



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

Funding the Republic

PRESS RELEASE

PREPAYMENT OF BRADY BONDS

13 November 2006, Manila, Philippines: The National Government of the Republic of the Philippines has announced that it will call all the outstanding Floating Rate Bonds and Interest Reduction Bonds with an estimated aggregate principal amount of \$165.3 million. This represents 57% of the \$291.3 million Brady Bonds that will be outstanding as of December 1, 2006.

This is the second time that the National Government will be exercising the call option provided under the Brady Bonds. On June 1, 2006, the National Government called \$410 million or the outstanding amount of the Principal Collateralized Interest Reduction Bonds Series B. This prepayment is part of the debt management strategy of the National Government intended to reduce its dependence on foreign borrowings and the cost of its external debt service.

Brady Bonds were originally issued as part of the Republic's 1992 restructuring process. The original expiration date for the Series A Floating Rate Bonds was June 1, 2010. The original expiration date for the Series B Floating Rate Bonds was December 1, 2009. The original expiration dates for the Series A and Series B Interest Reduction Bonds were December 1, 2007 and June 5, 2008, respectively.

The bonds contain a call provision that gives the Government the right to retire the bonds, as long as the bondholders receive at least 30 days' notice.

The resources to finance the prepayment will be obtained from the National Government's liquidity position.

Significance of the Prepayment

Previously, the Republic has executed three Brady Bond Exchanges to retire an estimated \$1.58 billion out of the total original issue size of the Brady Bonds of \$3.348 billion.

This prepayment will allow the National Government to retire the total outstanding amounts of the Series A Floating Rate Bonds, the Series B Floating Rate Bonds, Series A Interest Reduction Bond and Series B Interest Reduction Bonds.

This transaction should lead to the following benefits:

- a) External public debt will be reduced—There will be an external debt reduction of \$165.3 million.
- b) Significant net present savings—The yield curve of the Philippines suggests that the Philippines will generate an estimated savings of about 73 basis points of the amount being retired under this prepayment.