Controllership Division

May 8, 2018

MR. JOSE VALERIANO B. ZUÑO
OIC, HEAD - DISCLOSURE DEPARTMENT
Philippine Stock Exchange
6/F PSE Tower
28th Street corner 5th Avenue
BGC, Taguig City

Dear **Mr. Zuño**:

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 March 31, 2018.

Thank you,

Very truly yours,

JAMES PATRICK Q. BONUS
First Vice President & Controller

cc: **MS. KATHLENE ANNE F. FAMADICO**
OIC – Issuer Compliance and Disclosure Department (ICCD)
Philippine Dealing & Exchange Corporation
37th Floor, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

COVER SHEET

AS096-005555

S.E.C. Registration Number

PHILIPPINE NATIONAL BANK

(Company's Full Name)

8th Floor PNB Financial Center

Macapagal Blvd., Pasay City

(Business Address: No. Street City/Town/ Province)

James Patrick Q. Bonus

Contact Person

891-60-40

Company Telephone Number

3 **31**

Month *Day*

Fiscal Year

17 - Q

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

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)

December 31, 2017

(Calendar Year Ended)

SEC FORM 17-Q REPORT

Form Type

(Amendment Designation (if applicable)

MARCH 31, 2018

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 THESECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter ended **March 31, 2018**

2. Commission Identification No. ASO96-005555

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

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 /(632)526-3131 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 of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	1,249,139,678[1/]

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 [ ]

[1] A total of 423,962,500 common shares were issued to the stockholders of Allied Banking Corporation (ABC) relative to the merger of PNB with ABC effective February 9, 2013. Said shares were already registered with the Securities and Exchange Commission (SEC) and to be listed to the Philippine Stock Exchange, Inc. (PSE).

PART I - FINANCIAL INFORMATION

FINANCIAL STATEMENTS

1. Philippine National Bank (the Parent Company) was established in the Philippines in 1916 and started commercial operations that same year. The Parent Company is one of the country's largest private universal banks in terms of assets and deposits. It provides a full range of banking and other financial services to its highly diverse clientele comprised of individual depositors, small and medium enterprise, domestic and international corporations, government institutions, and overseas Filipinos.

   The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, nonlife insurance, banking, leasing, stock brokerage, foreign exchange trading and/or related services. Collectively, the Parent Company and its subsidiaries are referred to as "the Group".

2. The unaudited interim consolidated financial statements included in this regulatory filing contains the following:
   - Statements of financial position
   - Statements of income
   - Statements of changes in equity
   - Statements of cash flows
   - Schedule of aging of accounts receivable
   - Selected explanatory notes and other schedules and information in compliance with the requirements of the Securities Regulations Code

3. The accompanying unaudited interim financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) adopted by the Philippine Securities and Exchange Commission (SEC).

4. The accompanying interim financial statements of the Bank and have accordingly been prepared consistent with the most recent annual financial statements as of December 31, 2017, except for the new, amended or improved PFRSs which became effective beginning on or after January 1, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. Financial condition as at March 31, 2018 compared to December 31, 2017
   - Total assets increased by P14.5 billion (1.7%), to P850.7 billion.
     - Cash and other cash items, Due from Bangko Sentral ng Pilipinas, and Due from Other Banks increased by P0.6 billion, P9.3 billion, and P0.8 billion, respectively, from December 2017 balances, while Interbank loans receivable decreased by P2.0 billion compared to year-end level. These reflect movement of funds between deployment to loans and investments, working capital, and fund-raising activities, among others. Please refer to statement of cash flows.
     - Securities held under agreements to resell decreased by P10.7 billion, to P3.9 billion.
     - Financial assets at fair value through profit or loss (FVPL) increased by P0.8 billion, to P3.7 billion, mainly due to purchases of various trading securities, net of sold and matured items.
     - Financial assets at fair value through other comprehensive income (FVOCI),

presented as Availabel for Sale (AFS) Investments in the December 31, 2017 financial statements, decreased by P4.9 billion due to disposal and maturities of securities, as well as reclassification of certain securities to Financial assets at amortized cost (AC), as a result of the first-time adoption of PFRS 9.
    - Financial assets at AC, presented as Held to Maturity (HTM) Investments and securities held as loans and receivables in the December 31, 2017 financial statements, increased by P21.1 billion, mainly due to reclassifications from AFS Investments, as a result of the first-time adoption of PFRS 9.
    - Intangible assets decreased by P0.2 billion to P3.1 billion, mainly due to the amortization of the software assets.
    - Other assets decreased by P0.8 billion, to P8.1 billion, mainly due to movements in prepaid expenses and creditable withholding taxes.

- Total liabilities increased by P13.0 billion (1.8%), to P729.5 billion.
    - Deposit liabilities increased by P20.2 billion, to P658.1 billion, mainly due to increases in balances of time and savings products by P17.5 billion and P3.6 billion, respectively.
    - Bills and acceptances payable decreased by P9.0 billion, to P34.9 billion, mainly due to settlements of borrowings from other banks.
    - Financial liabilities at FVPL increased by P135 million, to P478 million, mainly due to movements in derivative financial liabilities.
    - Income tax payable decreased by P0.5 billion to P0.5 billion, mainly due to tax payments, net of provisions for the quarter.
    - Other liabilities increased by P2.1 billion, to P30.0 billion, mainly due to increases in account payable and other accounts related to month-end requirements of cash management and transaction banking services.

