



CIRCULAR FOR BROKERS No. 0085-2003

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 : **January 13, 2003**
 Subject : **PHILIPPINE NATIONAL BANK**

This is in reference to Circular for Brokers No. 3357-2002 dated December 23, 2002 pertaining to the SGV report which Philippine National Bank ("PNB" or the "Bank") provided the Exchange relative to the computation of the adjusted exercise price of its warrants to P40.00 per share.

In relation thereto, the Bank, in a letter to the Exchange dated January 9, 2003, clarified that:

"We transmit herewith a copy of the revised auditor's certification pertaining to the above matter which correctly indicates that the PNB Warrants are due on or before November 16, 2005, x x x. The previous certification which we received inadvertently indicated that the warrants are due on or before September 7, 2005."

Attached herewith is a copy of the amended SGV report.

For your information.

(Original Signed)
TRISHA M. ZAMESA
Head, Disclosure Department

Noted by:

(Original Signed)
JOSE G. CERVANTES
Senior Vice President

Finance / Admin / Membership Tel. No. 634-5112	Compliance & Surveillance Grp. Tel. No. 634-6903	Listings & Disclosure Grp. Tel. No. 636-0122	COO / Automated Trading Grp. Tel. No. 633-1311	Business Dev't Group Tel. No. 634-5089	CEO / Legal Tel. No. 637-8805

Report of Independent Public Accountants

The Board of Directors
Philippine National Bank

We have audited the accompanying schedule reflecting the computation of adjusted exercise price of Philippine National Bank (PNB) Warrants, due November 16, 2005, as of July 23, 2002. The adjustment was made pursuant to Article 5.01 of the Warrant Instrument dated September 7, 2000 to reflect the adjusted exercise price of ₱ 40.00 from ₱ 60.00. This schedule is the responsibility of the Bank's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly the adjusted exercise price of PNB Warrants as of July 23, 2002, in accordance with Article 5.01(1) of the Warrant Instrument.

SyCip, Gorres, Velayo & Co.

PTR No. 6723206
January 2, 2002
Makati City

September 16, 2002

Philippine National Bank

**Adjusted Exercise Price of PNB Warrants
As of July 23, 2002**

Old Par Value ₱ 60.00

New Par Value ₱ 40.00

Adjusted Exercise Price of PNB Warrants (₱ 60.00 x ₱ 40.00/ ₱ 60.00) ₱ 40.00

See accompanying Notes to Schedule

PHILIPPINE NATIONAL BANK

NOTES TO SCHEDULE

1. PNB Warrants

In September 2000, PNB offered for subscription through a pre-emptive right offering, 171,850,215 common shares at an offer price of ₱ 60.00 per rights share with 171,850,215 warrants. The warrants were issued in the proportion of one warrant for every right to subscribe one share. One warrant entitles the holder to purchase one underlying share at an exercise of ₱ 60.00 and is exercisable within 5 years from November 16, 2000. Such rights and the underlying shares were issued out of the authorized capital stock of 833,333,334 shares and were offered to all stockholders of PNB as of September 15, 2000, the record date.

Pursuant to Article 5.01 of the Warrant Instrument, the Exercise Price of Warrants may be adjusted on the basis of certain events as follows:

- (a) If there shall be a change in par value of the underlying shares which are the Common shares of PNB with par value of ₱ 60.00;
- (b) If and whenever PNB shall issue stock dividends, effective on the Record Date of the stock dividends;
- (c) If as a result of a merger, consolidation and/or quasi-reorganization, PNB shall make (whether on a reduction of capital or otherwise) any capital distribution to shareholders other than the regular or special cash dividends which PNB may declare from time to time;
- (d) If and whenever PNB shall grant to shareholders the right to acquire for cash, a substantial portion of the assets of PNB; and
- (e) If and whenever PNB shall offer to all shareholders new shares at a price lower than ₱ 60.00 per share, then the new Exercise Price shall be the price per share offered by PNB.

The formula for adjustment in each of the above events is described in detail in the Warrant Instrument and shall be made to the nearest one centavo (₱ 0.01 being rounded down).

2. Rehabilitation Plan

On December 19, 2001, the Republic of the Philippines through the Department of Finance and Philippine Deposit Insurance Corporation and other shareholders of PNB signed a term sheet outlining the basis for the rehabilitation of PNB. The term sheet was initially executed to embody the agreement to execute the Memorandum of Agreement (MOA). On May 3, 2002, the NG and the majority shareholder signed the MOA to implement the provisions of the term sheet. One of the provisions was to effect the quasi-reorganization of PNB's capital through a reduction of par value from ₱ 60.00 to ₱ 40.00 per share.

On May 17, 2002, the majority of the Board of Directors of PNB approved the amendment of the Articles of Incorporation reflecting the reduction in par value of common shares from ₱ 60.00 to ₱ 40.00. On June 25, 2002, the stockholders of PNB representing at least two-thirds of the outstanding capital stock approved the same. The Securities and Exchange Commission and the Bangko Sentral ng Pilipinas approved the amended Articles of Incorporation on July 23, 2002 and July 22, 2002, respectively.

3. Adjustment of Exercise Price of PNB Warrants

On August 16, 2002, the majority of the Board of Directors of PNB approved the adjustment of Exercise Price of PNB Warrants from ₱ 60.00 to ₱ 40.00 per share pursuant to Article 5.01 (1) of the Warrant Instrument. The new exercise price was determined on the basis of the formula for event 1 as mentioned in Note 1 of Article 5.01 of the Warrant Instrument. The adjusted exercise price is determined as follows:
 $\text{₱ } 60.00 \times \text{New Par Value} / \text{Old Par Value}.$