



REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG-YAMAN
(BUREAU OF THE TREASURY)
INTRAMUROS, MAYNILA

Funding the Republic

NOTICE OF OFFERING

To : All Government Securities Eligible Dealers
Date : 22 November 2006
Subject: Notice of Offering
Republic of the Philippines 5-Year Retail Treasury Bonds
(**Semi-Annual Coupon**) due **2011**

Please be advised that the Development Bank of the Philippines (“DBP”), and the Land Bank of the Philippines (“LBP”), have been mandated by the Department of Finance (“DOF”) of the Republic of the Philippines (the “Republic”), through the Bureau of the Treasury (“BTr”) to arrange an issue by the Republic of peso-denominated 5-year Fixed Rate Retail Treasury Bonds (the “Bonds”) in a minimum aggregate nominal principal amount of PHP6,000,000,000.

You are invited to participate as a Dealer in respect of such issue subject to the provisions of this Notice of Offering, the Program Mechanics for the Issuance of Peso-Denominated Retail Treasury Bonds dated June 9, 2003 (the “Program Mechanics”) and the Principal Commercial Terms attached as Schedule 1 (collectively, the “Applicable Terms”). The Program Mechanics, a copy of which is available for inspection at the BTr, shall be deemed to be incorporated by reference in, and to form part of, this Notice of Offering. The contemplated issue will be governed by the Applicable Terms. Please be advised that your submission of the Accession Letter and Bid/Proposal Notice signifying your agreement to participate in the issue as a Dealer shall constitute an agreement on your part to be bound by the Applicable Terms in relation to such issue.

Below is the timetable of activities relative to the captioned issue.

Auction Date : **27 November 2006**
Public Offer Period : **27 November to 4 December 2006**
Issue Date : **06 December 2006**

The Republic, through the BTr, reserves the right to revise the timetable. You will be notified through Reuters and other service provider e.g. Bloomberg of any change in the timetable of activities.

Further, a copy of the herein Notice of Offering and its annexes may be accessed through the BTr website.

Interested GSEDs must submit their bids electronically through their respective Reuters terminals on or before 1:00 p.m. of the Auction Date.

Terms not defined herein have the meanings set forth in the Program Mechanics.

Schedule 1

Principal Commercial Terms

Issuer	:	REPUBLIC OF THE PHILIPPINES
Joint Issue Managers	:	Development Bank of the Philippines (“DBP”) Land Bank of the Philippines (“LBP”)
Dealers	:	Government Securities Eligible Dealers (“GSEDs”) who, having submitted an Accession Letter in the form attached hereto as Annex A and in accordance with the Program Mechanics, have <u>successfully bid for a minimum amount of PHP300,000,000.</u>
Issue Amount	:	Minimum of PHP6,000,000,000. The Republic reserves the right to increase the overall size of the Issue.
Auction Date	:	27 November 2006. The Republic, through the Auction Committee, reserves the right to accept or reject any or all tenders or part of tenders and to award less than the minimum Issue Amount.
Issue Date	:	06 December 2006, unless another date is announced by the Republic
ISIN/SERIES CODE	:	5-Year – PIID0511L054
Form and Denomination	:	The Retail Treasury Bonds shall be issued in scripless form and will be sold during the public offer period in minimum denominations of PHP5,000 and integral multiples thereof.
Maturity Date	:	06 December 2011 , or if the Issue Date does not occur on 06 December 2006, the Maturity Date shall be the date that is 5 years following the Issue Date.
Issue Price	:	At par (or 100%)
Redemption Price	:	At par (or 100%)
Interest Rate	:	The final Interest Rate will be determined through a Dutch auction to be participated by GSEDs. The interest rate at which a GSED can bid shall not exceed the Maximum Interest Rate.
Interest Payment Date	:	Interest on the Retail Treasury Bonds, to be calculated on a 30/360-day basis, will be paid <u>semi-annually</u> in arrears on the last day of each 6-month Interest Period. Each Retail Treasury Bond will cease to bear interest on the Maturity Date. If the Interest Payment Date is not a Business Day, interest will be paid on the next succeeding Business Day, without adjustment in the amount of interest to be paid.

Maximum Interest Rate : The Maximum Interest Rate for the Retail Treasury Bonds shall be calculated as the relevant Interest Benchmark Rate less 25 basis points, rounded down to the nearest one-eighth (1/8) of one percent (1%). The Maximum Interest Rate shall be stated in three (3) decimal places.

Interest Benchmark Rate : The Interest Benchmark Rate shall be determined as being the benchmark yield of the most recent “on-the-run” 5-year Fixed Rate Treasury Bond (“FXTB”) issue as shown on the Bloomberg MART1 page at or about 11:16 a.m. on the Auction Date. In the absence of a quotation for the applicable benchmark “on-the-run” issue, the applicable benchmark yield or bid yield shall be interpolated on a straight-line basis from the nearest shorter and longer-dated FXTB issues. If such screen page is unavailable on the Auction Date, the Interest Benchmark Rate shall be determined by reference to the Bloomberg MART1 page at or about 11:16 a.m. on the immediately preceding Business Day.

Selling and Transfer Restriction: As per Program Mechanics

Retail Sales Obligations : Each dealer shall be required to sell to retail investors (as defined in the Program Mechanics), at least 50% of its subscription for Retail Treasury Bonds (as allocated to it by the Republic) at any time within a period commencing on the Issue Date up to and including the date that is fifteen (15) business days from the Issue Date.