- Total equity increased by P1.5 billion (1.2%), to P121.2 billion, mainly attributable to current period net income.

2. Results of operation for the quarter ended March 31, 2018 compared to March 31, 2017
    - Net income for 1Q18 was P1.5 billion, higher by P0.3 billion (20%) compared to P1.2 billion reported in 1Q17.
        - Net interest income for 1Q18 amounted to P6.4 billion, higher by P1.3 billion versus 1Q17, mainly due to expansion in the interest-earning loans and securities portfolio, partly offset by higher interest expense from deposit liabilities.
        - Net service fees and commission income was higher in 1Q18, at P852 million, versus P710 million in 1Q17, on account of higher fee contributions from loans-related, and deposits-related activities.
        - The Group reported net insurance benefits and claims for 1Q18 versus net insurance premium earned in 1Q17, mainly due to higher claims and provisions for insured events in the first quarter of the year.
        - Other income, comprised of trading and investment securities gains, foreign exchange profits, net gains on asset disposals and others, for 1Q18 was lower by P124 million, mainly due to lower foreign exchange profits, partly offset by higher gains from the sale of repossessed properties.
        - Operating expenses for 1Q18 was at P5.8 billion, higher by P0.7 billion versus 1Q17, mainly due to higher business taxes and licenses, occupancy and equipment-related costs, and depreciation for the period.

- Total comprehensive income for 1Q18 amounted to P1.0 billion, lower compared to P1.8 billion reported in 1Q17, mainly due to movements in unrealized changes in fair value of investments classified as financial assets at FVOCI and actuarial remeasurement losses on retirement plan, partly offset by changes in accumulated translation adjustments.

3. Key performance indicators

	3/31/2018	3/31/2017	12/31/2017
Income statement			
Return on equity (ROE)[1/]	**4.94%**	4.50%	7.10%
Return on assets (ROA)[2/]	**0.70%**	9.60%	1.03%
Net interest margin (NIM)[3/]	**3.45%**	3.10%	3.12%
Cost efficiency ratio[4/]	**73.43%**	74.70%	65.16%
Balance sheet			
BSP Capital Adequacy Ratios:			
CAR	**15.33%**	16.27%	15.35%
Tier 1 Ratio	**14.55%**	15.65%	14.58%
Non-performing loans (NPL) Ratio:			
Net of allowance	**0.35%**	0.18%	0.26%
Gross of allowance	**1.93%**	2.31%	2.01%
Liquid assets-to-Total assets Ratio	**30.24%**	33.70%	28.48%
Current assets-to-current liabilities	**56.78%**	62.70%	62.58%

[1/] Annualized net income divided by average total equity for the period indicated
[2/] Annualized net income divided by average total assets for the period indicated
[3/] Annualized net interest income divided by average interest-earning assets for the period indicated.
[4/] Ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income.

- Consolidated risk-based CAR and Tier 1 ratio computed based on BSP guidelines continue to remain above minimum regulatory requirements. These ratios measure the Bank's capital buffers relative to various risks it assumes. The Bank's regulatory capital ratios was lower compared to year-end, as growth in risk-weighted assets, particularly credit risk, outpaced increases in qualifying regulatory capital.

- Other financial soundness indicators are shown in Annex A.

SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Fair value hierarchy
   - The significant judgments and assumptions made in the Bank's interim financial statements are consistent with the most recent annual financial statements issued.

   - The Bank uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:
     - Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
     - Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
     - Level 3: techniques which use inputs which have a significant effect on the recorded fair

value that are not based on observable market data.

- The Group held the following assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	Consolidated					
	March 31, 2018					
	Valuation Date	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	**03/28/18**	**₱2,187,682**	**₱1,158,695**	**₱1,028,987**	**₱–**	**₱2,187,682**
Equity securities	**03/28/18**	**578,215**	**578,215**	**–**	**–**	**578,215**
Derivative assets	**03/28/18**	**592,315**	**–**	**534,923**	**57,392**	**592,315**
Private debt securities	**03/28/18**	**325,211**	**1,388**	**323,823**	**–**	**325,211**
Designated at FVPL:						
Investment in UITFs	**03/28/18**	**6,263**	**–**	**6,263**	**–**	**6,263**
AFS investments:						
Government securities	**03/28/18**	**35,356,872**	**33,849,850**	**1,507,022**	**–**	**35,356,872**
Private debt securities	**03/28/18**	**28,807,210**	**25,150,733**	**3,656,477**	**–**	**28,807,210**
Equity securities*	**03/28/18**	**674,087**	**465,673**	**208,414**	**–**	**674,087**
		₱68,527,855	**₱61,204,554**	**₱7,265,909**	**₱57,392**	**₱68,527,855**
Liabilities measured at fair value:						
Financial Liabilities						
Financial liabilities at FVPL:						
Derivative liabilities	**03/28/18**	**₱478,335**	**₱–**	**₱478,335**	**₱–**	**₱478,335**
		₱478,335	**₱–**	**₱478,335**	**₱–**	**₱478,335**
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments		**₱47,883,124**	**₱34,806,131**	**₱9,446,612**	**₱–**	**₱44,252,743**
Loans and receivables:**						
Receivables from customers	**03/28/18**	**₱485,543,277**	**₱–**	**₱–**	**₱497,430,236**	**₱497,430,236**
Unquoted debt securities	**03/28/18**	**195**			**195**	**195**
		₱533,426,596	**₱34,806,131**	**₱9,446,612**	**₱497,430,431**	**₱541,683,174**
Nonfinancial Assets						
Investment properties:***						
Land	**03/28/18**	**₱12,962,716**	**₱–**	**₱–**	**₱22,777,925**	**₱22,777,925**
Buildings and improvements	**03/28/18**	**2,607,828**			**2,866,742**	**2,866,742**
		₱15,570,544	**₱–**	**₱–**	**₱25,644,667**	**₱25,644,667**
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	**03/28/18**	**₱147,101,011**	**₱–**	**₱–**	**₱145,312,399**	**₱145,312,399**
Bills payable	**03/28/18**	**33,093,818**			**33,183,425**	**33,183,425**
Subordinated debt	**03/28/18**	**–**	**–**	**–**	**–**	**–**
		₱180,194,829	**₱–**	**₱–**	**₱178,495,824**	**₱178,495,824**

