



Controllership Division

November 6, 2018

MS. JANET A. ENCARNACION
HEAD, DISCLOSURE DEPARTMENT
Philippine Stock Exchange
6/F PSE Tower
28th Street corner 5th Avenue
BGC, Taguig 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 September 30, 2018.

Thank you,

Very truly yours,



JAMES PATRICK Q. BONUS
First Vice President & Controller

cc: MS. PAULA BEATRICE A. BUENO
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

Philippine National Bank
8/F PNB Financial Center
Pres. Diosdado Macapagal Blvd.,
Pasay City, Metro Manila 1300,
Philippines

T. (632) 526-3131 to 70 / 891-6040 to 70
L. 2271 / 4499
P.O. Box 1844 (Manila)
P.O. Box 410 (Pasay City)
www.pnb.com.ph

COVER SHEET

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S.E.C. Registration Number

P H I L I P P I N E N A T I O N A L B A N K

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Company's Full Name)

8 t h F l o o r P N B F i n a n c i a l C e n t e r

M a c a p a g a l B l v d . , P a s a y C i t y

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

James Patrick Q. Bonus

Contact Person

891-60-40

Company Telephone Number

9

Month
Fiscal Year

3 0

Day

17 - Q

FORM TYPE

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Month Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

[Empty box]

Total No. of Stockholders

[Empty box]

Domestic

[Empty box]

Foreign

Total amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

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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))

SEPTEMBER 30, 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 September 30, 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

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
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:

<u>Philippine Stock Exchange</u>	<u>Common Stocks</u>
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 September 30, 2018 compared to December 31, 2017

The Group's consolidated total assets stood at ₱910.7 billion as of September 30, 2018, 8.9% or ₱74.5 billion higher compared to ₱836.2 billion reported as of December 31, 2017. Changes (more than 5%) in assets were registered in the following accounts:

- Due from Other Banks as of September 30, 2018 went up by ₱3.8 billion, from ₱22.0 billion as of December 31, 2017 while Interbank Loans Receivable decreased by ₱4.7 billion, from ₱12.8 billion as of December 31, 2017.

Balance of Securities Held Under Agreements to Resell as of September 30, 2018 of ₱4.5 billion, which represents lending transactions of the Bank with the BSP, decreased by ₱10.1 billion compared to ₱14.6 billion as of December 31, 2017.

Please refer to the statements of cash flow for more information relating movements in to cash and cash equivalents which includes cash and other cash items and due from Bangko Sentral ng Pilipinas.

- Financial Assets at Fair Value Through Profit or Loss at ₱4.8 billion was higher by 65.1% or ₱1.9 billion from ₱2.9 billion attributed mainly to the purchases of various investment securities, net of sold and matured securities.
- Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) was lower at ₱54.3 billion as of September 30, 2018, a decline of ₱15.6 billion or by 22.3% from the ₱69.8 billion level as of December 31, 2017 due to sale and maturities of various investment securities. FVOCI is presented as Available for Sale Investments in the December 31, 2017 financial statements.
- Financial Assets at Amortized Cost (FAAC) was higher at ₱80.8 billion as of September 30, 2018, an increase of ₱54.0 billion or by 201.3% from the ₱26.8 billion level as of December 31, 2017 due to acquisitions of various investment securities net of matured accounts. FAAC is presented as Held to Maturity Investments in the December 31, 2017 financial statements.
- Loans and Receivables is at ₱550.7 billion or ₱48.6 billion higher than the ₱502.1 billion as of December 31, 2017 level mainly due to loan releases in the current year to various corporate and retail borrowers, net of paydowns.
- Investment Properties decreased by ₱2.0 billion from ₱15.6 billion as of December 31, 2017 to ₱13.6 billion as of September 30, 2018 due mainly to the disposal of ₱2.1 billion worth of foreclosed properties, net of applicable depreciation expenses for the period.
- Other Assets amounted to ₱7.0 billion as of September 30, 2018 or a decline of ₱1.9 billion from ₱8.9 billion as of December 31, 2017 due mainly to lower balances of creditable withholding taxes and deferred charges as well as lower outstanding items for clearing as of period end.

