



CIRCULAR FOR BROKERS No. 1961-2002

P h i l i p p i n e S t o c k E x c h a n g e , I n c .

<input checked="" type="checkbox"/>	Disclosures	<input type="checkbox"/>	Stockholders' Meeting	Others: _____
<input type="checkbox"/>	Dividend Notice	<input type="checkbox"/>	SEC / Gov't. Issuance	_____
<input type="checkbox"/>	Stock Rights Notice	<input type="checkbox"/>	Transfer Agent's Notice	_____

Date : **July 29, 2002**
 Subject : **PHILIPPINE NATIONAL BANK**

This has reference to Circular for Brokers No. 1925-2002 dated July 25, 2002 in connection with the approval by the Securities and Exchange Commission of Philippine National Bank's ("PNB" or the "Bank") application for quasi-reorganization by way of a reduction of its par value from P60.00 to P40.00, resulting in a decrease of capital from P50,000,000,040.00 to P33,333,333,360.00 and thereafter, its increase in capital from P33,333,333,360.00 to P50,000,000,040.00 in support of which 195,175,444 preferred shares were to be issued to Philippine Deposit Insurance Corporation in a debt-to-equity transaction.

In relation thereto, the Bank, in a letter dated July 26, 2002, advised the Exchange of the following additional information pertinent to the abovementioned matter:

"x x x

- I. Decrease in Authorized Capital Stock from P 50 Billion to P 33.33 Billion and the reduction of the par value from P60.00 to P40.00
 - a. Details of the quasi-reorganization plan

The following information, viz:

- i. amount of deficit eliminated (i.e., accounting entries made to effect the elimination of deficit) and account(s) adjusted with the corresponding amount(s); and
- ii. period covered by deficit eliminated

are not yet available considering that the corresponding accounting entries, which will be based on the Securities and

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Philippine Stock Exchange, Inc.

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Exchange Commission (SEC) approval of the decrease in authorized capital stock, are still being prepared by our Accounting Group. We shall accordingly provide you with this information as soon as the appropriate accounting entries are made.

b. Effects on the capital structure

	Before Decrease	After Decrease
Authorized Capital Stock	P50,000,000,040.00 Divided into 833,333,334 shares	P33,333,333,360.00 Divided into 833,333,334 shares
Issued and Outstanding Shares	378,070,472 shares	378,070,472 shares
Listed Shares	378,070,472 shares	378,070,472 shares
Par Value	P 60.00	P40.00

c. Procedure(s) for the disposition/conversion of old certificates to new certificates reflecting the new par value to promote the orderliness in the trading of the Bank's securities.

Within three (3) months after a trade of PNB shares is consummated, a new stock certificate reflecting the new par value will be issued to all shareholders. Allied Bank-Trust and Investment Division, the Bank's designated stock transfer agent, will be implementing the disposition/conversion of the old certificates to the new certificates. x x x

II. Increase in Authorized Capital Stock from P33.33 Billion to P50 Billion

a. Details of the debt-to-equity transaction

The accounting entries to effect the issuance of preferred shares to Philippine Deposit Insurance Corporation (PDIC) are not yet available considering that these entries, which will be

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based on the Securities and Exchange Commission (SEC) approval of the increase in authorized capital stock, are still being made by our Accounting Group. We shall accordingly provide you with this information as soon as the appropriate accounting entries are made.

b. Effects on the capital structure

	Before Increase	After Increase
Authorized Capital Stock	P33,333,333,360.00	P50,000,000,040.00
Divided into:		
Common Shares	833,333,334 shares	1,054,824,557 shares
Preferred Shares	-0-	195,175,444 shares
Issued and Outstanding Shares	378,070,472 shares	573,245,916 shares
Common Shares	378,070,472 shares	378,070,472 shares
Preferred Shares	-0-	195,175,444 shares
Par Value		
Common Shares	P40.00	P40.00
Preferred Shares	-0-	P40.00

x x x"

Further, PNB provided the Exchange a copy of its Rehabilitation Plan which was forwarded to the Bangko Sentral ng Pilipinas. A copy of the said document is available for reference at the PSE Centre and PSE-Plaza Libraries.

In view thereof, the change in par value of PNB shares from P60.00 to **P40.00** per share will be reflected in the Exchange's computer system (electronic board and ticker) on **Wednesday, July 31, 2002**.

For your information.

(Original Signed)
JOSE G. CERVANTES
Senior Vice President

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