**** Excludes unquoted available-for-sale securities***
***** Net of allowance for credit losses***
****** Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost***

	Consolidated					
	December 31, 2017					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	12/29/17	₱2,207,952	₱1,534,792	₱673,162	₱–	₱2,207,954
Derivative assets	12/29/17	562,984	–	504,753	54,938	559,691
Private debt securities	12/29/17	31,305	–	31,305	–	31,305
Equity securities	12/29/17	73,918	30,858	6,366	–	37,224
Investments in UITF	12/29/17	6,237	66	–	–	66
AFS investments:						
Government securities	12/29/17	41,625,900	36,968,672	3,114,203	–	40,082,875
Private debt securities	12/29/17	26,920,045	20,899,896	5,544,644	–	26,444,540
Equity securities*	12/29/17	1,144,779	–	1,150,227	–	1,150,227
		₱72,573,119	₱59,434,284	₱11,024,660	₱54,938	₱70,513,882
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Designated at FVPL:						
Derivative liabilities	12/29/17	₱343,522	₱–	₱343,522	₱–	₱343,522
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/17	₱26,805,131	₱23,732,936	₱4,191,145	₱–	₱27,924,081
Loans and Receivables:**						
Receivables from customers	12/29/17	472,493,703			481,355,052	481,355,052
Unquoted debt securities	12/29/17	10,934,148			10,942,367	10,942,367
		₱510,232,982	₱23,732,936	₱4,191,145	₱492,297,419	₱520,221,500
Nonfinancial Assets						
Investment property:***						
Land	12/29/17	₱13,161,937	₱–	₱–	₱18,995,358	₱18,995,358
Buildings and improvements	12/29/17	2,432,450			3,730,716	3,730,716
		₱15,594,387	₱–	₱–	₱22,726,074	₱22,726,074
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/17	₱160,915,991	₱–	₱–	₱159,313,431	₱159,313,431
Bills payable	12/29/17	41,684,801			41,765,052	41,765,052
Subordinated debt	12/29/17	–				
		₱202,600,791	₱–	₱–	₱200,998,232	₱200,998,232

* *Excludes unquoted available-for-sale securities*
** *Net of allowance for credit losses*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost*

- When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

- For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

2. Financial risk management
   - The Board of Directors has the ultimate responsibility for the risk appetite of the Bank and the monitoring of risks on a regular basis. Risk governance is undertaken by a structured hierarchy of committees (both at board level and at the executive / management level) each with specified accountabilities.

- The PNB Board Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management.

- The risk management policy includes:
  - a comprehensive risk management approach;
  - a detailed structure of limits, guidelines and other parameters used to govern risk-taking;
  - a clear delineation of lines of responsibilities for managing risk;
  - an adequate system for measuring risk; and
  - effective internal controls and a comprehensive monitoring & risk-reporting process

- Members of the senior management team play a pivotal role in the day-to-day running of the bank. Executive officers are assigned to various management committees that provide the leadership and execution of the vision and policies approved by the bank's board of directors. The bank's business objectives are driven for most part by the day-to-day directions decided by these management committees with approvals and notation by the various board level committees.

- We broadly classify and define risks into the following categories, and manage the risks according to their characteristics. These are monitored accordingly under the enterprise Internal Capital Adequacy Assessment Program:
  - Credit Risk (including Credit Concentration Risks and Counterparty Risks)
  - Market Risk
  - Liquidity Risk
  - Interest Rate Risk in the Banking Books (IRBB)
  - Operational Risk

- There were no significant changes from the last annual financial statements relating to the Bank's risk management framework that materially affected its financial condition and results of operation.

3. Segment reporting
   - 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.

   - The Group's business segments follow:
     - Retail Banking - principally handling individual customer's 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.
     - Other Segments - include Global Filipino Banking Group, Trust Banking Group, Domestic Subsidiaries, Insurance, Leasing, Remittances and other support services. 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.

