



CIRCULAR FOR BROKERS NO. 3692-2004

The Philippine Stock Exchange, Inc.

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| <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 | _____ |

Posted August 16, 2004

Date : **August 16, 2004**

Company : **PILIPINO TELEPHONE CORPORATION**

This is in reference to the news article entitled "BSP allows Smart to assume \$200-M Piltel loans" published in the August 16, 2004 issue of The Philippine Star (Internet Edition). The article reported that "(t)he Bangko Sentral ng Pilipinas (BSP) has finally allowed Smart Telecommunications, Inc. to assume some \$200 million worth of loans of Pilipino Telecomms (Piltel). The BSP's Monetary Board allowed the transaction that resuscitated the Piltel's non-performing loans and converted them into obligations of the much wealthier Smart Telecoms. BSP deputy governor Alberto Reyes said the approval by the MB was good for banks since the Piltel loans would no longer be booked as non-performing loans. 'They're active loans now and new promissory notes will be issued,' Reyes explained. 'This would also free up the provisioning that Piltel's creditors had to set aside to cover the risks of these NPLs.' Reyes declined to disclose which banks constituted Piltel's former creditors but he said majority of the banks were foreign overseas banking units of large foreign banks and foreign currency deposit units (FCDUs). The MB also agreed to exempt Piltel's creditors from their overbought limit to allow the swap and gave banks the option of booking the swap under their foreign currency deposit units (FCDUs). The exemption was sought by Piltel's two biggest creditors, the Bank of the Philippine Islands and Land- Bank of the Philippines. The banks asked the BSP to exempt the transaction that would swap their Piltel debt into a 10-year Smart debt or 12-year low-yield, sovereign-backed bonds. x x x"

Pilipino Telephone Corporation ("PLTL"), in its letter to the Exchange dated August 16, 2004, advised the Exchange that:

"x x x on June 9, 2004, Smart Communications, Inc. ('Smart') received from the Monetary Board of the Bangko Sentral ng Pilipinas an approval-in-principle of Smart's proposed US\$100-300 million unsecured medium and long-term debt facilities to be exchanged for certain restructured debt of the Pilipino Telephone Corporation ('Piltel') subject to various terms and conditions contained in the letter. x x x"

For your information.

(Original Signed)
JURISITA M. QUINTOS
Senior Vice President - Operations Group

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