Consolidated liabilities increased by 9.5% or ₱68.1 billion from ₱716.4 billion as of December 31, 2017 to ₱784.5 billion as of September 30, 2018. Major changes in liability accounts were as follows:

- Deposit liabilities totaled ₱692.8 billion, ₱54.9 billion higher compared to its year-end 2017 level of ₱637.9 billion. Savings deposits went up by ₱53.2 billion, Demand deposits increased by ₱6.5 billion partially offset by a decrease in Time deposits by ₱4.8 billion.
- Bills and Acceptances Payable declined by ₱2.8 billion, from ₱43.9 billion to ₱41.1 billion, mainly accounted for by settlement of borrowings from other banks.
- Bonds Payable amounted to ₱16.1 billion as of September 30, 2018 representing outstanding borrowings under the Euro Medium Term Note programme of the Bank drawn down in April 2018.
- Financial liabilities at Fair Value through profit or loss increased by ₱289 million from 2017 yearend balance of ₱344 million, mainly due to higher notional outstanding balances of short-position derivative financial contracts.

- Accrued Taxes, Interest and Other Expenses was higher by ₱0.8 billion, from ₱5.3 billion in December 31, 2017 to ₱6.1 billion as of September 30, 2018.
- Income Tax Payable decreased by ₱0.5 billion from ₱1.0 billion to ₱0.5 billion as of December 31, 2017 and September 30, 2018, respectively.

Total equity accounts stood at ₱126.2 billion from ₱119.7 billion as of December 31, 2017, or an improvement of ₱6.5 billion attributed mainly to the following:

- Net income attributable to Equity Holders of the Parent Company of ₱7.4 billion
- Additional translation gain of ₱0.8 billion
- Increase in non-controlling interest of ₱0.2 billion

These were partly offset by additional unrealized losses on mark to market of Financial Assets at Fair Value Through Other Comprehensive Income of ₱1.9 billion.

2. Results of operation for the nine months ended September 30, 2018 compared to September 30, 2017

- For the nine months ended September 30, 2018, the Bank registered a net income of ₱7.5 billion, ₱3.0 billion or 66.5% higher than the ₱4.5 billion net income for the same period last year on account of substantial improvements in core income primarily net interest income and gains from the sale of foreclosed assets.
- Net interest income totaled ₱20.0 billion, higher by 24.0% or ₱3.9 billion compared to the same period last year mainly due to growth in the loan and investment securities portfolio which accounted for the ₱5.5 billion and ₱0.7 billion increase in interest income, respectively. This was partly offset by the decrease in interest income of deposits with banks and others by ₱0.5 billion. Total interest income increased by 28.2% or ₱5.7 billion from ₱20.2 billion to ₱25.9 billion. Total interest expense however, was also higher at ₱5.9 billion or by 44.9% or by ₱1.8 billion from ₱4.1 billion last year.
- Other income increased significantly to ₱7.1 billion compared to ₱2.9 billion for the same period last year mainly due to higher net gain on sale or exchange of assets by ₱4.1 billion, foreign exchange gain of ₱0.2 billion and improvement in miscellaneous income by ₱0.3 billion partly offset by ₱0.4 billion decline in trading and investment securities gains.
- Net service fees and commission income stood at ₱2.5 billion, 6.0% or ₱142 million higher compared the same period last year. The tempered growth was attributed to lower levels of underwriting and investment banking fees compared to the same period last year while Net insurance premium (benefits and claims) amounted to (₱0.2 billion), or ₱358 million lower compared the same period last year due mainly to higher insurance claims for the period.
- Administrative and other operating expenses amounted to ₱19.3 billion for the nine months ended September 30, 2018.
- Provision for impairment, credit and other losses increased by ₱1.0 billion in line with the bank's prudent provisioning in compliance with new accounting standards.
- Total Comprehensive Income for the nine months ended September 30, 2018 amounted to ₱6.1 billion.