- The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

- Business segment information of the Group follows:

	March 31, 2018					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(₱139,811)	₱5,045,530	₱671,078	₱165,208	₱684,858	₱6,426,864
Inter-segment	2,603,615	(2,451,944)	(151,671)	–	–	–
Net interest margin after inter-segment transactions	2,463,804	2,593,586	519,407	165,208	684,858	6,426,864
Other income	585,887	564,448	(62,362)	259,171	666,848	2,013,988
Segment revenue	3,049,691	3,158,034	457,045	424,380	1,351,706	8,440,852
Other expenses	2,556,538	833,484	57,401	449,795	322,462	4,219,680
Segment result	₱493,153	₱2,324,549	₱399,644	(₱25,416)	₱1,029,244	4,221,174
Unallocated expenses						2,224,178
Net income before income tax						1,996,996
Income tax						530,374
Net income from continuing operations						1,466,622
Non-controlling interests						23,870
Net income for the year attributable to equity holders of the Parent Company						₱1,442,752
Other segment information						
Capital expenditures	₱208,375	₱731	₱35	₱115,245	(₱262,901)	₱61,485
Unallocated capital expenditure						623,101
Total capital expenditure						₱684,586
Depreciation and amortization	₱134,034	₱29,617	₱316	₱56,101	₱17,375	₱237,443
Unallocated depreciation and amortization						225,403
Total depreciation and amortization						₱462,846
Provision for (reversal of) impairment, credit and other losses	(₱)	₱355,808	(₱)	₱108	(₱285,526)	₱70,390

	As of March 31, 2018					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱156,373,987	₱437,545,223	₱166,131,901	₱104,250,496	(₱16,688,193)	₱847,613,414
Unallocated assets						3,089,246
Total assets						₱850,702,660
Segment liabilities	₱524,429,101	₱97,711,799	₱89,868,044	₱30,862,100	(₱16,281,482)	₱726,589,562
Unallocated liabilities						2,907,296
Total liabilities						₱729,496,858

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

	March 31, 2017					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱ 235,427	₱3,871,961	₱817,818	₱65,944	₱159,920	₱ 5,151,070
Inter-segment	1,388,418	(1,947,276)	558,858	–	–	–
Net interest margin after inter-segment transactions	1,623,845	1,924,685	1,376,676	65,944	₱159,920	5,151,070
Other income	262,602	297,322	661,307	502,624	259,743	1,983,598
Segment revenue	1,886,447	2,222,007	2,037,983	568,568	419,663	7,134,668
Other expenses	1,490,793	1,232,052	(56,717)	432,098	469,664	3,567,890
Segment result	₱395,654	₱989,955	₱2,094,700	₱136,470	(₱50,001)	3,566,778
Unallocated expenses						1,968,055
Net income before income tax						1,598,723
Income tax						377,598
Net income from continuing operations						1,221,125
Non-controlling interests						29,181
Net income for the year attributable to equity holders of the Parent Company						₱1,191,944
Other segment information						
Capital expenditures	₱214,119	₱1,346	₱	₱176,581	(₱10,977)	₱381,069
Unallocated capital expenditure						73,168
Total capital expenditure						₱454,237
Depreciation and amortization	₱141,218	₱30,284	₱419	₱466,159	(₱257,235)	₱380,845
Unallocated depreciation and amortization						4,702
Total depreciation and amortization						₱385,547
Provision for (reversal of) impairment, credit and other losses	(₱55,571)	₱202,385	(₱105,871)	₱3,373	₱49,796	₱94,112

	As of December 31, 2017					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱160,378,585**	**₱436,181,872**	**₱147,035,920**	**₱109,153,300**	**(₱19,433,076)**	**₱ 833,316,601**
Unallocated assets						**2,837,880**
Total assets						**₱836,154,481**
Segment liabilities	**₱528,053,877**	**₱84,384,861**	**₱87,966,482**	**₱32,024,306**	**(₱(19,192,245)**	**₱713,237,279**
Unallocated liabilities						**3,179,253**
Total liabilities						**₱716,416,532**

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

- Although the Group's businesses are managed on a worldwide basis, the Group operates in five (5) principal geographical areas of the world. The distribution of assets, liabilities and credit commitments items as of March 31, 2018 and December 31, 2017 and capitalized expenditures and revenues for the three month periods ended March 31, 2018 and March 31, 2017 by geographic region of the Group follows:

	Non Current Assets		**Liabilities**		**Credit Commitments**	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	**March 31, 2018**	December 31, 2017
Philippines	**₱ 377,230,283**	₱387,750,978	**₱ 696,686,475**	₱687,770,416	**₱ 37,217,949**	₱37,217,949
Asia (excluding Philippines)	**6,529,048**	6,775,199	**29,781,342**	25,761,863	**212,586**	212,586
USA and Canada	**81,579,703**	84,655,334	**2,471,941**	2,342,588	**3,795**	3,795
United Kingdom	**2,778,709**	2,883,469	**557,100**	541,665	**-**	-
	₱ 468,117,743	₱482,064,980	**₱ 729,496,858**	₱716,416,532	**₱ 37,434,330**	₱37,434,330

	Capital Expenditures		**Revenues**	
	March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
Philippines	**₱684,188**	₱ 404,455	**₱ 9,618,124**	₱ 7,310,369
Asia (excluding Philippines)	**50**	5,580	**318,835**	1,003,538
USA and Canada	**330**	77	**163,172**	179,558
United Kingdom	**18**	44,125	**31,808**	27,677
Other European Union Countries	–	–	–	–
	₱684,586	₱454,237	**₱ 10,131,939**	₱ 8,521,142

- 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 as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

- The areas of operations include all the business segments.

