



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

Funding the Republic

Memorandum

To : All Government Securities Eligible Dealers

Date : November 17, 2005

Subject : Notice of Offering for the National Power Corporation (NPC) Zero Coupon Bonds

Please be advised that the National Power Corporation will auction on November 22, 2005 P11.0B worth of NPC Bonds with issue date of November 29, 2005. Below are the indicative terms of the issue:

Issuer	National Power Corporation (“NPC”)
Guarantor	Republic of the Philippines
Issue	Zero Coupon Bonds due 2012 (the “7-Year Zeroes” or the “Bonds”)
Arranger, Underwriter, and Issue Manager	ING Bank N.V., Manila Branch
Joint Issue Managers	BDO Capital & Investment Corporation and PCI Capital Corporation
Issue Amount	Php 11 billion in Maturity Value terms
Auction Date	November 22, 2005
Issue/Settlement Date	November 29, 2005
Maturity Date	November 29, 2012
ISIN	NPCZ0712K017
Use of Proceeds	NPC will use the net proceeds to finance its maturing debt obligations, capital expenditures, and for its general funding requirements for the year 2005.
Yield of the Bonds	To be determined by way of a Dutch Auction

Issue Price	To be determined on Auction Date based on Yield of the Bonds.
Redemption Price	100%
Fiscal, Paying and Transfer Agent	Philippine Bureau of the Treasury
Registrar	Registry of Scripless Securities (“ROSS”)
Taxation	<p>The Philippine Bureau of Internal Revenue generally treats original issue discount on zero coupon bonds or notes as interest income subject to final withholding tax. However, pursuant to NPC's Charter, interest payable in respect of NPC's domestic indebtedness, including the Bonds, is exempt from Philippine Taxes, including final withholding tax. Therefore, all payments by NPC of principal and interest on the Bonds shall be made free and clear from any withholding for, or on account of, any present or future Philippine Taxes.</p> <p>Likewise, all payments of principal and interest by the Republic in respect of the Guarantee shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future Philippine Taxes.</p>
Dutch Auction	<p>The Issuer shall offer the 7-Year Zeroes by way of auction that shall be conducted on the Auction Date (which shall be four (4) banking days prior to the Settlement Date). The auction shall follow the same procedures used for the competitive auction of government securities.</p> <p>The Issuer reserves the right to postpone the auction of the Bonds, or accept or reject any or all tender or parts of the auction.</p>
Eligibility Features	The Insurance Commission approved the 7-Year Zeroes as “Admitted Reserve Assets”.

Please be guided accordingly.

OMAR T. CRUZ
Treasurer of the Philippines