3. Key performance indicators

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>12/31/2017</u>
Income statement			
Return on equity (ROE) ^{1/}	8.22%	5.30%	7.10%
Return on assets (ROA) ^{2/}	1.16%	0.80%	1.03%
Net interest margin (NIM) ^{3/}	3.44%	3.10%	3.12%
Cost efficiency ratio ^{4/}	60.27%	70.60%	65.16%
Balance sheet			
BSP Capital Adequacy Ratios:			
CAR	14.76 %	15.45%	15.35%
Tier 1 Ratio	14.03 %	14.71%	14.58%
Non-performing loans (NPL) Ratio:			
Net of allowance	0.37%	0.08%	0.26%
Gross of allowance	1.90%	2.05%	2.01%
Liquid assets-to-Total assets Ratio	23.99%	29.50%	29.10%
Current assets-to-current liabilities	55.89%	61.10%	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						
September 30, 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	09/30/18	P3,189,622	P2,522,106	P667,516	P-	P3,189,622
Equity securities	09/30/18	614,043	614,043	-	-	614,043
Derivative assets	09/30/18	655,680	-	596,242	59,438	655,680
Private debt securities	09/30/18	292,968	5,645	287,323	-	292,968
Designated at FVPL:						
Investment in UITFs	09/30/18	7,651	1,320	6,331	-	7,651
FVOCI investments:						
Government securities	09/30/18	34,471,119	28,402,726	6,068,393	-	34,471,119
Private debt securities	09/30/18	18,938,323	15,277,873	3,660,450	-	18,938,323
Equity securities*	09/30/18	702,586	108,283	594,303	-	702,586
		P58,871,992	P46,931,996	P11,880,558	P59,438	P58,871,992
Liabilities measured at fair value:						
Financial Liabilities						
Financial liabilities at FVPL:						
Derivative liabilities	09/30/18	P632,669	P-	P632,669	P-	P632,669
		P632,669	P-	P632,669	P-	P632,669
Assets for which fair values are disclosed:						
Financial Assets						
FAAC investments	09/30/18	P80,771,107	P71,411,312	P8,278,501	P-	P79,689,813
Loans and receivables:**						
Receivables from customers	09/30/18	526,901,641	-	-	533,769,408	533,769,408
Unquoted debt securities	09/30/18	(41,746)	-	-	(41,746)	(41,746)
		P526,859,895	P-	P-	P533,727,662	P533,727,662
Nonfinancial Assets						
Investment properties:***						
Land	09/30/18	P11,475,905	P-	P-	P21,959,754	P21,959,754
Buildings and improvements	09/30/18	2,157,276	-	-	2,616,056	2,616,056
		P13,633,181	P-	P-	P24,575,810	P24,575,810
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	09/30/18	P124,733,965	P-	P-	P122,149,176	P122,149,176
LTNCD's	09/30/18	31,393,193	-	-	28,808,404	28,808,404
Bills payable	09/30/18	38,229,847	-	-	38,305,136	38,305,136
		P194,357,005	P-	P-	P189,262,716	P189,262,716

* 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	₱1,534,790	₱673,162	₱—	₱2,207,952
Derivative assets	12/29/17	562,984	—	508,046	54,938	562,984
Private debt securities	12/29/17	31,305	—	31,305	—	31,305
Equity securities	12/29/17	73,918	73,918	—	—	73,918
Investments in UITF	12/29/17	6,236	—	6,236	—	6,236
AFS investments:						
Government securities	12/29/17	41,625,900	36,968,672	4,657,228	—	41,625,900
Private debt securities	12/29/17	26,920,045	20,899,896	6,020,149	—	26,920,045
Equity securities*	12/29/17	1,144,779	—	1,144,779	—	1,144,779
		₱72,573,119	₱59,477,276	₱13,040,905	₱54,938	₱72,573,119
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	2,432,449	—	—	3,730,716	3,730,716
		₱15,594,386	₱—	₱—	₱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	₱129,552,035	₱—	₱—	₱147,666,612	₱147,666,612
LTNCD's	12/29/17	31,363,956	—	—	31,391,942	31,391,942
Bills payable	12/29/17	41,684,801	—	—	41,765,052	41,765,052
		₱202,600,792	₱—	₱—	₱220,823,606	₱220,823,606