4. Related party transactions
   - In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Parent Company's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

   - In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the Parent Company's total loan portfolio, whichever is lower. As of March 31, 2018 and December 31, 2017, the Parent Company was in compliance with such regulations.

   - Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

5. Changes in contingent assets and contingent liabilities since last annual balance sheet date are in the normal course of business and are not anticipated to cause any material losses from those commitments and/or contingent liabilities.

6. In 2017, the Bank completed its top priority enterprise-wide project to upgrade to the Systematics core banking system, running on the IBM z-series mainframe, as well as a new branch banking system. In addition, the Bank has other commitments for capital expenditures for information technology priority projects. For these other medium scale projects requiring information technology solutions, expected sources of funds will come from funds generated from the Bank's normal course of operations.

7. Significant elements of the Bank's revenues consist mainly of net interest margin, service fees, net trading revenues and gains from disposal of reacquired properties while the Bank's expenses consist mainly of staff cost, depreciation and amortization of assets and provisions for probable losses. Please refer to the discussions on the results of operations for further details.

8. In April 2018, PNB issued USD300 million in Fixed Rate Senior Notes under the Parent Bank's Medium Term Note (MTN) Programme, the Parent Bank's debut issuance in the international debt markets, following a successful roadshow to investors in Singapore and Hong Kong. There was strong demand for the offering which reached approximately USD 1.2 billion at its peak, equivalent to an oversubscription of 4x the issue amount, with 118 investors registering interest at that time. The Notes, rated Baa2 by Moody's, were issued at a price of 99.532 per 100 with a coupon rate of 4.25% per annum and a tenor of five years and one day. There were no other issuances, repurchases and repayments of debt and equity securities.

9. The Bank has nothing material to report on the following items:
    - Known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity and continuing operations within the next twelve (12) months.
    - Any events that will trigger direct or contingent financial obligations that is material to the Bank, including any default or acceleration of an obligation.
    - Material off-balance sheet transactions, various commitments, arrangements, contingent assets and contingent liabilities other than those already discussed above.
    - Material commitments for capital expenditures.
    - Seasonal aspects that had a material effect on the PNB Group's financial condition and results of operations.
    - Dividends declared or paid.
    - Change in estimates reported in prior interim periods and in prior financial years
    - Material subsequent events subsequent to the end of the interim period
    - Changes in the composition of the enterprise during the interim period, including business combinations, acquisitions and disposal of subsidiaries and long-term

investments, restructuring and discontinuing operations.

10. There are no material disclosures that have not been reported under SEC Form 17-C during the period covered by this report.

PART II – OTHER INFORMATION

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 below:

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE OF AGING OF LOANS RECEIVABLES*
(PSE Requirement per Circular No. 2164-99)
As of March 31, 2018
(In Thousand Pesos)

Current accounts (by maturity)	
Up to 12 months	**169,336,816**
over 1 year to 3 years	**95,645,196**
over 3 years to 5 years	**65,824,779**
over 5 years	**145,905,783**
Past due and items in litigations	**18,160,900**
Loans Receivables (gross)	**494,873,474**
Less:	
Unearned and Other deferred income	**(1,522,887)**
Allowance for credit losses	**(9,456,929)**
Loans Receivables (net)	**483,893,658**

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

OTHER MATTERS

Changes in accounting policies effective on or after January 1, 2018

PFRS 9, Financial Instruments

PFRS 9 replaced PAS 39, Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after January 1, 2018.

PFRS 9 is required to be applied on a retrospective basis, with certain exceptions. As permitted, the Group did not restate prior period comparative consolidated financial statements when the Group adopted the requirements of the new standard. Restatements and differences in the carrying amounts of financial instruments arising from the adoption of PFRS 9 have been recognized in the 2018 opening balances of surplus and Other Comprehensive Income (OCI) as if the Group had always applied PFRS 9.

The 2018 opening balances of surplus and OCI in the Group's statement of financial position have been restated as a result of applying PFRS 9's requirements on classification and measurement of financial assets and impairment. There is no impact to the Group's financial statements in relation to the requirements on classification and measurement of financial liabilities and on the application of hedge accounting.

This change resulted from reclassifications of certain financial assets arising from the Group's application of its business models and its assessment of the financial assets' cash flow characteristics, as well as from the result of applying PFRS 9's requirements on the recognition of expected credit losses.

This change in impairment considered whether there have been significant increases in the credit risk of the Group's financial assets since initial recognition and on the Group's evaluation of factors relevant to the measurement of expected credit losses such as a range of possible outcomes and information about past events, current conditions and forecasts of future economic conditions.

The key changes to the Group's accounting policies resulting from the adoption of PFRS 9 are described below.

Classification and measurement

The classification and measurement provisions of PFRS 9 require that all debt financial assets that do not meet the "solely payment of principal and interest" (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as at fair value through profit or loss (FVPL). The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity linked pay-outs, are measured at FVPL. Subsequent measurement of instruments classified as FVPL under PFRS 9 operates in a similar manner to financial instruments held for trading under PAS 39.