In the event a Dealer is unable to comply with this requirement, the Republic shall only pay selling commission for the actual amount sold to retail investors and shall not pay any selling commission for the balance of the total sales. Likewise, the Republic reserves the right to exclude such Dealer from participating in future issues of Retail Treasury Bonds.

In addition to the definition of Retail Investors in the Program Mechanics, sale to investment houses and/or subsidiary corporations of Dealers performing banking and/or quasi-banking functions/activities shall not be considered as retail sales. However, the Dealer may require the investment house and/or subsidiary corporation to comply with the 50% sell down to Retail Market/Investors, in which event the investment house/subsidiary corporation shall be required to submit the corresponding bondholders’ list to the Dealer to be included in its reportorial obligations to the Issuer.

In compliance with DOF Order No. 141-95, as amended, Dealers are not allowed to offer the RTBs to GOCCs. Further, dealers are to sell RTBs in its original form and current structure. Any attempt or intention to introduce variants and derivatives thereof; to use it as underlying assets for another product; or to create a wrap around structure to repackage the same, shall constitute a material breach of the selling agency agreement, and shall result in the automatic termination of services as Dealer, as well as forfeiture of the corresponding selling agency fee.

In case the Dealer submits a falsified Sales Report/Bondholders' list, such Dealers shall be excluded from participating in future issuances of the Republic. This is without prejudice to the filing of appropriate criminal charges and other sanctions provided for by law.

The Republic reserves the right to verify the accuracy and veracity of the bondholders' list submitted by the Dealers as well as other documents and information on retail investors as required by the Republic.

All information relative to the bondholders shall be treated with absolute confidentiality.

Selling Agency Fees : Dealers shall be paid a selling agency fee in accordance with the Schedule set out in **Annex B** hereof. No Dealer shall cede, pay, share, or compensate third-party investors or purchasers any Selling Agency Fees in exchange for the purchase of the Retail Treasury Bonds. Any selling agency fee due to Dealers shall be deducted from the proceeds of their Retail Treasury Bonds sales in accordance with the BTr's "Settlement Procedures for the RTB Public Offering", attached as **Annex C**.

Reporting and Other Obligations: As per Program Mechanics.

Each Dealer shall be required to submit to the Issuer, not later than 4:00 p.m. of each day during the Public Offer Period, its sales report/s, in the format attached as Annex D, thru fax to BTr-SOD. The SOD shall provide three (3) Telefax Numbers available throughout the offer period.

Autofax Nos. (02) 527-3132; 527-7089 and 526-6487

Subscriptions sent thru fax may be confirmed at the following telephone numbers: (02) 527-3117, 527-2827, or 522-8122 loc. 207

Every subscription originating from the same Dealer shall be sent only once to any of the three (3) designated fax numbers, and shall be numbered sequentially in accordance with Annex D, from day 1 up to the end of the offer period or upon termination thereof, subject to the “first come-first served” policy. The Republic shall reject the following –

- a) subscription without transmission numbers
- b) subscription with identical transmission numbers
- c) subscription transmitted more than once in a single fax number

The Republic also reserves the right to accept or reject a dealer’s reported sales subscription.

Taxation	:	Prevailing final withholding tax on coupon payment shall be for the account of the bondholders. <i>Tax Exempt Institutions shall be free from payment of any withholding tax.</i> Documentary stamp tax (DST) on original issue shall be for the account of the Issuer.
Status	:	The Retail Treasury Bonds constitute direct, unconditional, unsubordinated, and general obligations of the Republic and shall at all times rank <i>pari passu</i> and without any preference among themselves.
Sinking Fund	:	The Republic shall set up and maintain a sinking fund with the BTr in order to accumulate the amounts necessary to pay the principal of the Retail Treasury Bonds on the Maturity Date.
Eligibility	:	The Retail Treasury Bonds qualify in the same manner as all other Treasury Notes and Bonds in respect of: (i) the liquidity floor requirement for government funds and reserves for trust duties under <i>Bangko Sentral ng Pilipinas</i> rules and regulations; (ii) insurance reserves under the Insurance Commission rules and regulations; and (iii) performance and judicial bonds.
Public Offer Period	:	27 November to 04 December 2006. Acceptance of subscriptions shall be on a first-come-first-served basis. When subscription has reached a level deemed sufficient by the BTr, the BTr-SOD shall announce the termination and closure of the offer period through Reuters. The Republic reserves the right to announce at any time, the remaining volume available for sale on a particular day during the Public Offer Period.

Enrollment in the RoSS-CIS :

For investors without existing securities account (in RoSS or with Accredited Custodian), their RTB holdings may be recorded in the Registry (“Name-on-Registry”) of Scripless Securities in the name of the investor. For this purpose, Dealers are required to provide the following information for the enrollment of the investors in the Registry of Scripless Securities-Client Interface System (RoSS-CIS): the name of the Bondholder, Customer Code/GSED Client Number and Settlement Bank Account Number.

Dealers shall submit to the BTr the duly accomplished Investor’s Undertaking (Annex “E”) executed by the purchasing client-investor. Likewise, a copy of the special power of attorney executed by the client-investor in favor of the Dealer for the creation of the RoSS securities account and for executing trade instruction shall be submitted to BTr upon demand.

(SGD) OMAR T. CRUZ
Treasurer of the Philippines