* 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
 - Senior management is responsible for ensuring that the day-to-day business of the bank is run in an efficient manner. Executive officers are assigned to various management committees that provide the leadership in the execution of the strategies and policies approved by the board of directors. The Bank's business objectives are driven for most part by the directions and actions taken 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:

	September 30, 2018					Total
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	
Net interest margin						
Third party	₱1,686,446	₱15,290,789	₱2,587,961	₱630,366	₱(151,419)	₱20,044,143
Inter-segment	9,657,213	(9,541,060)	(116,153)			
Net interest margin after inter-segment transactions	11,343,659	5,749,729	2,471,808	630,366	(151,419)	20,044,143
Other income	1,839,436	6,772,593	920,098	1,152,781	425,383	11,110,291
Segment revenue	13,183,095	12,522,322	3,391,906	1,783,147	273,964	31,154,434
Other expenses	9,052,151	2,072,312	290,815	1,357,842	907,481	13,680,601
Segment result	₱4,130,944	₱10,450,010	₱3,101,091	₱425,305	₱(633,517)	₱17,473,833
Unallocated expenses						7,366,283
Net income before income tax						10,107,550
Income tax						2,587,062
Net income from continuing operations						7,520,488
Non-controlling interests						70,973
Net income for the year attributable to equity holders of the Parent Company						₱7,449,515
Other segment information						
Capital expenditures	₱941,500	₱1,736	₱268	₱360,142	₱369,203	₱1,672,849
Unallocated capital expenditure						884,809
Total capital expenditure						₱2,557,658
Depreciation and amortization	₱428,632	₱32,205	₱973	₱172,986	₱28,400	₱663,195
Unallocated depreciation and amortization						770,016
Total depreciation and amortization						₱1,433,210
Provision for (reversal of) impairment, credit and other losses	₱677,415	₱952,302	₱	(₱380)	(₱40,873)	₱1,588,463

	As of September 30, 2018					Total
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	
Segment assets	₱168,338,819	₱484,325,849	₱176,283,340	₱98,186,141	(₱20,445,091)	₱906,689,058
Unallocated assets						4,007,056
Total assets						₱910,696,113
Segment liabilities	₱563,415,827	₱102,258,399	₱99,435,946	₱34,477,055	(₱18,665,317)	₱780,921,910
Unallocated liabilities						3,552,068
Total liabilities						₱ 784,473,978

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

September 30, 2017						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,287,937	₱12,050,655	₱2,692,726	₱369,259	(₱235,856)	₱16,164,721
Inter-segment	6,816,435	(5,720,983)	(1,095,452)	-	-	-
Net interest margin after inter-segment transactions	8,104,372	6,329,672	1,597,274	369,259	(235,856)	16,164,721
Other income	1,514,476	1,270,873	1,344,321	1,983,948	687,668	6,801,286
Segment revenue	9,618,848	7,600,545	2,941,595	2,353,207	451,812	22,966,007
Other expenses	7,363,446	1,956,673	66,514	1,486,567	570,967	11,444,167
Segment result	₱2,255,402	₱5,643,872	₱2,875,081	₱866,640	(₱119,155)	11,521,840
Unallocated expenses						5,729,573
Net income before income tax						5,792,267
Income tax						1,276,784
Net income from continuing operations						4,515,483
Non-controlling interests						50,132
Net income for the year attributable to equity holders of the Parent Company						₱4,465,351
Other segment information						
Capital expenditures	₱531,376	₱2,644	₱-	₱750,653	₱-	₱1,284,673
Unallocated capital expenditure						742,812
Total capital expenditure						₱2,027,485
Depreciation and amortization	₱414,022	₱86,572	₱1,096	₱224,705	(₱23,528)	₱702,867
Unallocated depreciation and amortization						516,058
Total depreciation and amortization						₱1,218,925
Provision for (reversal of) impairment, credit and other losses	₱6,030	₱914,098	(₱105,737)	₱7,040	(₱250,760)	₱570,671