For debt financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis will be classified as at FVPL. Debt instruments that are managed on a "hold to collect and for sale" basis will be classified as at fair value through OCI (FVOCI) for debt. Debt instruments that are managed on a "hold to collect" basis will be classified as at amortized cost. Subsequent measurement of instruments classified as at FVOCI and amortized cost classifications under PFRS 9 operate in a similar manner to AFS financial assets for debt financial assets and loans and receivables, respectively, under existing PAS 39, except for the impairment provisions which are discussed below.

For those debt financial assets that would otherwise be classified as at FVOCI or amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument at FVPL under the fair value option (FVO) if doing so eliminates or significantly reduces an accounting mismatch.

All equity financial assets are required to be classified at initial recognition as at FVPL unless an irrevocable designation is made to classify the instrument as at FVOCI for equities. Unlike AFS for equity securities under PAS 39, the FVOCI for equities category results in all realized and unrealized gains and losses being recognized in OCI with no recycling to profit and loss. Only dividends will continue to be recognized in profit and loss.

The classification and measurement of financial liabilities remain essentially unchanged from the current PAS 39 requirements, except that changes in fair value of FVO liabilities attributable to changes in own credit risk are to be presented in OCI, rather than profit and loss. Derivatives will continue to be measured at FVPL under PFRS 9.

<u>Impairment</u>
The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost and FVOCI. In addition, the ECL model applies to loan commitments and financial guarantees that are not measured at FVPL.

Expected Credit Loss Methodology
The application of ECL will significantly change the Group credit loss methodology and models. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition or when there is objective evidence of impairment. This compares to the present incurred loss model that incorporates a single best estimate, the time value of money and information about past events and current conditions and which recognizes lifetime credit losses when there is objective evidence of impairment and also allowances for incurred but not identified credit losses.

Stage Migration and Significant Increase in Credit Risk
Financial instruments subject to the ECL methodology are categorized into three stages:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL. In contrast to stage 1 and stage 2, inherent within the incurred loss methodology under PAS 39, allowances are provided for non-impaired financial instruments for credit losses that are incurred but not yet identified.

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under PAS 39 for impaired financial instruments.

As of January 1, 2018, the change in classification and measurement of financial assets and impairment resulted in net decrease in surplus by P1.8 billion and a decrease in net unrealized loss reported in other comprehensive income amounting to P2.2 billion. The Group applied PFRS 9 retrospectively but opted not to restate comparative balances as allowed by the accounting standard.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of March 31, 2018
(With Comparative Audited Figures as of December 31, 2017)
(In Thousands)

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Cash and Other Cash Items	**₱12,965,430**	₱12,391,139
Due from Bangko Sentral ng Pilipinas	**118,037,438**	108,743,985
Due from Other Banks	**22,780,267**	22,025,322
Interbank Loans Receivable	**10,880,463**	12,837,721
Securities Held Under Agreements to Resell	**3,931,895**	14,621,483
Financial Assets:		
At Fair Value Through Profit or Loss (FVPL)	**3,689,686**	2,882,395
At Fair Value Through Other Comprehensive Income (FVOCI)/ Available-for-Sale (AFS)	**64,926,836**	69,837,416
At Amortized Cost/ Held to Maturity (HTM)	**47,883,124**	26,805,131
Loans and Receivables - net	**502,462,186**	502,116,517
Property and Equipment	**18,957,568**	18,664,357
Investments in Subsidiaries and an Associate	**2,303,115**	2,363,757
Investment Properties	**15,570,544**	15,594,385
Deferred Tax Assets	**1,681,794**	1,695,295
Intangible Assets	**3,144,789**	3,322,857
Goodwill	**13,375,407**	13,375,407
Other Assets	**8,112,118**	8,877,314
TOTAL ASSETS	**₱850,702,660**	₱836,154,481

LIABILITIES AND EQUITY

LIABILITIES		
Deposit Liabilities		
Demand	**₱124,664,149**	₱125,581,889
Savings	**354,958,201**	351,422,377
Time	**147,101,011**	129,552,035
Long Term Negotiable Certificates	**31,373,320**	31,363,956
	658,096,681	637,920,257
Financial Liabilities at Fair Value Through Profit or Loss	**478,335**	343,522
Bills and Acceptances Payable	**34,882,182**	43,916,687
Accrued Taxes, Interest and Other Expenses	**5,555,469**	5,323,487
Income Tax Payable	**501,598**	993,245
Other Liabilities	**29,982,593**	27,919,334
TOTAL LIABILITIES	**729,496,858**	716,416,532

(Forward)

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock	**₱49,965,587**	₱49,965,587
Capital Paid in Excess of Par Value	**31,331,251**	31,331,251
Surplus Reserves	**620,573**	597,605
Surplus	**38,475,226**	38,831,522
Net Unrealized Loss on Financial Assets at FVOCI/AFS	**(1,536,318)**	(3,040,507)
Remeasurement Losses on Retirement Plan	**(2,968,454)**	(2,106,586)
Accumulated Translation Adjustment	**2,474,089**	1,417,884
Other Equity Reserves	**70,215**	70,215
Share in Aggregate Reserves on Life Insurance Policies	**12,280**	12,280
Other Equity Adjustment	**13,959**	13,959
	118,458,408	117,093,210
NON-CONTROLLING INTERESTS	**2,747,394**	2,644,739
TOTAL EQUITY	**121,205,802**	119,737,949
TOTAL LIABILITIES AND EQUITY	**₱850,702,660**	₱836,154,481

