 June 30, 2011
(In Thousand Pesos)

Current accounts (by maturity)	
Up to 12 months	**41,431,595**
over 1 year to 3 years	**8,315,220**
over 3 years to 5 years	**13,481,976**
over 5 years	**48,129,823**
Past due and items in litigations	**6,923,263**
Loans Receivables (gross)	**118,281,875**
Less:	
Unearned discount	**(223,578)**
Capitalized interest	**(532,621)**
Allowance for credit losses	**(6,257,367)**
Loans Receivables (net)	**111,268,309**

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

SIGNATURES

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

PHILIPPINE NATIONAL BANK
Issuer

CARLOS A. PEDROSA
President and Chief Executive Officer

CARMEN G. HUANG
Executive Vice President & Chief Financial Officer

Date: August 11, 2011