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	₱528,053,875	₱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 September 30, 2018 and December 31, 2017 and capitalized expenditures and revenues for the nine months ended September 30, 2018 and September 30, 2017 by geographic region of the Group follows:

	Non Current Assets		Liabilities		Credit Commitments	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Philippines	₱385,018,916	₱387,750,978	₱748,846,890	₱687,770,416	₱40,964,070	₱37,217,949
Asia (excluding Philippines)	19,607	6,775,199	32,662,951	25,761,863	843,847	212,586
USA and Canada	130,745,165	84,655,334	2,445,518	2,342,588	4,894	3,795
United Kingdom and Other						
European Union Countries	1,030,540	2,883,469	518,618	541,665		-
	₱516,814,228	₱482,064,980	₱784,473,977	₱716,416,532	₱41,812,811	₱37,434,330

	Capital Expenditures		Revenues	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Philippines	₱2,550,579	₱2,026,369	₱35,063,332	₱25,354,034
Asia (excluding Philippines)	6,605	995	1,369,169	1,062,882
USA and Canada	453	121	519,790	530,080
United Kingdom and Other European Union Countries	21	–	91,964	84,926
	₱2,557,658	₱2,027,485	₱37,044,255	₱27,031,922

- 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 September 30, 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. 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.
 - Issuances, repurchases and repayments of debt and equity securities
 - 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.
9. On April 26, 2018, the Bank's Board of Directors approved the exchange of six million (6,000,000) common shares in PNB General Insurers Co., Inc. ("PNB Gen") for 178,895,061 common shares in Allied Bankers Insurance Corporation ("ABIC"). On May 31, 2018, the Board of Directors of PNB Holdings Corporation, a wholly-owned subsidiary of the Parent Bank, approved the exchange of 3,126,000 common shares in PNB Gen for 93,204,327 common shares in ABIC. These exchanges are subject to regulatory and other necessary approvals. Upon completion, the Group will effectively increase its ownership in ABIC from 4% to 33.1%.
10. On July 27, 2018, the Bank's Board of Directors approved the sale of one million (1,000,000) shares held by the Parent Bank in PNB-IBJL Leasing and Finance Corporation to IBJ Leasing Co., Ltd. for P100 million.
11. On September 28, 2018, the Bank's Board of Directors approved and confirmed the following:
 - a. Full integration of the Bank's wholly-owned thrift bank subsidiary, PNB Savings Bank, through acquisition of its assets, and assumption of its liabilities in exchange for cash, subject to regulatory and other necessary approvals.
 - b. Sale of the Bank's 100% shareholdings in its wholly-owned subsidiaries, Bulawan Mining Corporation and PNB Management and Development Corporation, to MacroAsia Mining Corporation.
12. 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 September 30, 2018
(In Thousand Pesos)

Current accounts (by maturity)	
Up to 12 months	186,738,621
over 1 year to 3 years	77,441,137
over 3 years to 5 years	72,868,823
over 5 years	190,091,068
Past due and items in litigations	<u>12,022,874</u>
Loans Receivables (gross)	539,162,523
Less:	
Unearned and Other deferred income	(1,283,193)
Allowance for credit losses	<u>(10,977,690)</u>
Loans Receivables (net)	<u>526,901,640</u>

* 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.

Impairment

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 significantly changed the Group's credit loss methodology and models compared to the previously applied incurred loss model under PAS 39. 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 previous 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.

The Group continues to refine and improve its newly implemented accounting and financial reporting process, controls and governance structure as a result of adopting PFRS 9. Therefore the estimation of impact of classification and measurement as well as expected credit loss remain subject to change until the finalization of the Financial Statements for the year ending December 31, 2018.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****As of September 30, 2018****(With Comparative Audited Figures as of December 31, 2017)****(In Thousands)**