Note: Above financial statements are in accordance with Philippine Financial Reporting Standards.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Earnings Per Share)

	For the Quarter Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
INTEREST INCOME ON		
Loans and receivables	**₱6,812,063**	₱5,204,621
Trading and investment securities	**987,440**	877,616
Deposits with banks and others	**228,907**	407,004
Interbank loans receivable	**89,541**	48,303
	8,117,951	6,537,544
INTEREST EXPENSE ON		
Deposit liabilities	**1,540,134**	1,161,318
Bills payable and other borrowings	**150,953**	225,156
	1,691,087	1,386,474
NET INTEREST INCOME	**6,426,864**	5,151,070
Service fees and commission income	**1,049,378**	899,136
Service fees and commission expense	**197,230**	189,514
NET SERVICE FEES AND COMMISSION INCOME	**852,148**	709,622
Net insurance premiums	**319,815**	315,277
Net insurance benefits and claims	**462,095**	256,851
NET INSURANCE PREMIUMS (BENEFITS AND CLAIMS)	**(142,280)**	58,426
OTHER INCOME		
Trading and investment securities gains - net	**140,901**	94,733
Foreign exchange gains - net	**(87,004)**	403,215
Net gain on sale or exchange of assets	**271,764**	92,935
Miscellaneous	**319,134**	178,302
TOTAL OPERATING INCOME	**7,781,527**	6,688,303
OPERATING EXPENSES		
Compensation and fringe benefits	**2,331,697**	2,277,077
Taxes and licenses	**729,803**	563,287
Occupancy and equipment-related costs	**378,794**	340,156
Depreciation and amortization	**462,846**	385,547
Provision for impairment, credit and other losses	**70,390**	94,112
Miscellaneous	**1,811,001**	1,429,401
TOTAL OPERATING EXPENSES	**5,784,531**	5,089,580
INCOME BEFORE INCOME TAX	**1,996,996**	1,598,723
PROVISION FOR INCOME TAX	**530,374**	377,598
NET INCOME	**1,466,622**	1,221,125
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	**1,442,752**	1,191,944
Non-controlling Interests	**23,870**	29,181
	₱1,466,622	₱1,221,125
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	**₱1.16**	**₱0.95**

Note: Above financial statements are in accordance with Philippine Financial Reporting Standards.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	For the Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
NET INCOME (Equity Holders of the Parent Company)	**₱1,466,622**	**₱1,221,125**
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that recycle to profit or loss in subsequent periods:		
Net unrealized gain/(loss) on financial assets at FVOCI/AFS	**(714,795)**	434,690
Accumulated translation adjustment	**1,162,078**	117,026
Items that do not recycle to profit or loss in subsequent periods:		
Remeasurement gains (losses) on retirement plan	**(862,022)**	6,480
Change in surplus reserves of a subsidiary	**(26,108)**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(440,849)**	558,196
TOTAL COMPREHENSIVE INCOME FOR PERIOD	**₱1,025,775**	**₱1,779,321**
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	**₱922,293**	**₱1,730,903**
Non-controlling Interests	**103,482**	**48,418**
	₱1,025,775	**₱1,779,321**

Note: Above financial statements are in accordance with Philippine Financial Reporting Standards.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Capital Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized Gain/(Loss) on financial assets at FVOCI/AFS	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Other Equity Adjustment	Share in Aggregate Reserves on Life Insurance Policies	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2018, as previously reported	**₱49,965,587**	**₱31,331,251**	**₱597,605**	**₱38,831,522**	**(₱3,040,507)**	**(₱2,106,586)**	**₱1,417,884**	**₱70,215**	**₱13,959**	**₱12,280**	**₱117,093,210**	**₱2,644,739**	**₱119,737,949**
Effect of the adoption of PFRS 9	**–**	**–**	**–**	**(1,776,079)**	**2,218,984**	**–**	**–**	**–**	**–**	**–**	**442,905**	**–**	**442,905**
Balance as restated, January 1, 2018	**49,965,587**	**31,331,251**	**597,605**	**37,055,443**	**(821,523)**	**(2,106,586)**	**1,417,884**	**70,215**	**13,959**	**12,280**	**117,536,115**	**2,644,739**	**120,180,854**
Transfer to surplus reserves	**–**	**–**	**22,968**	**(22,968)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends by a subsidiary to minority dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(826)**	**(826)**
Total comprehensive income (loss) for the period	**–**	**–**	**–**	**1,442,751**	**(714,795)**	**(861,868)**	**1,056,205**	**–**	**–**	**–**	**922,293**	**103,482**	**1,025,775**
Balance at March 31, 2018	**₱49,965,587**	**₱31,331,251**	**₱620,573**	**₱38,475,226**	**(₱1,536,318)**	**(₱2,968,454)**	**₱2,474,089**	**₱70,215**	**₱13,959**	**₱12,280**	**₱ 118,458,408**	**₱2,747,394**	**₱121,205,802**

See accompanying Notes to Consolidated Financial Statements

	Capital Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized Gain/(Loss) on financial assets at AFS	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Other Equity Adjustment	Parent Company Shares Held by a Subsidiary	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2017, as previously reported	**₱49,965,587**	**₱31,331,251**	**₱573,658**	**₱30,678,189**	**(₱3,469,939)**	**(₱2,821,853)**	**₱915,222**	**₱105,670**	**₱13,959**	**₱–**	**₱107,291,744**	**₱2,649,162**	**₱109,940,906**
Transfer to surplus reserves	**–**	**–**	**23,947**	**(23,947)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends	**–**	**–**	**–**	**(847)**	**–**	**–**	**–**	**–**	**–**	**–**	**(847)**	**–**	**(847)**
Total comprehensive income (loss) for the period	**–**	**–**	**–**	**1,191,943**	**415,455**	**6,480**	**117,025**	**–**	**–**	**–**	**1,730,903**	**48,418**	**1,779,321**
Balance at March 31, 2017	**₱49,965,587**	**₱31,331,251**	**₱597,605**	**₱31,845,338**	**(₱3,054,484)**	**(₱2,815,373)**	**₱1,032,247**	**₱105,670**	**₱13,959**	**₱–**	**₱ 109,021,800**	**₱2,697,580**	**₱117,719,380**

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	First Quarter Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,996,996**	₱1,598,723
Adjustments for:		
Realized trading gain on financial assets at FVOCI/AFS	**(75,118)**	(75,118)
Depreciation and amortization	**462,846**	385,547
Amortization of premium on investments securities	**1,077,418**	345,871
Provision for impairment, credit and other losses	**70,390**	94,112
Net gain on sale or exchange of assets	**(271,764))**	(92,935)
Mark-to-market loss/(gain) on derivatives	**480,632**	480,632
Amortization of transaction costs	**7,442**	8,958
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Financial assets at fair value through profit or loss	**(1,287,923)**	297,365
Loans and receivables	**(536,730)**	(4,499,444)
Other assets	**1,891,232**	(1,467,338)
Increase (decrease) in amounts of:		
Financial liabilities at fair value through profit or loss	**134,813**	158,274
Deposit liabilities	**20,168,982**	22,857,228
Accrued taxes, interest and other expenses	**231,982**	8,166
Other liabilities	**1,201,384**	3,167,625
Net cash generated from (used in) operations	**25,552,582**	23,267,666
Income taxes paid	**(1,022,021)**	(184,047)
Net cash provided by (used in) operating activities	**24,530,561**	23,083,619
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Financial assets at FVOCI/AFS	**25,364,932**	30,585,697
Financial assets at Amortized Cost/HTM	**7,209,512**	–
Investment properties	**394,784**	367,323
Property and equipment	**174,043**	106,553

(forward)

	First Quarter Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
Acquisitions of:		
Financial assets at FVOCI/AFS	**(₱21,087,624)**	(₱36,111,826)
Financial assets at Amortized Cost/HTM	**(28,849,632)**	–
Property and equipment	**(792,454)**	(454,236)
Software cost	**66,226**	(628,984)
Net cash provided by (used in) investing activities	**(17,520,213)**	(6,135,473
CASH FLOWS FROM FINANCING ACTIVITIES		
Pre-termination of long term negotiable certificates of deposits	**–**	(3,100,000)
Settlement of bills and acceptances payable	**(68,430,165)**	(37,075,041)
Proceeds from bills and acceptances payable	**59,395,660**	42,625,653
Settlement of Subordinated Debt		
Net cash provided by (used in) financing activities	**(9,034,505)**	2,450,612
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,024,157)**	19,398,758
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	**12,391,139**	11,014,663
Due from BSP	**108,743,985**	127,337,861
Due from other banks	**22,025,322**	22,709,805
Interbank loans receivable	**12,837,721**	7,791,108
Securities held under agreements to resell	**14,621,483**	1,972,310
	170,619,650	170,825,747
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	**12,965,430**	10,598,810
Due from BSP	**118,037,438**	136,976,867
Due from other banks	**22,780,267**	29,554,828
Interbank loans receivable	**10,880,463**	9,594,000
Securities held under agreements to resell	**3,931,895**	3,500,000
	₱168,595,493	₱190,224,505
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest received	**₱6,098,847**	₱6,286,163
Interest paid	**1,560,612**	1,347,668

Note: Above financial statements are in accordance with Philippine Financial Reporting Standards.

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

REYNALDO A. MACLANG
President

JAMES PATRICK Q. BONUS
First Vice President & Contoller

May 7, 2018

Annex A

Selected Financial Ratios
For the Periods Indicated

	03/31/2018		12/31/2017
Current Ratio	56.8%		62.6%
Liquid assets to total assets-net	30.2%		29.1%
Liquid assets to Liquid Liabilities	34.4%		35.9%
Debt to Equity	6.02		5.98
Assets to Equity	7.02		6.98
Book value per share	94.55	1/	93.74

	03/31/2018		03/31/2017
Interest Coverage	218.1%		215.3%
Profitability			
Return on average equity	4.9%	2/	4.5%
Return on average assets	0.7%		0.6%
Net interest margin	3.5%		3.1%
Cost efficiency ratio	73.4%		74.7%
Basic Earnings per share	1.16		0.95

1/ Book value per share without goodwill - ₱ 83.84

2/ ROE without goodwill – 6.1%