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Cash and Other Cash Items	₱11,302,588	₱12,391,139
Due from Bangko Sentral ng Pilipinas	109,723,420	108,743,985
Due from Other Banks	25,805,943	22,025,322
Interbank Loans Receivable	8,149,853	12,837,721
Securities Held Under Agreements to Resell	4,500,000	14,621,483
Financial Assets at Fair Value Through Profit or Loss (FVPL)	4,759,963	2,882,395
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	54,276,081	–
Financial Assets at Amortized Cost	80,771,106	–
Available-for-Sale (AFS) Investments	–	69,837,416
Held to Maturity (HTM) Investments	–	26,805,131
Loans and Receivables - net	550,704,030	502,116,517
Property and Equipment	19,470,146	18,664,357
Investments in Subsidiaries and an Associate	2,401,423	2,363,757
Investment Properties	13,633,182	15,594,385
Deferred Tax Assets	1,666,370	1,695,295
Intangible Assets	3,183,372	3,322,857
Goodwill	13,375,407	13,375,407
Other Assets	6,973,229	8,877,314
TOTAL ASSETS	₱910,696,113	₱836,154,481

LIABILITIES AND EQUITY**LIABILITIES****Deposit Liabilities**

Demand	₱132,082,803	₱125,581,889
Savings	404,631,560	351,422,377
Time	124,733,965	129,552,035
Long Term Negotiable Certificates	31,393,193	31,363,956
	692,841,521	637,920,257
Financial Liabilities at Fair Value Through Profit or Loss	632,669	343,522
Bonds Payable	16,084,177	–
Bills and Acceptances Payable	41,101,832	43,916,687
Accrued Taxes, Interest and Other Expenses	6,117,452	5,323,487
Income Tax Payable	452,690	993,245
Other Liabilities	27,243,637	27,919,334
TOTAL LIABILITIES	784,473,978	716,416,532

(Forward)

	September 30, 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	44,481,986	38,831,522
Net Unrealized Loss on Financial Assets at FVOCI	(2,714,455)	–
Net Unrealized Loss on Available-for-Sale Investments	–	(3,040,507)
Remeasurement Losses on Retirement Plan	(2,620,870)	(2,106,586)
Accumulated Translation Adjustment	2,238,813	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
	123,399,339	117,093,210
NON-CONTROLLING INTERESTS	2,822,796	2,644,739
TOTAL EQUITY	126,222,135	119,737,949
TOTAL LIABILITIES AND EQUITY	₱910,696,113	₱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 Nine Months Ended September 30		For the Quarter Ended September 30	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
INTEREST INCOME ON				
Loans and receivables	₱21,762,274	₱16,404,218	₱7,698,360	₱5,763,235
Trading and investment securities	3,296,467	2,601,410	1,241,256	850,890
Deposits with banks and others	603,439	1,092,439	205,095	290,244
Interbank loans receivable	271,783	132,569	82,818	21,765
	25,933,963	20,230,636	9,227,529	6,926,134
INTEREST EXPENSE ON				
Deposit liabilities	5,182,119	3,465,284	1,966,921	894,204
Bonds payable	299,549	–	176,451	–
Bills payable and other borrowings	408,152	600,631	126,781	173,055
	5,889,820	4,065,915	2,270,153	1,067,259
NET INTEREST INCOME	20,044,143	16,164,721	6,957,376	5,858,875
Service fees and commission income	3,110,555	2,937,744	1,030,822	932,853
Service fees and commission expense	606,387	576,048	204,003	187,809
NET SERVICE FEES AND COMMISSION INCOME	2,504,168	2,361,696	826,819	745,044
Net insurance premiums	946,135	947,202	299,072	314,041
Net insurance benefits and claims	1,107,444	750,484	244,938	246,766
NET INSURANCE PREMIUMS (BENEFITS AND CLAIMS)	(161,309)	196,718	54,134	67,275
OTHER INCOME				
Trading and investment securities gains - net	71,143	478,827	(26,843)	175,035
Foreign exchange gains - net	1,349,087	1,133,515	652,162	419,901
Net gain on sale or exchange of assets	4,568,520	508,929	119,417	292,297
Miscellaneous	1,064,851	795,069	305,382	357,585
TOTAL OPERATING INCOME	29,440,603	21,639,475	8,888,447	7,916,012
OPERATING EXPENSES				
Compensation and fringe benefits	7,061,932	6,789,992	2,418,162	2,260,578
Taxes and licenses	2,684,854	1,685,177	826,190	595,178
Occupancy and equipment-related costs	1,220,722	1,117,004	423,466	409,601
Depreciation and amortization	1,433,210	1,218,925	494,715	445,013
Provision for impairment, credit and other losses	1,588,463	570,671	352,265	365,647
Miscellaneous	5,343,872	4,465,439	1,746,788	1,539,569
TOTAL OPERATING EXPENSES	19,333,053	15,847,208	6,261,586	5,615,586
INCOME BEFORE INCOME TAX	10,107,550	5,792,267	2,626,861	2,300,426
PROVISION FOR INCOME TAX	2,587,062	1,276,784	547,144	453,869
NET INCOME	7,520,488	4,515,483	2,079,717	1,846,557
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	7,449,515	4,465,351	2,055,867	1,845,222
Non-controlling Interests	70,973	50,132	23,850	1,335
	₱7,520,488	₱4,515,483	₱ 2,079,717	₱1,846,557

Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company

₱5.96

₱3.57

₱1.65

₱1.48

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 Nine Months Ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
NET INCOME	₱7,520,488	₱4,515,483
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that recycle to profit or loss in subsequent periods:		
Net unrealized gain/(loss) on financial assets at FVOCI	(1,892,932)	–
Net unrealized gain/(loss) on available-for-sale investments	–	1,188,005
Accumulated translation adjustment	1,019,454	772,065
Items that do not recycle to profit or loss in subsequent periods:		
Remeasurement gains (losses) on retirement plan	(514,447)	14,683
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(1,387,925)	1,974,753
TOTAL COMPREHENSIVE INCOME FOR PERIOD	₱6,132,563	₱6,490,236
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	₱5,863,228	₱6,451,603
Non-controlling Interests	269,335	38,633
	₱6,132,563	₱6,490,236

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 in Excess of Par Value	Surplus Reserves	Surplus	Net unrealized gain/(loss) on financial assets at FVOCI	Net Net Unrealized Loss on Available-for-Sale investments (loss)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves Adjustment	Other Equity Reserves	Share in Aggregate Reserves on Life Insurance Policies	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
Effect of the adoption of PFRS 9				(1,776,083)	2,218,984								442,901
Balance at January 1, 2018, as restated	49,965,587	31,331,251	597,605	37,055,439	(821,523)		(2,106,586)	1,417,884	70,215	13,959	12,280	117,536,111	2,644,739
Total comprehensive income (loss) for the period				7,449,515	(1,892,932)		(514,284)	820,929				5,863,228	269,335
Transfer to surplus reserves			22,968	(22,968)									6,132,563
Closure of a subsidiary													(26,107)
Dividends by a subsidiary to minority dividend													(62,655)
Balance at September 30, 2018	₱49,965,587	₱31,331,251	₱620,573	₱44,481,986	(₱2,714,455)		(₱2,620,870)	₱2,238,813	₱70,215	₱13,959	₱12,280	₱123,399,339	₱2,822,796

See accompanying Notes to Consolidated Financial Statements

	Capital Stock	Capital in Excess of Par Value	Surplus Reserves	Surplus	Net unrealized gain/(loss) on financial assets at FVOCI	Net Unrealized Loss on Available-for-Sale Investments	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves Adjustment	Other Equity Reserves	Share in Aggregate Reserves on Life Insurance Policies	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
Transfer to surplus reserves			23,947	(23,947)									-
Other equity reserves													(77,651)
Dividends by a subsidiary to minority dividend													(2,443)
Change in Accounting Policy				92,154									104,434
Total comprehensive income (loss) for the period				4,465,351		1,188,005	14,683	783,564				6,451,603	38,633
Balance at September 30, 2017	₱49,965,587	₱31,331,251	₱597,605	₱35,211,747		(₱2,281,934)	(₱2,807,170)	₱1,698,786	₱28,019	₱13,959	₱12,280	₱113,770,130	₱2,685,352

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Nine Months Ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱10,107,550	₱5,792,267
Adjustments for:		
Realized trading gain on financial assets at fair value through other comprehensive income (FVOCI)/available-for-sale (AFS) investments	(163,056)	(437,644)
Depreciation and amortization	1,433,210	1,218,925
Amortization of premium on investments securities	789,981	637,634
Provision for impairment, credit and other losses	1,588,463	570,671
Net gain on sale or exchange of assets	(4,568,520)	(508,929)
Mark-to-market loss/(gain) on derivatives	598,809	565,937
Amortization of transaction costs	9,385	34,128
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Interbank loans receivables	1,062,905	–
Financial assets at fair value through profit or loss	(2,476,377)	(1,145,294)
Loans and receivables	(52,466,077)	(47,499,895)
Other assets	2,772,059	(2,047,402)
Increase (decrease) in amounts of:		
Financial liabilities at fair value through profit or loss	289,147	(25,333)
Deposit liabilities	54,921,264	40,236,464
Accrued taxes, interest and other expenses	793,965	(151,399)
Other liabilities	(1,190,145)	6,178,393
Net cash generated from (used in) operations	13,502,563	3,418,523
Income taxes paid	(3,127,617)	(1,001,736)
Net cash provided by (used in) operating activities	10,374,946	2,416,787
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Financial assets at FVOCI	93,626,459	–
AFS investments	–	150,464,834
Financial Assets at Amortized Cost	27,851,049	–
Investment properties	6,949,640	1,762,373
Property and equipment	458,714	16,057
(forward)		

Nine Months Ended September 30,

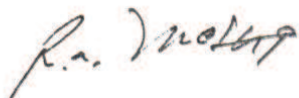
	2018	2017
	(Unaudited)	(Unaudited)
Acquisitions of:		
Financial assets at FVOCI	(₱77,940,633)	₱–
AFS investments	–	(143,574,183)
Financial Assets at Amortized Cost	(82,242,388)	–
Property and equipment	(2,198,476)	(1,237,104)
Software cost	(214,189)	(815,779)
Other equity reserves	–	(77,651)
Net cash provided by (used in) investing activities	(33,709,824)	6,538,547
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long term negotiable certificate of deposits	–	3,765,000
Pre-termination of long term negotiable certificates of deposits	–	(3,100,000)
Settlement of bills and acceptances payable	(132,472,345)	(126,878,039)
Proceeds from bonds payable	16,074,792	–
Proceeds from bills and acceptances payable	129,657,490	122,058,154
Settlement of Subordinated Debt	–	(3,500,000)
Net cash provided by (used in) financing activities	13,259,937	(7,654,885)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,074,941)	1,300,449
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	11,491,684	7,791,108
Securities held under agreements to resell	14,621,483	1,972,310
	169,273,613	170,825,747
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	11,302,588	12,777,234
Due from BSP	109,723,420	111,128,364
Due from other banks	25,805,943	29,464,337
Interbank loans receivable	7,866,721	9,256,261
Securities held under agreements to resell	4,500,000	9,500,000
	₱159,198,672	₱172,126,196
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest received	₱23,105,997	₱19,114,749
Interest paid	5,290,763	4,104,433

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



NELSON C. REYES
Executive Vice President & Chief Financial Officer

November 6, 2018

Annex A

Selected Financial Ratios For the Periods Indicated

	09/30/2018	12/31/2017
Current Ratio	55.89%	62.58%
Liquid assets to total assets-net	23.99%	29.10%
Liquid assets to Liquid Liabilities	29.96%	35.91%
Debt to Equity	6.36	5.98
Assets to Equity	7.38	6.98
Book value per share	98.79 ^{1/}	93.74

	09/30/2018	09/30/2017
Interest Coverage	271.61%	242.40%
Profitability		
Return on average equity	8.22% ^{2/}	5.34%
Return on average assets	1.16%	0.77%
Net interest margin	3.44%	3.11%
Cost efficiency ratio	60.27%	70.59%
Basic Earnings per share	5.96	3.57

^{1/} Book value per share without goodwill 88.08

^{2/} ROE without goodwill 9.23%